JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

A Subsidiary of the Jamaica Stock Exchange

TRUSTEE SERVICES

JCSD

TRUSTEE SERVICES

ANNUAL REPORT 2020

SAFE | RELIABLE | EFFICIENT

TABLE OF CONTENTS

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe · Reliable · Efficient"

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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Mission STATEMENT

To efficiently provide Depository, Trustee, Registrar and related services to our customers in order to build the capital market in the countries in which we operate while providing a return on equity that is acceptable to our shareholders.

Our Corporate OBJECTIVES

The Jamaica Central Securities Depository (JCSD), which is a fully owned subsidiary of the Jamaica Stock Exchange, was incorporated in 1998 with its principal objectives being:

To be accountable for the safe custody and movement of securities, accurate record keeping, the processing of trade transactions and the collection and distribution of entitlements relating to the securities that have been deposited by participants;

To maximize the efficiency of the capital markets through the electronic holding of securities in a secure environment, both regional and global;

To provide participants with a reliable, cost-effective depository, custody, clearance and settlement system;

To deliver innovative, value-added solutions that help build competitive advantage for the Jamaica Stock Exchange Group.

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JAMAICA CENTRAL SECURITIES DEPOSITORY LTD.

NOTICE OF 23RD ANNUAL GENERAL MEETING

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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NOTICE IS HEREBY GIVEN that the Twenty third (23rd) Annual General Meeting of the Jamaica Central Securities Depository Limited (the "Company") will be held at the offices of the Jamaica Stock Exchange, 40 Harbour Street, Kingston on **Wednesday, July 28, 2021** commencing at 12:00 p.m. to transact the ordinary business of the company, to consider and, if thought fit, to pass the following ordinary resolutions:

BE IT RESOLVED:

1. **Resolution No. 1 - 2020 Audited Financial Statements**
   THAT the Directors' Report, the Auditors' Report and the Audited Financial Statements for the Company for the year ended December 31, 2020, be and are hereby adopted.

2. **Resolution No. 2 - Re-election of Director**
   THAT Mr. Curtis Martin, a Director retiring by rotation and being eligible has offered himself for re-election, be and is hereby re-elected a Director of the Company.

3. **Resolution No. 3 - Re-election of Director**
   THAT Mrs. Marlene Street Forrest, a Director retiring by rotation and being eligible has offered herself for re-election, be and is hereby re-elected a Director of the Company.

4. **Resolution No. 4 – Appointment of and the Remuneration of the Auditors**
   THAT Ernst & Young, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby re-appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

5. **Resolution No. 5 – Remuneration of the Directors**
   THAT the Directors be and are hereby authorized to fix their fees for the fiscal year 2021/2022.

DATED THIS TWENTY THIRD DAY OF JUNE 2021,
BY ORDER OF THE BOARD

KH Hermitt

....

Kadyll McNaught-Hermitt
Company Secretary

A form of proxy accompanies this Notice of Annual General Meeting. A shareholder who is entitled to attend and vote at the Annual General Meeting of the Company may appoint one or more proxies in his or her place. A proxy need not be a shareholder of the Company. All completed original proxy forms must be deposited together with the power of attorney or other document appointing the proxy, at the registered office of the Company at least 48 hours before the Annual General Meeting.

JAMAICA CENTRAL SECURITIES DEPOSITORY TRUSTEE SERVICES LTD.

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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NOTICE OF 13TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the eleventh (13th) Annual General Meeting of JCSD Trustee Services Limited (the "Company") will be held at the offices of the Jamaica Stock Exchange, 40 Harbour Street, Kingston on **Wednesday, July 28, 2021** commencing at 11:30 a.m. to conduct the ordinary business of the company, to consider and, if thought fit, to pass the following resolutions:

BE IT RESOLVED:

1. **Resolution No. 1 - 2020 Audited Financial Statements**
   THAT the Directors' Report, the Auditors' Report and the Audited Financial Statements for the Company for the year ended December 31, 2020, be and are hereby adopted.

2. **Resolution No. 2 - Re-election of Director**
   THAT Mr. Curtis Martin, a Director retiring by rotation and being eligible has offered himself for re-election, be and is hereby re-elected a Director of the Company.

3. **Resolution No. 3 - Re-election of Director**
   THAT Mrs. Marlene Street Forrest, a Director retiring by rotation and being eligible has offered herself for re-election, be and is hereby re-elected a Director of the Company.

4. **Resolution No. 4 – Appointment of and the Remuneration of the Auditors**
   THAT Ernst & Young, Chartered Accountants, having agreed to continue in office as Auditors, be and are hereby re-appointed Auditors for the Company to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company.

5. **Resolution No. 5 – Remuneration of the Directors**
   THAT the Directors be and are hereby authorized to fix their fees for the fiscal year 2021/2022.

DATED THIS TWENTY THIRD DAY OF JUNE 2021,
BY ORDER OF THE BOARD

KM Hermitt

Kadyll McNaught-Hermitt
Company Secretary

A form of proxy accompanies this Notice of Annual General Meeting. A shareholder who is entitled to attend and vote at the Annual General Meeting of the Company may appoint one or more proxies in his or her place. A proxy need not be a shareholder of the Company. All completed original proxy forms must be deposited together with the power of attorney or other document appointing the proxy, at the registered office of the Company at least 48 hours before the Annual General Meeting.

JAMAICA CENTRAL SECURITIES DEPOSITORY LTD.

DIRECTORS' REPORT

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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The Directors submit herewith, the separate audited financial statements of Jamaica Central Securities Depository Limited, ("the Company") and the consolidated financial statements of the Company and its wholly owned subsidiary, JCSD Trustee Services (together called "the Group"), for the year ended December 31, 2020.

The Group's Total Income for the year was $1,059.6m, which compared to $955.5m in 2019, representing an increase of $104.1m (10.9%). Investment Income was $25.8m compared to $10.7m in 2019, representing an increase of $15.1m (141.1%). Total Expenses for the year of $497.86m represented an increase of $96.45m (24.03%) over 2019. Profit for the year of $396.9m represents an increase of $31.5m (8.6%,) when compared to $365.4m for the prior year,

Total Assets as at 31st December 2020, was $894.4m, compared to $803.5m at the 2019 year-end with Shareholder's Equity increasing by $102.5m or 15.9%, from $641.0m to $743.5m over the period.

Dividends amounting to $284.0m were paid to the Company's only shareholder, the Jamaica Stock Exchange, during the year.

The Auditors, Ernst & Young, Chartered Accountants, 8 Olivier Road, Kingston 8, who were appointed at the previous Annual General Meeting, having agreed to continue in that capacity are recommended for reappointment.

ON BEHALF OF THE BOARD OF DIRECTORS

Livingstone Morrison, Chairman

JAMAICA CENTRAL SECURITIES DEPOSITORY TRUSTEE SERVICES LTD.

DIRECTORS' REPORT

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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The Directors submit herewith the audited financial statements of JCSD Trustee Services Limited, ("the Company"), for the year ended December 31, 2020.

The Company's Total Revenue for the year of $596.6m represents an increase of $95.3m (19.01%) when compared to revenue of $501.3m in 2019. Investment Income was $12.8m compared to $5.9m in 2019, an increase of $6.9m (116.9%). Total Expenses for the year of $247.9m represents an increase of $63.7m (34.6%) over 2019. Net Profit of $242.8m recorded in 2020, compared to $209.9m in the prior year, represents an increase of $32.9m (15.6%).

Total Assets as at 31st December 2020, amounted to $459.9m, compared to $398.8m at the previous year-end. Shareholder's Equity increased from $335.7m to $401.7m, an increase of 66m (19.6%) over the period under review.

Dividends amounting to $177m were paid to the Company's only shareholder, the Jamaica Central Securities Depository Limited, during the year.

The Auditors, Ernst & Young, Chartered Accountants, 8 Olivier Road, Kingston 8, who were appointed at the previous Annual General Meeting, having agreed to continue in that capacity, are recommended for reappointment.

ON BEHALF OF THE BOARD OF DIRECTORS

....

Livingstone Morrison, Chairman

MEMBERS OF THE JCSD's BOARD

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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Mr. Livingstone Morrison
- Chairman, JCSD & JCSDTS

Livingstone Morrison served as the Deputy Governor of the Bank of Jamaica with responsibilities for Administration and Technical Services, Finance and Technology and Payments System in addition to Risk Management. Mr. Morrison joined the staff of the Bank of Jamaica in 1982, and worked for several years in the Financial Institution's Supervisory Division. Between 1998 and 2002, Mr. Morrison served as the Division Chief of the Finance and Technology Division, with core responsibilities for strategic management of the accounting, finance, and information and communication technology functions of the Bank. In 2011, Mr. Morrison assumed responsibility for the Administration and Technical Services Division in addition to the Finance and Technology and Payments System as well as Risk Management Division.

Mr. Curtis Martin
- Deputy Chairman, JCSD & JCSDTS

Curtis Martin is a seasoned expert in Finance, Banking and Strategic Management.

He is the Managing Director for JN Bank Limited and has previously operated in the capacity of senior executive in areas such as finance, treasury investments management, merchant and commercial bank management for over thirty years at several organizations.

As Chairman of the Jamaica Stock Exchange & Jamaica Central Securities Depository (2006-2011), Curtis led the diversification of the organization's revenue stream with the development and launch of the Junior Stock Market, JSE Trustee Services, JSE E-Learning Institute and the Caribbean Exchange Network (CXN).

He received a BSc, Management Studies from The University of the West Indies and a MBA, Finance from Columbia University, New York.

He is a Director of the Jamaica Central Security Depository (JCSD) a JCSD Trustee Services Member and a Member of the Kingston College Old Boys' Association.

Miss Justine Collins

Ms. Collins was called to the Bar in Jamaica in 2016, after having completed her studies at the Norman Manley Law School. She received a Bachelor of Laws degree (LLB) with honours from the University of the West Indies, Cave Hill Campus, Barbados.

Justine is also the holder of a Master of Laws (LLM) in Commercial and Corporate Law with Distinction from Queen Mary, University of London. As a Research Assistant at Queen Mary, she conducted research into applications of Blockchain technology beyond Bitcoin and other cryptocurrencies. She has an avid interest in technology law, with a research focus on blockchain applications, computer law, financial technology (Fintech) and E-commerce law. Justine also has a certificate in Fintech Law and Policy from Duke University and a certificate in Fintech from the Saïd Business School at the University of Oxford.

Justine has presented submissions on the Data Protection Bill to the Joint Select Committee of Parliament. She presently lectures Data Protection Law at the Jamaica Stock Exchange e-Campus as part of a Post-Graduate Diploma.

Justine is a member of the Jamaican Chapter of the Internet Society, the Computer Society of Jamaica, the Rotaract Club of Kingston and the Commonwealth Lawyers Association. Justine serves as a director of Access Financial Services Limited, Jamaica Central Securities Depository Limited, and JCSD Trustee Services Limited.

Justine has published articles for the International Journal of Law and Information Technology; the Social Science Research Network (ssrn.com); and the Jambar Journal. She has presented at the Commonwealth Lawyers Association in Livingstone Zambia; the Organisation of Commonwealth Caribbean Organisations (OCCBA) Conference in Florida, USA; 14th Annual Regional Investments & Capital Markets Conference of the Jamaica Stock Exchange; Annual Conference of the Jamaican Bar Association; the 2nd Annual Conference of the Barbados Bar Association; the 4th Annual Mona Law Symposium at the University of the West Indies; the Jamaica Stock Exchange e-Campus and EU GDPR Institute Data Protection Workshop and seminars of the General Legal Council of Jamaica.

Mr. Alvaro Casserly

Mr. Alvaro Casserly has had a very distinguished career spanning over four decades. Mr. Casserly is a Past Chairman of the United Way's Caribbean Regional Council and United Way of Jamaica. He is the Vice Chairman of the Caribbean Central American Action (CCAA).

Mr. Casserly has served on several Boards. Over the years he has been a Director of the Jamaica Stock Exchange, Jamaica Flour Mills Limited, Braco Resorts Limited, Independent Radio Company Limited, and Dyoll Group Limited.

Mr. Casserly has professional experience with various sectors including Financial, Insurance, Health, Media and Public Utility. Within these sectors he has held positions including Managing Director, CEO, Chairman, Assistant to President, Treasurer and Director of Finance. He has a wealth of experience and knowledge which he brings to all the Boards that he sits on. Mr. Casserly believes in "service above self", which manifests in his life as a committed Rotarian and a Past District Governor of Rotary International. Accordingly, he continues to dedicate himself to work with many charitable organizations to better the lives of others. He also serves on the Financial Board of the Diocese of Jamaica and is an active member of the St. Andrew Parish Church.

Mr. Gary Peart

Mr. Gary Peart joined Mayberry Investments Limited in May 2005 as Chief Executive Officer after developing his management techniques throughout the financial industry over the last 20 years. During this time, he gained experience in almost every business line, including Corporate Finance, Equity, Fixed Income and Treasury Management, all of which prepared him for his current role as CEO. A year later, he was appointed to the Board of Directors.

Mr. Peart has served as a Director at several other well-known Jamaican entities and currently sits on the Board of Lasco Financial Services, Lasco Distributors Limited, IronRock Insurance Company and Supreme Ventures Limited. He has also served as Deputy Chairman of the Jamaica Stock Exchange and currently serves as an Officer of the Jamaica Securities Dealers Association.

Mr. Peart is also a member of the Assets and Liabilities Committee, Project Steering Committee and Audit Committee of Mayberry Investments Limited. Beyond the business world, Gary Peart is a member of the Rotary Club of St. Andrew North.

MEMBERS OF THE JCSD's BOARD
(CONTINUED)

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Mr. Julian Mair

With over 20 years of experience in the financial services sector, Julian currently operates as JMMB's Group Chief Investment Strategist. In addition to his position at JMMB, he has played a significant role in the development of Jamaica's capital market.

His work experience includes positions at foremost Jamaican financial institutions, as Head of Treasury and Investment Services at Dehring, Bunting and Golding Limited, (now Scotia Investments Jamaica Limited) and Senior Trader and Cambio Manager at JMMB. In addition, he has partnered and consulted with various international financial institutions and the Government of Jamaica, in structuring Global Bond Issues. A former Managing Director of Lets Investment Limited, his leadership resulted in the boutique operation becoming a global player in the trading of internationally issued securities.

A founding member and current Vice-President of the Jamaica Securities Dealers Association (JSDA), Julian also serves various institutions as a director, including JMMB Securities Limited, JMMB International Limited, JMMB Puesto deBolsa and Factories Corporation of Jamaica.

Mr. Leo Williams
- Managing Director, SEAF Caribbean SME Growth Investment Fund

Leo Williams is the Managing Director of this private equity fund launched in 2021 for the Caricom region. Mr. Williams is a seasoned investment professional with 25 years of experience in Investment and Business Consulting in the Caribbean and in the USA. Prior to joining SEAF, he founded Williams & Associates Investments, an investment advisory firm focused on raising capital for firms in Jamaica and the wider Caribbean region. He is a former executive and Int'l Bus. Dev. Mgr. of Jamaica Money Market Brokers Ltd., integral in the establishment of JMMB in the Dominican Republic and a former Director of the Jamaican Stock Exchange. Mr. Williams has also led several divisions within General Electric USA and Spain and was a consultant at the Boston Consulting Group. Fluent in Spanish and is studied in his knowledge of Latin America and the Caribbean region. Mr. Williams has assisted companies to launch and grow globally, including into non-English speaking markets. He holds BSc. Engineering from Princeton University, an MSc. Engineering and MA International Studies and an MBA from Wharton School of Business all from the University of Pennsylvania.

MEMBERS OF THE JCSD's BOARD
(CONTINUED)

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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Mr. Terron Francis

Mr. Terron Francis started with The Ministry of Finance and the Public Service in 2014 as Senior Macro Economist and was promoted in 2016 to the position of Chief Fiscal Economist (Acting) in the Fiscal Policy Management Branch. His key responsibilities comprise the preparation of medium-term fiscal framework, monitoring and reporting of fiscal outcomes, coordinates and oversees the drafting of major sections of the bi-annual Fiscal Policy Paper (FPP).

Mr. Francis has a sound knowledge of economic analyses and provide an essential guide to prudent fiscal policy management. Terron Francis has been instrumental in developing a database of key macro-economic variables that has served to enhance analytical assessments of the economic outcomes in Jamaica.

Mr. Francis holds a Master of Science degree in Economics from the University of the West Indies, Mona and was appointed to the board of the Jamaica Central Securities Depository (JCSD) Limited, in September 2019.

Mrs. Marlene Street Forrest, C.D., J.P.

Mrs. Marlene Street-Forrest is the Managing Director of the Jamaica Stock Exchange.

Mrs. Street- Forrest has a B.Sc. in Management Studies and an MBA. She has over twenty six years of combined experience in financial and general management.

Her mandate as Managing Director of the JSE is to continue the process of developing the Exchange, ensuring that cutting edge technology is used to assist in providing the greatest level of efficiencies in the market.

Mrs. Street-Forrest, is a Justice of the Peace and a member of the Rotary Club of Kingston East & Port Royal.

Kadyll McNaught-Hermitt

- Company Secretary

Kadyll McNaught-Hermitt is the Company Secretary of the Jamaica Central Securities Depository Limited, (JCSD) and its subsidiary the JCSD Trustee Services Limited, (JCSDTS). She is also the Manager of the Registrar & Depository Services Unit at the JCSD. She was appointed Company Secretary in May 2018, where she has the responsibility to monitor and ensure the companies' compliance with relevant legal and regulatory requirements. As the Manager of the Registrar Services Unit, she is responsible for providing Registrar, Transfer and Capital Distribution Services to her Issuer clients which also includes paying dividends to shareholders. In her capacity as Depository Services Unit, she is responsible for the custody and settlement of securities that are listed on the JSE. She has been working in the financial services industry for over 18 years.

JCSD SENIOR MANAGEMENT

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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Andrea Kelly - General Manager, JCSD, JCSD Trustee Services Limited.

Andrea Kelly joined the JCSD Trustee Services in June 2015 as Manager – JCSD Trustee Services Limited. She was charged with the responsibility of overseeing the daily operations of the unit and implementing initiatives that would allow the division to achieve its strategic objectives.

In April 2018, she was appointed the General Manager of the Jamaica Central Securities Depository (JCSD) and the JCSD Trustee Services. In her new role, she is responsible for overseeing the strategic direction of the board. Prior to June 2015, Miss Kelly was the Assistant Manager – Investments, Operations and Securities Settlement at MF&G Asset Management Limited.

Her experience span areas such as banking, Pension Administration, Trust Services, Life Insurance and Securities Trading.

Andrea Kelly is the holder of a BBA(Hons) in accounting from the University of Technology and a MBA from Heriot Watt University.

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JCSD MANAGEMENT TEAM

Kadyll McNaught-Hermitt
Manager, Registrar & Depository Services
Jamaica Central Securities Depository Limited.

Angela Hawes
Manager, Trustee Services.

Suzette Pryce
Manager, Retail Repo
Jamaica Central Securities Depository Limited.

Tamieka Ricketts
Assistant Manager, Registrar Services
Jamaica Central Securities Depository Limited.

(Cont'd on next page)

Group MANAGEMENT TEAM

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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Marlene Street Forrest
Managing Director, JSE.

Suzette Whyte
Financial Controller.

Suzette McNaught
Manager, Information Technology & Systems.

Doreen Parsons-Smith
Manager, Human Resources.

(Cont'd on next page)

Group MANAGEMENT TEAM
(CONTINUED)

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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Andre Gooden
Group Business Development Manager, JSE.

Neville Ellis
Manager, Marketing & Communications.

Roxanne Hutchinson
Manager - Legal Services/ Company Secretary, JSE - Executive Office; Jamaica Stock Exchange.

Michelle Sirdar
Group Risk & Compliance Manager.

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DEPARTMENT
HIGHLIGHTS

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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DEPOSITORY SERVICES UNIT

In 2020 the Depository Services Unit (DSU) continued to focus on providing efficient depository services to our clients. Special emphasis was placed on providing the customers with an exceptional customer experience and we have seen the benefits of this focus. We also worked on new and innovative products which are in line with the changing needs of our customers. These new initiatives are the (1) digital asset market (JDAM) which will allow trading of digital assets and security token offers and (2) direct market access (DMA) which will allow brokers to trade directly on the Canadian exchanges and in other foreign jurisdictions. These products will be launched in the third quarter of 2021.

Twenty-five thousand and thirty-eight (25,038) new JCSD accounts were opened in 2020. This was a decrease compared to prior year; however, we anticipate an increase in 2021, as the challenges faced in 2020 due to the pandemic will be minimized.

REGISTRAR SERVICES UNIT

At the beginning of 2020, the Registrar Services Unit (RSU) had 89 clients. We gained seven (7) additional clients throughout the year bringing the total to ninety-six (96). We processed a total of 49,335 applications on behalf of our issuer clients who sought to raise capital through Initial and Additional Public Offers for Ordinary, Preference shares and Private Offers. For the year 2020, we welcomed our first engagement with a Credit Union and our largest offer being Transjamaican Highway Limited.

As we continued our quest of improving the efficiency in processing payments, in July 2020, we initiated a mandate drive which lasted for three (3) months during which we received 8,664 mandate instructions. These submissions from shareholders allowed for the updating of their JCSD accounts to reflect direct deposit instructions and allowed for the receiving of payments electronically rather than via cheque.

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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RETAIL REPO UNIT

The Retail Repo market, despite the ongoing pandemic, continues to be steady and a major investment option. The market capital fluctuated between J$235B and J$320B and closed the year at J$289B. The market capitalization distribution per currency was thirty-three percent (33%) for the JMD securities and sixty-seven percent (67%) for the USD securities. The market capital is made up of ten thousand five hundred and forty-seven (10,547) contracts on six thousand, one hundred and thirty-nine (6,139) accounts which are maintained by twelve (12) security dealers.

The Security Dealers continue to use Government of Jamaica bonds, Global and Local Corporate bonds to secure retail repo contracts. There was an increase in the use of Local Corporate Bonds in the market for 2020, with more than ten (10) securities being added to the pool of Repo securities.

Movement in bond prices were stable for both global and local securities used in the Retail Repo Market.

TRUSTEE SERVICES UNIT

Covid-19 brought its fair share of challenges to the JCSD Trustee Services Unit in 2020. The Unit despite these challenges saw an increase in the number of funds under management which increased in value by 29% year over year. There was also a corresponding increase in the number of investment instruments managed by the Unit by 12% year over year.

The appreciation of the US Dollar in 2020 in relation to the Jamaican Dollar positively impacted the total Funds Under Management. This factor contributed a 15% increase to the value of the Funds Under Management in 2020.

At the end of 2020, the JCSDTS managed 90% of the total exempt distributions registered by the FSC.

We have increased our suite of services to include Back Office Support to fund managers with the implementation of a Funds Management System. The JCSDTS looks forward to growing this service within the industry.

KEY HIGHLIGHTS AND GRAPHICAL PRESENTATIONS FOR THE JCSD GROUP

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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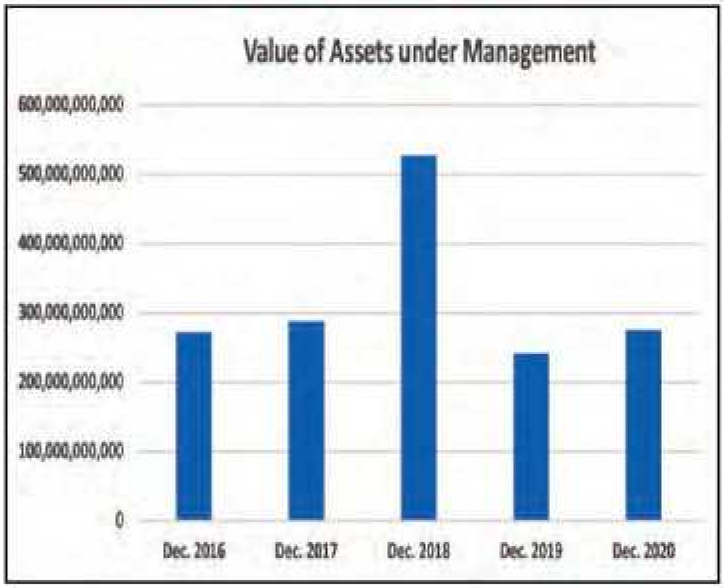
Five Year Key Financial Highlights

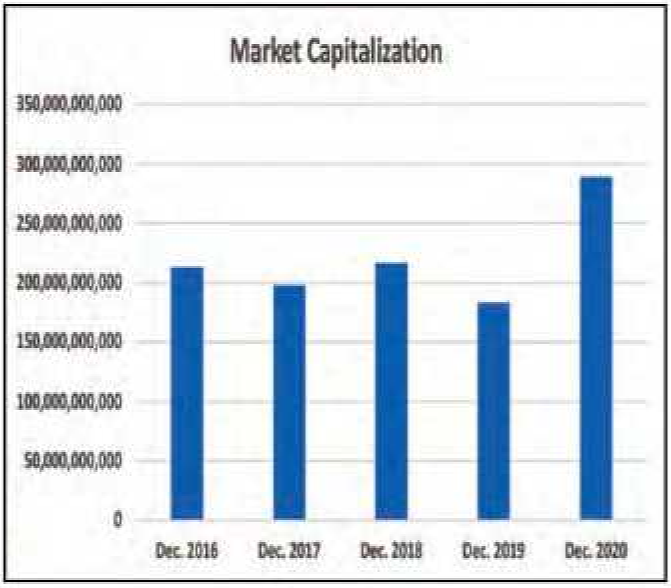
$000	2020	2019	2018	2017	2016
Revenue	1,059,555	955,445	715,281	552,626	422,574
Expenses	497,857	401,403	331,543	272,589	229,438
Efficiency Ratio	47%	42%	46%	49%	54%
Return on Equity	53%	57%	58%	53%	50%
Earnings per share $	6.51	5.99	4.20	3.20	2.27

OTHER KEY HIGHLIGHTS

JCSD Trustee Services Unit
- Assets under Management



Retail Repo Unit
- Market Capitalization



KEY HIGHLIGHTS AND GRAPHICAL PRESENTATIONS FOR THE JCSD GROUP

(CONTINUED)

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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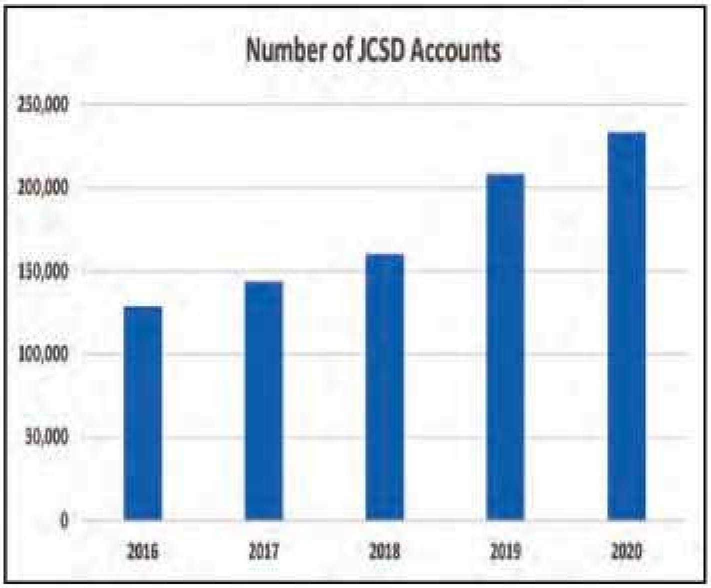
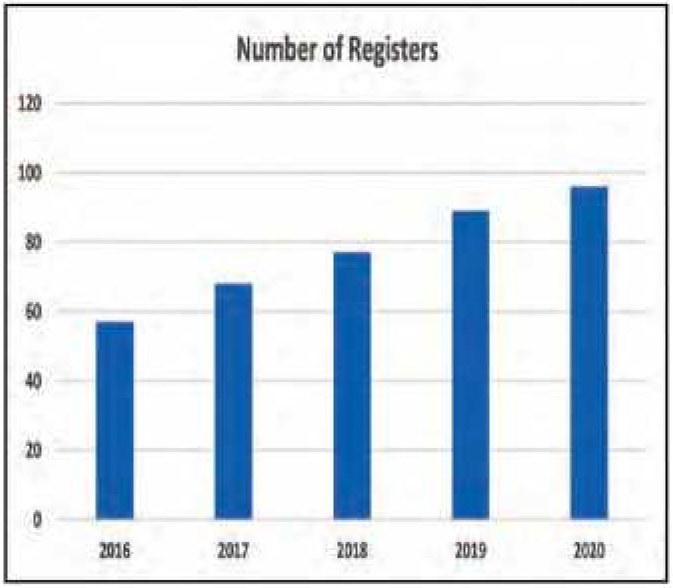
OTHER KEY HIGHLIGHTS

JCSD Depository Services Unit
- Number of JCSD Accounts



JCSD Registrar Services Unit
- Number of Registers Managed



GENERAL MANAGER'S REPORT

MANAGEMENT DISCUSSION AND ANALYSIS

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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Andrea Kelly
General Manager, JCSD
& JCSD Trustee Services Limited.

OVERVIEW

The financial and physical performance of many companies were negatively impacted by Covid-19 in 2020. The country experienced its first Covid-19 case in March 2020 and the government implemented its Disaster Risk Management Plan to prevent the spread of the virus. This meant that most companies had to activate their work from home policy. The JCSD and its subsidiary, JCSD Trustee Services Limited, moved seamlessly into actioning our work from home policy and maintaining our service standards with brokers, shareholders, issuers and investors. Despite the challenges brought on by the pandemic, the companies had several achievements throughout the year. The JCSD added over 25,000 new accounts, 1 new participant and 59 new securities. To ensure that we were able to pay all investors, especially those who requested cheque payments, we had a very successful mandate drive to receive these investors banking instructions. Over 8,664 mandates were received. The Registrar Services Unit added seven additional clients, including our largest register to date, Trans Jamaica Highway.

AGM's were mostly impacted by the pandemic and in our usually agile fashion, we were able to pivot and have many of these meetings virtually or by hybrid.

Funds under Management for the Trustee Services Unit increased by over 29% and our new clients also increased by 36 despite the pandemic.

FINANCIAL HIGHLIGHTS

The group's financial performance for 2020, was 21.86% above 2019 and 58.06% above 2018. The year's total revenue of $1,059.56 was mainly contributed by the Trustee Services Department and resulted mainly from an increase in trustee clients. Trustee fees amounted to 45.21% of the total income for JCSD in 2020. The combined JCSDTS income lines now comprise approximately 56.31% of total JCSD Group revenue for the year. The Retail Repo performance was also 23.43% better than 2019. All revenue areas for the JCSD increased, with the exception of Cess fees. There was a decrease of 45.40% in Cess fees in 2020, in comparison to 2019. This resulted from the reduction in trading activities caused by the pandemic. Membership and user fees increased by 12.72% and Trustee fees were 18.09% better than 2019.

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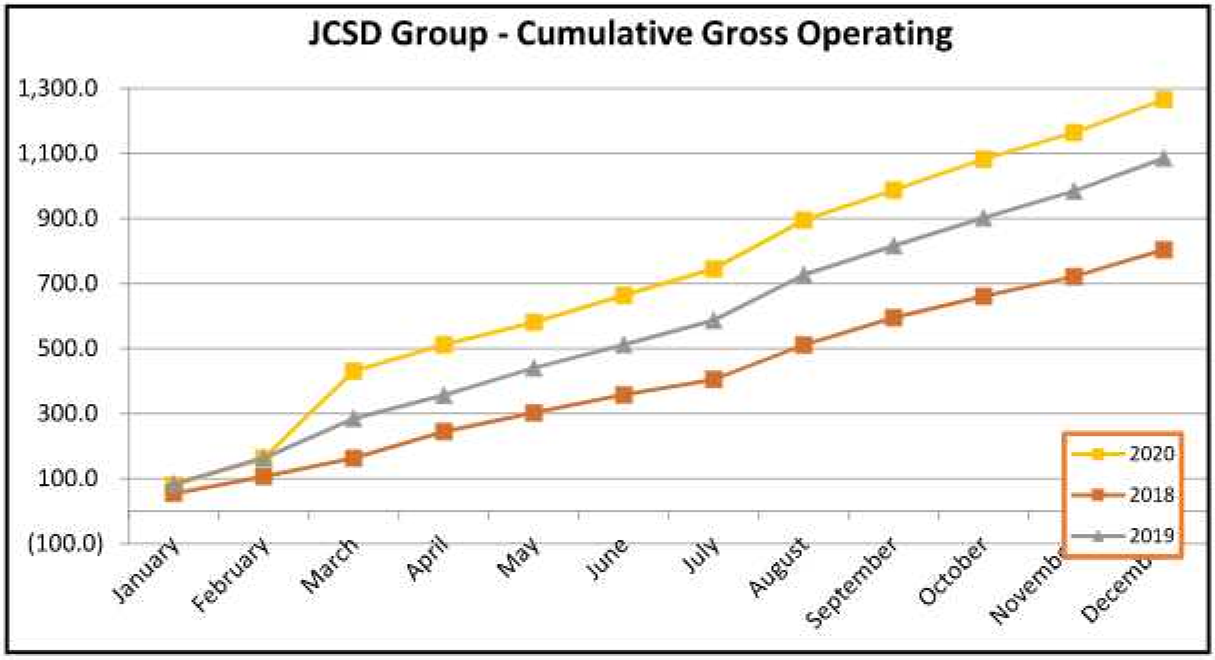
The JCSD Group (JCSD & JCSD Trustee Services) total expenses of $497.86M represented a 24.03% increase over 2019. All expenses except for Rights of use of Asset Depreciation, Advertising & Promotion and Securities Commission fees increased for the year.

The Group's after-tax profits of $396.93M for 2020, represented a 8.63% increase above prior year.

The table below shows the three years comparison of the consolidated Gross Operating income of the JCSD group.



The consolidated year-end balance sheet reflected a strengthened capital position with equity increasing by 16%, while total assets increased by 11.31% to end 2020, at $894.42M. During the year, an interim dividend of $284M was paid to the parent company, The Jamaica Stock Exchange.

OPERATIONS

We continue to streamline our operations to ensure our efficiency levels are maintained or improved where necessary. This will ensure our continued growth and excellent performance in the years to come.

NEW OFFERINGS FOR 2021

The JCSD will be launching the Direct Market Access in the second quarter of 2021, with our focus on the Canadian market in the first phase. This will give the Canadian investors access to our local equities and the Jamaican investors access to the Canadian market. This was delayed from last year because of the challenges brought on by the pandemic. The pandemic also brought some business opportunities to the JCSD. We have partnered with Appfinity to offer an online platform for companies to host their AGM's. This is very important to enable companies to adhere to the Disaster Risk Management Protocol implemented by the Government on a limitation to public gatherings.

We are also implementing a Customer Relationship Management System to improve and manage our relationship with our clientele.

MANAGEMENT DISCUSSION AND ANALYSIS
(CONTINUED)

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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The JCSD Trustee Services Limited, will be fully automated in 2021. There are also plans to expand the Trustee Services Unit to other Caribbean islands.

INFORMATION TECHNOLOGY

The COVID-19 pandemic was a test of the resiliency of our business and its ability to respond quickly to threats. As a result of our continuous improvements in Business Continuity, we were able to implement several measures to allow the staff to work from home while we continue to achieve our strategic objectives.

MANAGEMENT OF RISK AND TECHNOLOGY

The Management of risk is fundamental to our growth as a financial markets' provider. Consequently, we focused on enhancing our ability to respond to Cyber Risk. This will be supported by the Cyber risk governance and ERM governance frameworks which are approved and monitored by the Audit Committee of the Board.

We remain committed to investing in technology and operational infrastructure to ensure that we continue to deliver consistent and reliable services while ensuring that the technology employed is in a state of continuous improvement to allow for the JCSD Group to take advantage of emerging opportunities in the market.

In the year 2020, special emphasis was placed on Risk Management. We will continue the journey on the other initiatives which will strengthen the resiliency and improve the product offerings of the organization.

Looking forward in 2021, we will continue to focus on the following initiatives:

In Progress:

1. Data Privacy Governance Framework
2. Short Selling
3. Direct Market Access (DMA) Solution.

Continuing:

1. Continued work on our Digital Transformation initiatives
2. Business Solutions geared towards achieving the group's strategy
3. Business Continuity – continuous improvements
4. IT Governance, Security, and Service Delivery – continuous improvements
5. Customer Service and Support – continuous improvements.

TECHNOLOGY RISK

The JCSD Group recognizes that with the rapid change in the technological landscape and the requirement for the technological delivery of the organization's services, we must continue to be kept abreast of the cyber security risks that can potentially threaten the confidentiality, integrity, and reliability of the supporting infrastructure.

To this end, we have implemented a Cybersecurity Risk Management framework that will ensure that the technological capabilities are sufficient to support the strategic requirements of the organization. This is supported by continuous and proactive processes and tools that allows us to effectively monitor and update the security of the environment and to minimize the exposure to cyber security risks. All staff members across the group are consistently sensitized to ensure awareness and understanding of various security risks and to reinforce the expected behaviours, should they be exposed to these threats.

Our team stands ready and remains committed to the initiatives to be achieved in 2021, and will continue to expand its capacity to ensure that the Group takes advantage of market opportunities through the utilization of efficient and effective use of technology.

CONCLUSION AND VISION

The JCSD group is capitalizing on all opportunities to grow the business, increase shareholders wealth and customer satisfaction. The focus will also be on the continuous strengthening of our infrastructure, staff training and retention to ensure we can expand and satisfy our shareholders expectations.

Andrea Kelly
Trustee Manager &
General Manager
- JCSD and JCSDTS

WHO WE ARE
The Jamaica Central Securities Depository Limited

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe · Reliable · Efficient"

After being incorporated on January 8, 1998, the Jamaica Central Securities Depository (JCSD) opened its doors on June 1, 1998 and revolutionized the way securities are held in Jamaica. The JCSD is a wholly-owned subsidiary of the Jamaica Stock Exchange (JSE) and is licensed under the Securities Act and regulated by the Financial Services Commission (FSC). Its registered office is situated at 40 Harbour Street, Kingston.

The JCSD is divided into two departments, namely, Depository Services Unit (DSU) and Registrar Services Unit (RSU).

The Depository Services Unit

The DSU provides depository, custody, settlement and central counter party services for its clients. The DSU holds securities in electronic form so that ownership can be easily transferred through a book entry rather than transferring physical certificates. The securities held at the DSU are primarily equities that are traded on the floor of the Stock Exchange but corporate bonds are also custodied. The DSU offers its services primarily through its Participants, which are primarily Security Dealers and Institutional Investors.

Currently some of the service offerings provided by the DSU include: -

- Custody and Safekeeping of securities for both equity and debt instruments
- Deposit and withdrawal of securities
- Clearing and settlement of trades
- Pledging or Freezing of clients' positions on behalf of lending institutions
- Movement of client inventory between JCSD Participants
- Generating client statements upon request
- Interacting with all local registrars and transfer agents
- Liaising with regional Depositories to facilitate the transfer of securities which are cross-listed on exchanges, in particular, Trinidad & Tobago Central Securities Depository (TTCD) and Barbados Securities Central Depository Incorporated (BSCDI)
- Providing audit confirmations for all account holders within the system as requested.

These services are offered to various customers including:

- Brokers
- Institutional Investors
- Issuers
- Registrars and Transfer Agents
- Financial Institutions.

Registrar Services Unit

The RSU provides registrar, transfer agent and capital distribution services to Issuers. The RSU provides extensive registrar services to companies wishing to raise capital whether through the public or private listing of their shares, this includes Transjamaican Highway Limited , Wigton Windfarm Limited and Wisynco Group Limited.

(Cont'd on next page)

WHO WE ARE

The Jamaica Central Securities Depository Limited

(CONTINUED)

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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The RSU provides services to Issuers pre and post Initial Public Offer (IPO) and also on Inherited Registers. Some of these services include: -

1. Maintaining client details
2. Maintaining certificate details
3. Maintaining history of transactions
4. Generating and printing certificates
5. Data upload/download
6. Printing of reports
7. Cheque printing
8. Statement printing
9. Web access (IPO)
10. Providing interface with applications used by JCSD & TTCD.

The JCSD's Registrar Services Unit encourages Issuers who maintain their registers of members in both an immobilize and certificated environment to encourage their shareholders with certificated holdings to immobilize their inventory. The usual rules governing the immobilization of certificates apply.

Benefits of Services Provided

One of the main benefits derived in contracting the services of the JCSD Registrar Services Unit is that once data regarding the Register of Members have been successfully migrated, they have the capability to receive information from the Main Office (Depository Services Unit) regarding client holdings and client records will be updated in a timely manner to reflect all trades that have settled in the depository i.e. trades affecting client inventory balances. Ultimately the RSU maintains full shareholder details for instruments held in a mixed environment (certificated and immobilized).

Additionally, the department has the capability of quickly and efficiently liaising with the DSU regarding pending trades to be settled; this information is often required by the Issuers for reporting purposes. These reports can be generated as requested, converted to PDF file format and dispatched via electronic mail.

Other benefits encompassing the existing relationship between the Jamaica Central Securities Depository Limited and Trinidad and Tobago Central Securities Depository Limited. Operational processes have already been established regarding the receipt of data from TTCD for processing by the RSU for a Jamaican company listed on both exchanges. The RSU therefore already has the capacity to act as sub-Registrar for any CARICOM companies that are cross listed on the Jamaica Stock Exchange.

The JCSD also has a wholly-owned subsidiary, JCSD Trustee Services Limited, which offers trustee and retail repo services.

WHO WE ARE
The JCSD Trustee Services Limited

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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The JCSD Trustee Services, (JCSDTS) was incorporated in July 2008, as a wholly owned subsidiary of the Jamaica Central Securities Depository Limited, (JCSD). In September of that same year, the new subsidiary entered into its first contract to manage unit trust registers for two funds of an established Unit Trust client. Since then, the company has acquired several additional contracts, making it one of the major participants in the trustee services market.

The JCSDTS has two departments the Trustee Services Unit and the Retail Repo Repo Unit.

The Trustee Services Unit

The Trustee Services Unit provides trustee services for corporate clients, collective investment schemes and administrative services for structured products while the Retail Repo Unit provides retail repo services to security dealers.

Major Services

Some of the major services offered by the Trustee Services include:

- Administration of funds under trust
- Monitoring of Invested trust assets
- Maintenance of accounting records in respect of funds
- Collecting and recording of income on trust assets
- Escrow Agent
- Safekeeping facilities for securities
- Provide monthly reports on trust activities
- Collateral agent and collecting agent for guaranteed note issues.

The JCSDTS is not limited to the abovementioned services as our powers and responsibilities are based on the terms of our Trust Deed Agreement with the client.

The Trustee Services have targeted various customers which include: -

- Listed Companies
- Brokers
- Institutional Investors
- Investing Public
- Financial Institutions
- Government & Statutory corporations.

(Cont'd on next page)

WHO WE ARE

The JCSD Trustee Services Limited
(CONTINUED)

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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The Retail Repo Unit

The Retail Repo Unit was formed in 2015, as a result of the reform in the Jamaican Retail Repo Market. The retail repo transaction structure involves the JCSD Trustee Services Limited, (FSC approved trustee) functioning as trustee and registrar to hold the securities underlying retail repos in trust for the benefit of retail repo investors. This ensures that these underlying securities are held apart from the Security Dealer's assets in the event of its default. It also facilitates the Trustee taking appropriate actions in the event of a transaction failure or default to ensure that the beneficial interests of retail repo investors are adequately protected. All details for retail repo contracts pass directly to the JCSD, an agent of the trustee, after which net settlement of cash and securities occurs.

Corporate Governance

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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The Jamaica Central Securities Depository Limited, (JCSD) and the JCSD Trustee Services Limited, are led by Boards of Directors comprising nine (9) members; six (6) of whom are independent directors. The Boards are composed of:

- The Chairman of the JSE Board
- Two representatives of the participants (The current Chairman of the JSE Board is a participant representative)
- A representative from the Ministry of Finance
- The Managing Director of the JSE
- The remaining members are Independent Directors.

The Boards of Directors seek to ensure that the interests of all stakeholders are protected. Consequently, the strategic direction of the organization developed by the Management team are approved by each Board ensuring that it is consistent with the mandate of each company. Each Board also approves the risk framework, policies, budget and systems that support the strategic direction. The JCSD develops a comprehensive strategic plan every five years. However, this is reviewed annually with assessments conducted every quarter using the Balanced Scorecard. The strategies are translated into key performance indicators (KPIs) for the entire team. These KPIs are used in the semi-annual performance evaluation of staff.

The sub-committees of the Jamaica Stock Exchange Board also provide support to the JCSD and JCSD Trustee Boards. These sub-committees are: The Executive Committee, Audit Committee, Corporate Governance Committee, and the Rules & Compensation Committee. This approach provides a wider pool from which sub-committee members can be chosen and allows the sub-committees to have primarily independent directors as members.

The Management of the JSE has also created committees that help to guide the activities of key areas of the Group's operation. Two of these committees are: The Investment Committee and the Business Continuity and Disaster Preparedness Committee. Ad hoc committees are created from time to time to address specific projects that are undertaken by Management. These committees report to the Managing Director, JSE who, in turn, reports to the Board of Directors.

The General Manager of the JCSD takes direction from the Board of Directors and is responsible for communicating this direction to the management team who, then, translates them into Key Performance Indicators (KPIs) and incorporates them in the day-to-day operations of the organization.

Corporate SOCIAL RESPONSIBILITY

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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The JSE Group continues to impact the lives and make a difference to the communities of Southside/Rae Town Community and its environs, by ensuring that children within these communities were fed with a nutritious meal each morning. However, since the onset of COVID-19 this breakfast programme has been extended to the elderly and less-fortunate members of these communities.

Early childhood education, skills training, school renovation, care for the elderly and health care were also high on the agenda of our CSR during the year, through our contributions to (inter alia) the Bethesoa Basic School, Mount Carmel Day Care, Kings Gate Skills Training Centre, the Salvation Army, Jamaica Centre Society, Talent Youth and to the Rotary Club of Kingston East & Port Royal.

Education is of paramount importance to the JSE and students of the University of Technology and the University of the West Indies are given a chance to achieve their educational goals through bursaries and scholarships facilitated at these institutions by the JSE.

The JSE continues its quest to assist University students with scholarships. The Jamaica Stock Exchange Scholarship given to UWI students was established in 1994 by the Jamaica Stock Exchange to mark its 25th anniversary. The scholarship is awarded to students pursuing studies in Business. Below are some of the recipients who have benefitted since the 2004/2005 academic year:

Table 1 - SCHOLARSHIPS

Recipients	Year Awarded	Graduated
Sanchia Henry	2004-2006	First Class Honours:
Andre Williams	2006-2008	Upper Second Class
Honours:		
Oma Coke	2008-2010	First Class Honours:
Latoya Williams	2008-2010	Upper Second Class
Honours:		
Kadine Blake	2010-2012	First Class Honours:
Jerahmeel James	2013-2015	Upper Second Class
Jahnoy Lieth	2015-2017	Current recipient
Samoya Smith	2016-2018	Current recipient
Meisha-Marie Webster	2016-2018	Current recipient
Shani Smith	2019-2021	Current recipient

Major Activities of the Jamaica Social Stock Exchange (JSSE) in 2020

JSSE Projects

Two listed projects on the JSSE platform attained the status of fully funded- DEAF CAN! as at February 25th, 2020 by NCB Capital Markets and NCB Foundation and ALPHA SCHOOL OF MUSIC (by bequeath from Digicel's deceased executive Colm Delves).

In response to the onslaught of the COVID-19 pandemic, several COVID-19 Projects were undertaken. Two (2) solely by the JSSE, Teen Challenge Jamaica (TCJ) and Mona Tech Engineering Services in the Department of Engineering, UWI, Mona which yielded much success.

- Teen Challenge Jamaica is a Faith -based intervention programme based in St. Ann, which serves our young men suffering from various addiction problems and at the same time supports this Mission with the revenues earned from selling the produce from its Micro/Small Farm to hotels on the North Coast. The effect of COVID-19 on the tourism industry impacted their small business significantly, which led to an appeal to us to avert bankruptcy. Our efforts in the market saw us achieving fully funded status on July 7, 2020, by attracting One Million One Hundred and Twenty Thousand ($1.12million) to the Project.

- Mona Tech Engineering Services at UWI Mona, which operates to repair Ventilators and other biomedical equipment needed in our hospitals, was also fully funded through the marketing efforts of the JSSE, achieving fully funded status as of December 8, 2020. Through our efforts the project raised Three Million Five Hundred and Nine Thousand Two Hundred Dollars. ($3.51million) from the market.

Corporate SOCIAL RESPONSIBILITY

(CONTINUED)

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

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Innovating Social Sector Financing on the Jamaica Social Stock Exchange

August 4, 2020, was the official launch of the partnership between the JSE and the IDB Inter-American Development Bank for the Project dubbed: Hotel, Talk of the Town. ***"Innovating Social Sector Financing"*** held in the Talk of the Town Suite at the Jamaica Pegasus Hotel.

The event was a blended format which had persons in virtual attendance locally and in the Diaspora. Fifty-Five persons attended, headed by Ambassador Audrey Marks (virtually), H.E. Ambassador Malgorzata Wasilewska then Head of the EU Delegation, then Canadian High Commissioner H.E. Laurie Peters, the JSSE Champion, the Hon. Earl Jarret and JSSE Ambassador Mrs Thalia Lyn.

The Project's timeline is June 2020- June 2023.

It seeks to address the lack of access to finance by SSOs which is caused by their limited capacity for business management and or project management; as well as their inability to quantify and communicate their contribution (IMPACT) to potential donors and investors to support their social work.

ONE DEVICE per CHILD INITIATIVE -CONNECT A CHILD

In response to the impact of COVID-19 on the Education system which saw teaching pivoted on-line the need for devices by students was met with a collaboration with the Ministry of Education, Youth & Information (MEYI) through the National Education Trust (NET). The initiative was launched on Oct 29 at the office of the JSE, with collaborating partners the Private Sector Organization of Jamaica (PSOJ), National Commercial Bank Foundation and Junior Achievement Jamaica (JAJ). This effort saw the collection of $494,000 in the first month towards the target of 100, 000 devices valued at $4.5B. At year's end the market contributed $926,500 on the JSSE platform.

JSSE -10 Days of Giving

The JSSE partnered with Sagicor Investments to assist us to gift these Public Sector workers with Stock Certificates. They agreed to give a Contribution of a total of One Hundred Thousand ($100,000.00) Stock Certificate Vouchers, valued at $5,000.00 each to Twenty (20) Public Sector Workers, on the condition that the Stock Exchange was to match this gift with a further $5,000.00 to each of these individuals that would amount to a total of $100,000.00. This would see everyone receiving a total of $10,000 to open their Stock Portfolio Account to purchase stocks from both companies' contribution.

Participants of the 10 Days of Christmas Campaign

Table 2

Period under Review	Supermarket Voucher	Stock Certificate	Luncheon
Two (2) Nurses: Kingston Public Hospital (KPH)		✔	
One (1) Psychiatric Nurse Aid: KPH		✔	
One (1) Constable: Gold Street Police Station		✔	
One (1) Woman Constable: Central Police Station		✔	
Fifteen (15) St. Michael Primary Teachers		✔	✔
Forty (40) Teachers: Genesis Academy			✔
Five (5) NSWMA	✔		
Seven Staff: Good Samaritan Inn	✔		

The JSSE total amount of donation for the year 2020, is $14, 875,521.90.

JSE/ JSSE /IDB Project Launch: Innovating Social Sector Financing

August 4, 2020, was the official launch of the partnership between the JSE and the IDB Inter-American Development Bank. The Project dubbed: ***"Innovating Social Sector Financing"***, had its launch at the Jamaica Pegasus Hotel. The event was attended by 55 persons that consisted of heads of Social Enterprises and as well as other parties in the social space. During the event persons from the Jamaican environment and the Diaspora were able to join in at this milestone Launch via Zoom. The Project is set to last from June 2020- June 2023.

JSSE -Give Little Campaign

The Stock Exchange through the JSSE had embarked on an initiative to issue small token consisting of Supermarket Vouchers, Stock Certificates, Vouchers, as well as hosting one (1) Breakfast and two (2) Luncheons to persons in the Public Sector to show our appreciation for their dedicated service for work done through 2020, despite trying circumstances, especially during the COVID-19 pandemic.

The New Business Development Unit

The Business Development Unit commenced operation in January 2020, with a mandate which includes identifying and developing strategic business relationships locally, regionally, and internationally and to take the lead in the continued diversification of the business lines of the JSE Group. During the year, the team collaborated with all the units across the organization in conceptualization, development and introduction of new products and services, and, despite the existence of the pandemic, participated in many local and international investment seminars, and conferences supporting the participation of more investors in the Jamaican Capital Markets.

The Business Development Unit maintained a robust pipeline of potential new market listings across all platforms, with active engagement of over 40 companies seeking to list.

In addition, the Unit led or participated in several successful projects throughout the year, including the launch of the The Direct Market Access (DMA) Platform, and The Private Market Portal. Other projects initiated in 2020 included leadership of a sector wide working committee overseeing the listing and trading of GOJ Securities on the JSE, a project of game changing significance to the capital markets, expected to be completed in late 2021. In addition, the team commenced partnership with Ministry of Economic Growth and Climate Change, for the listing of Green Bonds on the JSE, which is expected to be completed in early 2022.

The Business Development Unit worked closely with the Jamaica Social Stock Exchange, in performing its role as socially responsible citizens, as it spearheaded COVID-19 appeal projects, including assistance for Teen Challenge Jamaica, a self-sustaining organization providing rehabilitation, support for drug affected teens, as well as Mona Tech Engineering Services a department at the University of the West Indies that repairs medical equipment, including ventilators, for redeployment into the public health system. Both projects were fully funded by local and international corporate donors.

Looking forward to 2021, and with a specific focus on effective use of technology the team will continue to pursue projects already started in 2020, in addition to the aforementioned. These are:

- The Digital Assets Platform
- Data Commercialization
- Upgrade of the JSE website
- Provision of additional funds administration services to the market
- A JSE Cable Television Channel.

We thank all our internal and external stakeholders for the valuable support in 2020, and look forward to continued success in partnership, in 2021.

CONSOLIDATED FINANCIAL STATEMENTS

"Safe · Reliable · Efficient"

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

FOR THE YEAR ENDED DECEMBER 31, 2020.

(Expressed in Jamaican Dollars)

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

CONTENTS

"Safe · Reliable · Efficient"

INDEPENDENT AUDITOR'S REPORT

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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INDEPENDENT AUDITOR'S REPORT

To the Members of Jamaica Central Securities Depository Limited

Report on the Audit of the Separate and Consolidated Financial Statements

Opinion

We have audited the separate financial statements of Jamaica Central Securities Depository Limited (the Company) and the consolidated financial statements of the Company and its subsidiary (the Group), which comprise the separate and consolidated statements of financial position as at December 31, 2020, the separate and consolidated statements of profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at December 31, 2020 and of the separate and consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Jamaica Central Securities Depository Limited (Continued)

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

Other information included in the Group's Annual Report

Management is responsible for the other information. The other information comprises of the information included in the Group's Annual Report for the year ended December 31, 2020 but does not include the separate and consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Jamaica Central Securities Depository Limited (Continued)

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of Jamaica Central Securities Depository Limited (Continued)

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the separate and consolidated financial statements which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

Ernst & Young

Ernst & Young
Kingston, Jamaica

March 1, 2021

A member firm of Ernst & Young Global Limited

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe · Reliable · Efficient"

AS AT DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	2020 $'000	2019 $'000
ASSETS			
Non-current assets			
Property and equipment	4	19,661	24,125
Intangible assets	5	29,874	26,799
Right-of-use asset	28	23,297	25,886
Post-employment benefit asset	7	29,235	35,436
Investment in securities	8(a)	94,198	93,832
Long-term receivables	9	2,749	4,188
Total non-current assets		199,014	210,266
Current assets			
Due from related parties	10	167,902	56,552
Trade and other receivables	11	168,448	178,567
Government securities purchased under resale agreements	8(d)	233,046	258,004
Investment in securities	8(b)	2,820	12,419
Cash and cash equivalents	12	123,188	87,738
Total current assets		695,404	593,280
TOTAL ASSETS		894,418	803,546
EQUITY AND LIABILITIES			
Share capital	13	61,000	61,000
Fair value reserve	14	11,264	10,780
Revenue reserve non-distributable	15	48,367	48,367
Revenue reserve		622,886	520,819
Total equity		743,517	640,966
LIABILITIES			
Non-current liabilities			
Lease liability	28	23,069	25,954
Deferred tax liabilities	17	4,753	20,686
Total non-current liabilities		27,822	46,640
Current liabilities			
Income tax payable		30,533	50,649
Contract liabilities	27	19,387	9,788
Lease liability	28	1,952	865
Payables and accruals	18	71,207	54,638
Total current liabilities		123,079	115,940
TOTAL EQUITY AND LIABILITIES		894,418	803,546

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

The consolidated financial statements were approved for issue by the Board of Directors on March 1, 2021 and signed on its behalf by:

Chairman
Livingstone Morrison

Director
Marlene Street-Forrest

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe · Reliable · Efficient"

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	2020 $'000	2019 $'000
Income:			
Cess fee		47,503	87,165
Membership and user fees		410,457	364,136
Trustee fees		479,033	405,650
Retail repurchase agreement fee		117,607	95,279
Other operating income	19	4,955	3,215
		1,059,555	955,445
Expenses:			
Staff costs	20	235,923	208,177
Property expenses		106,761	81,505
Depreciation and amortization	4,5	17,543	15,841
Rights of use of asset depreciation	28	2,589	2,589
Advertising and promotion		4,802	9,850
Professional fees		35,474	20,454
Securities commission fees		6,971	10,093
Net impairment on financial assets	26(h)	29,407	4,445
Other operating expenses		58,387	48,449
		497,857	401,403
		561,698	554,042
Investment income	21	25,841	10,713
Finance costs		(2,311)	(2,454)
Other losses		-	-
Profit before taxation	22	585,228	562,301
Taxation	23	(188,296)	(196,898)
Profit for the year	22	396,932	365,403
Other comprehensive (loss) income:			
Item that will never be reclassified to profit or loss:			
Remeasurement of employee benefit asset	7(c)	(16,298)	7,352
Deferred income tax on item that will never be reclassified to profit or loss	17	5,433	(2,451)
		(10,865)	4,901
Items that may be reclassified to profit or loss:			
Changes in fair value of debt investments at fair value through the comprehensive income	14	(36)	10,784
Unrealised fair value gain on financial assets during the year	14	508	787
Deferred income tax on items that may be reclassified to profit or loss	14,17	12	(3,595)
		484	7,976
Other comprehensive (loss)/ income for the year, net of taxes		(10,381)	12,877
Total comprehensive income for the year		386,551	378,280

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

"Safe · Reliable · Efficient"

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	Share capital \$'000 (Note 13)	Fair value reserve \$'000 (Note 14)	Revenue Reserve Non-Distributable \$'000 (Note 15)	Revenue Reserve \$'000	Total \$'000
Balance at January 1, 2019		61,000	2,804	48,367	328,515	440,686
Profit for the year		-	-	-	365,403	365,403
Other comprehensive income:						
Appreciation in fair value of investments net of taxation	14	-	7,976	-	-	7,976
Re-measurement of employee benefit assets, net of taxation		-	-	-	4,901	4,901
Total comprehensive income for the year		-	7,976	-	370,304	378,280
Dividends	16	-	-	-	(178,000)	(178,000)
Balance at December 31, 2019		61,000	10,780	48,367	520,819	640,966
Profit for the year		-	-	-	396,932	396,932
Other comprehensive income:						
Appreciation in fair value of investments net of taxation		-	484	-	-	484
Re-measurement of employee benefit assets, net of taxation		-	-	-	(10,865)	(10,865)
Total comprehensive income for the year		-	484	-	386,067	386,551
Dividends	16			-	(284,000)	(284,000)
Balance at December 31, 2020		61,000	11,264	48,367	622,886	743,517

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

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe • Reliable • Efficient"

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		396,932	365,403
Adjustments for:			
Depreciation	4	9,437	9,354
Amortisation	5	8,106	6,487
Depreciation on right-of-use asset	28	2,589	2,589
Post-employment benefit expense	7(c)	4,987	3,946
Net impairment on financial assets	26(h)	29,407	4,445
Foreign exchange gain	21	(14,394)	(2,018)
Investment premium/discount	21	167	154
Gain on investments through profit and loss	21	(74)	(271)
Taxation charge	23	188,296	196,898
Finance cost	28	2,311	2,454
Interest income	21	(11,540)	(8,578)
		616,224	580,863
Movement in working capital			
Increase in trade and other receivables		(17,943)	(57,240)
(Increase)/ Decrease in due from related parties		(111,350)	23,032
Increase in contract liabilities		9,599	1,746
Increase /(Decrease) in trade and other payables		16,569	(124,204)
Post employment benefit contributions	7(d)	(15,084)	(5,787)
Cash generated from operations		498,015	418,410
Income taxes paid		(218,900)	(169,032)
Interest paid		(2,311)	(2,454)
Cash generated from operating activities		276,804	246,924
Cash flows from investing activities:			
Net disposal (acquisition) of investment in securities	8 (c)	9,883	(45,000)
Government securities purchased under resale agreements		25,154	(82,606)
Acquisition of property and equipment	4	(4,973)	(2,507)
Acquisition of intangible assets	5	(11,181)	(17,294)
Long-term receivables		1,439	1,000
Interest received		10,507	6,675
Net cash used in investing activities		30,829	(139,732)
Cash flows from financing activity:			
Dividend paid		(284,000)	(178,000)
Lease principal payment		(1,798)	(1,655)
Net cash used in financing activities		(285,798)	(179,655)
Net increase/(decrease) in cash and cash equivalents		21,835	(72,463)
Cash and cash equivalents at beginning of year		87,738	159,265
Effect of movements in exchange on cash held		13,615	936
Cash and cash equivalents at end of year	12	123,188	87,738

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

SEPARATE STATEMENT OF FINANCIAL POSITION

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe · Reliable · Efficient"

AS AT DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	2020 $'000	2019 $'000
ASSETS			
Non-current assets			
Property and equipment	4	12,896	15,843
Intangible assets	5	28,134	23,667
Right-of-use asset	28	23,297	25,886
Investment in subsidiary	6	1,631	1,631
Post-employment benefit asset	7	29,235	35,436
Investment in securities	8(a)	71,438	71,169
Long-term receivables	9	2,749	4,188
Total non-current assets		169,380	177,820
Current assets			
Due from related party	10	167,902	56,552
Trade and other receivables	11	82,037	90,231
Government securities purchased under resale agreements	8(d)	10,095	60,039
Investment in securities	8(b)	2,820	12,419
Cash and cash equivalents	12	26,991	33,093
Total current assets		289,845	252,334
TOTAL ASSETS		459,225	430,154
EQUITY AND LIABILITIES			
Share capital	13	61,000	61,000
Fair value reserve	14	9,065	8,857
Revenue reserve		273,376	237,075
Total equity		343,441	306,932
LIABILITIES			
Non-current liabilities			
Lease liability	28	23,069	25,954
Deferred tax liabilities	17	6,343	17,443
Total non-current liabilities		29,412	43,397
Current liabilities			
Due to related parties	10	13,808	15,232
Income tax payable		21,853	26,540
Lease liability	28	1,952	865
Payables and accruals	18	48,759	37,188
Total current liabilities		86,372	79,825
TOTAL EQUITY AND LIABILITIES		459,225	430,154

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

The consolidated financial statements were approved for issue by the Board of Directors on March 1, 2021 and signed on its behalf:

Chairman
Livingstone Morrison

Director
Marlene Street-Forrest

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe · Reliable · Efficient"

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	2020 $'000	2019 $'000
Income:			
Cess fee		47,503	87,165
Membership and user fees		435,180	383,179
Other operating income	19	183,557	114,217
		666,240	584,561
Expenses:			
Staff costs	20	114,730	113,951
Property expenses		54,623	40,894
Depreciation and amortization	4,5	12,685	9,554
Right-of-use asset depreciation	28(a)	2,589	2,589
Advertising and promotion		2,648	5,174
Professional fees		16,132	8,522
Securities commission fees		6,627	8,249
Net impairment on financial assets	26(h)	11,342	4,256
Other operating expenses		54,109	43,640
		275,485	236,829
		390,755	347,732
Investment income	21	12,999	4,775
Finance costs		(2,311)	(2,454)
Net profit before taxation	22	401,443	350,053
Taxation	23	(70,277)	(84,598)
Profit for the year	22	331,166	265,455
Other comprehensive (loss) income:			
Item that will never be reclassified to profit or loss:			
Remeasurement of employee benefit asset	7(c)	(16,298)	7,352
Deferred income tax on item that will never be reclassified to profit or loss	17	5,433	(2,451)
		(10,865)	4,901
Items that may be reclassified to profit or loss:			
Changes in fair value of debt investments at fair value through other comprehensive income			
Unrealised fair value gain on financial assets during the year	14	(479)	8,489
Net impairment gain/losses	14	527	394
Deferred income tax on items that may be reclassified to profit or loss	14,17	160	(2,830)
		208	6,053
Other comprehensive (loss)/income for the year, net of taxes		(10,657)	10,954
Total comprehensive income for the year		320,509	276,409

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

SEPARATE STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

"Safe · Reliable · Efficient"

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	Share capital $'000 (Note 13)	Fair value reserve $'000 (Note 14)	Revenue reserve $'000	Total $'000
Balance at January 1, 2019	13	61,000	2,804	144,719	208,523
Profit for the year		-	-	265,455	265,455
Other comprehensive income:					
Appreciation in fair value of investments net of taxes	14	-	6,053	-	6,053
Re-measurement of employee benefit assets, net of taxation		-	-	4,901	4,901
Total comprehensive income for the year		-	6,053	270,356	276,409
Dividend	16	-	-	(178,000)	(178,000)
Balance at December 31, 2019	13	61,000	8,857	237,075	306,932
Profit for the year				331,166	331,166
Other comprehensive income:					
Appreciation in fair value of investments net of taxes		-	208	-	208
Re-measurement of employee benefit assets, net of taxation		-	-	(10,865)	(10,865)
Total comprehensive income for the year		-	208	320,301	320,509
Dividend	16	-	-	(284,000)	(284,000)
Balance at December 31, 2020		61,000	9,065	273,376	343,441

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

SEPARATE STATEMENT OF CASH FLOWS

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe · Reliable · Efficient"

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		331,166	265,455
Adjustments for:			
Depreciation	4	6,154	6,177
Amortisation	5	6,531	3,377
Depreciation on right-of-use asset	28(a)	2,589	2,589
Post-employment benefit expense	7(c)	4,987	3,946
Net impairment of financial assets	26(h)	11,342	4,256
Foreign exchange gain	21	(8,757)	(1,087)
Investment premium/discount	21	167	154
Gain on investments through profit and loss	21	(74)	(271)
Taxation charge	23	70,277	84,598
Interest income	21	(4,335)	(3,571)
Finance cost		2,311	2,454
Dividend income	19	(177,000)	(110,000)
Movement in working capital		245,358	258,077
Increase in trade and other receivables		(2,863)	(28,615)
Net increase (decrease) in due from/to related parties		(112,774)	30,773
Increase/(Decrease) in trade and other payables		11,571	(126,086)
Post employment benefit contributions	7(d)	(15,084)	(5,787)
Cash generated from operations		126,208	128,362
Income taxes paid		(80,471)	(62,583)
Interest paid		(2,311)	(2,454)
Cash provided by operating activities		43,426	63,325
Cash flows from investing activities:			
Net disposal (acquisition) of investment in securities	8 (c)	9,883	(25,000)
Government securities purchased under resale agreements		50,096	(29,712)
Acquisition of property and equipment	4	(3,207)	(2,050)
Acquisition of intangible assets	5	(10,998)	(17,132)
Long-term receivables		1,439	1,000
Dividend received		177,000	110,000
Interest received		4,265	2,423
Net cash provided by investing activities		228,478	39,529
Cash flows from financing activities:			
Dividends paid	16	(284,000)	(178,000)
Lease principal payments		(1,798)	(1,655)
Net cash used in financing activities		(285,798)	(179,655)
Net decrease in cash and cash equivalents		(13,894)	(76,801)
Cash and cash equivalents at beginning of year		33,093	109,416
Effect of movements in exchange on cash held		7,792	478
Cash and cash equivalents at end of year	12	26,991	33,093

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

1. **Identification**

Jamaica Central Securities Depository Limited,(the Company) is incorporated in Jamaica and is a wholly-owned (subsidiary) of The Jamaica Stock Exchange Limited,(parent company) which is also incorporated and domiciled in Jamaica. The Company is domiciled in Jamaica and its registered office is 40 Harbour Street, Kingston, Jamaica.

Its main business activity is to establish and maintain a Central Securities Depository (CSD) in Jamaica to transfer ownership of securities by book entry, including shares, stocks, bonds or debentures of companies and other eligible securities. The functions of a CSD include:

- Holding securities, shares, stocks, bonds or debentures in trust for the beneficial owners thereof, by itself or through a nominee company, and

- Facilitating the transfer of securities from the beneficial owners to the purchasers.

The Company has a wholly-owned subsidiary JCSD Trustee Services Limited,(Incorporated July 21, 2008). JCSD Trustee Services Limited is incorporated and domiciled in Jamaica. The Company and its subsidiary are herein referred to as the Group. The principal activity of the JCSD Trustee Services Limited,is the provision of trustee, company management custodianship and related services.

2. **Statement of compliance and basis of preparation**

(a) Statement of compliance:

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

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

Standards and interpretations adopted during the year
The Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These new standards and amendments applied for the first time in 2020. The nature and the impact of each new standard or amendment is described below.

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

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

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

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

Standards and interpretations adopted during the year (continued)

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8

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

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

The Conceptual Framework for Financial Reporting

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

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

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2020. These amendments had no impact on the Group's consolidated financial statements.

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

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

Standards and interpretations adopted during the year (continued)

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

The amendments to IFRS 9

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

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

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

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

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

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

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

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

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

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

Standards and interpretations adopted during the year (continued)

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

The amendments to IAS 39 (continued)

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

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedge cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

These amendments had no impact on the Group's consolidated financial statements.

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

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

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

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

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

IFRS 17 Insurance Contracts

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

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

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group does not have insurance contracts therefore the amendments are not expected to have an impact on its consolidated financial statements.

Interest Rate Benchmark Reform – Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognized. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognized in profit or loss. The practical expedient is required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

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

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

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

Interest Rate Benchmark Reform – Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments also include temporary relief from discontinuing hedging relationships and temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

These amendments are effective for annual periods beginning on or after January 1, 2021. This amendment is not expected to have an impact on the consolidated financial statements of the Group.

COVID-19-Related Rent Concessions – Amendment to IFRS 16
In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30th June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30th June 2021 and increased lease payments that extend beyond 30th June 2021).
- There is no substantive change to other terms and conditions of the lease.

This amendment is effective for annual periods beginning on or after June 1, 2020 and is not expected to have an impact on the consolidated financial statements.

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

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

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. This amendment is effective for annual periods beginning on or after January 1, 2022. Management has not yet assessed the impact of these amendments.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'.

The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments are effective for annual periods beginning on or after January 1, 2022 and is not expected to have an impact on the consolidated financial statements.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1
In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

Right to defer settlement
The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period
The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

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

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

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

Management expectations
IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Meaning of the term 'settlement'
The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'. These amendments are effective for annual periods beginning on or after January 1, 2023. Management has not yet assessed the impact of these amendments.

Reference to Conceptual Framework- Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

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

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

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

Reference to Conceptual Framework- Amendments to IFRS 3 (continued)

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. These amendments are effective for annual periods beginning on or after January 1, 2022. Management has not yet assessed the impact of these amendments.

Annual Improvements 2018 - 2020 Cycle (issued in May 2020)
These improvements include:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopters- effective January 1, 2022
- IFRS 9 Financial instruments – Fees in the 10 "per cent" test for derecognition of financial liabilities - effective January 1, 2022
- IAS 41 Agriculture -Taxation in fair value measurements – effective January 1, 2022

Management has not yet assessed the impact of these improvements.

(c) Basis of measurement and functional currency

The financial statements are prepared on the historical cost basis, except for revaluation of financial assets classified as fair value through profit and loss and fair value through other comprehensive income as explained in the accounting policies at Note 3(h). Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in thousands of Jamaican dollars ($'000) which is the functional and presentation currency of the Group and the Company.

(d) Basis of consolidation

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

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

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

(d) Basis of consolidation (continued)

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

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

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 measured at fair value with changes in fair value recognised in profit or loss.

If the contingent consideration is not within the scope of IFRS 9, it is measured at fair value at each reporting date and changes in fair value shall be recognised in the profit and loss. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

(e) Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and future years, if the revision affects current and future years.

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

(e) Use of estimates and judgements (continued)

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

(i) Loss allowance

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

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

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

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

In the current year, management has considered the impact of the COVID-19 pandemic on the forward-looking factors specific to the economic environment. Management has concluded that this has not significantly impacted the ECLs recognised in the current year, however increased delays in repayments of debts by customers has resulted in increased ECLs in some instances.

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

(e) Use of estimates and judgements (continued)

(i) Loss allowance (continued)

At year end, the loss allowance recognised in respect of trade receivables of the Group amounted to $60.78 million and the Company amounted to $30.30 million (2019: Group - $32.72 million and Company - $19.24 million), (Note 11), repurchase agreements $2.16 million (2019: $1.32 million) for the Group and $0.08 million (2019: $0.33 million) for Company (Note 8d) and bond at FVOCI of $1.30 million (2019: $0.79 million) for the Group and $0.92 million (2019: $0.39 million) for the Company (Note 26(h)).

(ii) Residual value and expected useful life of property and equipment

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

(iii) Fair value of financial instruments

As described in Note 26, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Group. The financial assets of the Group at the end of the reporting period stated at fair value determined in this manner amounted to $97.02 million (2019: $106.25 million) and for the Company, $74.26 million (2019: $83.59 million) (Note 8).

Had the fair value of these securities been 2% higher or lower the fair value reserve would increase/decrease by $1.94 million for the Group, and $1.49 million for the Company (2019: $2.13 million for the Group and $1.67 million for the Company).

(iv) Employee benefits

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

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

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

As disclosed in Note 7, the Group operates a defined benefit pension plan. The retirement benefit asset disclosed in the consolidated statement of financial position for the Group and the Company of $29.24 million (2019: $35.44 million), in respect of the defined benefits plan is subject to estimates in respect of periodic costs which costs are dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan.

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(e) Use of estimates and judgements (continued)

(v) Taxes

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

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. (See Notes 17 and 23).

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amounts reflected in the consolidated financial statements.

(vi) Leases

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

3. **Significant accounting policies**

(a) Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Group operates (its functional currency). In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

(b) Current vs. non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(c) Fair value measurement

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

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

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

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

(c) Fair value measurement (continued)

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

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

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

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

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

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

(d) Property and equipment

All property and equipment held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. Construction work-in-progress is not depreciated.

Depreciation is recognised so as to write off the cost of property, plant and equipment (other than work-in-progress) less residual values, over their estimated useful lives, using the straight line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

(e) Intangible assets acquired separately

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

Derecognition of intangible assets

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

(f) Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(g) Employee benefit costs

Pension obligations

The Group's employees participate in the defined benefit pension plan of the parent company, The Jamaica Stock Exchange Limited. The cost of providing benefits is determined using the Projected Unit Credit Method with actuarial valuations being carried out at the end of each reporting period.

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

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

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

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

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

(h) Financial assets and liabilities

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

(i) **Recognition**

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

(ii) **Derecognition**

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

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

(h) Financial assets and liabilities (continued)

(ii) **Derecognition (continued)**

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

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

(iii) **Measurement**

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

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

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

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

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

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

(h) Financial assets and liabilities (continued)

(iii) **Measurement (continued)**

Debt instruments (continued)

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

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

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

(iv) **Classification**

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

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

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

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

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

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

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

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 26(h) for further details.

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

(h) Financial assets and liabilities (continued)

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

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

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

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

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

(i) Repurchase and reverse repurchase agreements

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

(j) Investment in a subsidiary

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(k) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

(i) Current tax

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

(ii) Deferred tax

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profit against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

(k) Taxation (continued)

(iii) Current and deferred tax for the year

Current tax is accrued and recognised in profit or loss. Deferred taxes are recognised in net profit or loss except, when they relates to items that are recognised in other comprehensive income or directly in equity in which case the deferred taxes are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

(l) Related party transactions and balances

A related party is person or entity that is related to the entity that is preparing its financial statements (in IAS 24, *Related Parties Disclosures* referred to as the 'reporting entity').

(a) A person or a close member of that person's family is related to a reporting entity if that person:

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity: or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the entity.

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

(i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate of joint venture of a member of a group of which the other entity is member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity Is an associate of third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

(vi) the entity is controlled or jointly controlled by a person identified in (a) and;

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

(m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

(i) Income from operations

The Group's income from operations comprises service fees levied on the participants of the Jamaica Central Securities Depository (JCSD) which include brokers, and institutional investors. The service fees which are accounted for on an accrual basis are as follows:

(a) Membership fees

These are annual fees charged to the brokers and institutional investors who participate in the JCSD, and also include a onetime fee for new participants.

(b) Account maintenance fees

These are monthly fees charged to the brokers and institutional investors who participate in the JCSD.

(c) User fees

These include charges per transaction for deposits, withdrawals and delivery orders (trades).

(d) Trustee service fee

These include service fees charged for the provision of trustee services, company management, custodianship and related services and are accounted for on the accrual basis.

(e) Retail repurchase agreement fee

This is a service fee charged by the Retail Repurchase Division for the provision of trustee services to dealers engaged in the Retail Repurchase Market.

(ii) Other operating income

These include income related to other services and events of the Group, and are accounted for on the accrual basis.

(iii) Investment income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably.

Interest income is accrued on a time basis and is recognised in profit or loss, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

(n) Contract liabilities

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

(o) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes leases liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before then commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets, as follows:

- Building 11 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment.

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including substance fixed payments) less incentives receivable, variable lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

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

(o) Leases (continued)

ii) Lease liabilities (continued)

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a resulting modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature.

4. **Property and Equipment**

	The Group			
	Furniture and fixtures $'000	**Office equipment $'000**	**Computer hardware $'000**	**Total $'000**
Cost:				
January 1, 2019	5,453	23,810	39,841	69,104
Additions	557	175	1,775	2,507
December 31, 2019	6,010	23,985	41,616	71,611
Additions	189	1,152	3,632	4,973
December 31, 2020	6,199	25,137	45,248	76,584
Depreciation:				
January 1, 2019	3,193	13,631	21,308	38,132
Charge for the year	352	3,147	5,855	9,354
December 31, 2019	3,545	16,778	27,163	47,486
Charge for the year	387	3,219	5,831	9,437
December 31, 2020	3,932	19,997	32,994	56,923
Net book values:				
December 31, 2020	2,267	5,140	12,254	19,661
December 31, 2019	2,465	7,207	14,453	24,125

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

	The Company			
	Furniture and fixtures $'000	**Office equipment $'000**	**Computer hardware $'000**	**Total $'000**
Cost:				
January 1, 2019	4,090	20,008	28,367	52,465
Additions	455	175	1,420	2,050
December 31, 2019	4,545	20,183	29,787	54,515
Additions	29	763	2,415	3,207
December 31, 2020	4,574	20,946	32,202	57,722
Depreciation:				
January 1, 2019	3,045	12,010	17,440	32,495
Charge for the year	212	2,387	3,578	6,177
December 31, 2019	3,257	14,397	21,018	38,672
Charge for the year	239	2,448	3,467	6,154
December 31, 2020	3,496	16,845	24,485	44,826
Net book values:				
December 31, 2020	1,078	4,101	7,717	12,896
December 31, 2019	1,288	5,786	8,769	15,843

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

Furniture and fixtures	10 years
Office equipment	5 years
Computer hardware	5 years

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

5. **Intangible assets**

	The Group		
	Computer software $'000	Computer software projects $'000	Total $'000
Cost			
January 1, 2019	41,645	5,971	47,616
Additions	16,842	290	17,132
Reclassification *	-	(5,681)	(5,681)
December 31, 2019	58,487	580	59,067
Additions	1,409	9,772	11,181
December 31, 2020	59,896	10,352	70,248
Amortisation			
January 1, 2019	25,781	-	25,781
Charge for year	6,487	-	6,487
December 31, 2019	32,268	-	32,268
Charge for year	8,106	-	8,106
December 31, 2020	40,374	-	40,374
Net book values			
December 31, 2020	19,522	10,352	29,874
December 31, 2019	26,219	580	26,799

* Amount was reclassified to deposits included in prepayments

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

5. **Intangible assets (Continued)**

	The Company		
	Computer software $'000	Computer Software Projects $'000	Total $'000
Cost			
January 1, 2019	27,143	5,681	32,824
Reclassification *	-	(5,681)	(5,681)
Additions	16,842	290	17,132
December 31, 2019	43,985	290	44,275
Additions	1,226	9,772	10,998
December 31, 2020	45,211	10,062	55,273
Amortisation			
January 1, 2019	17,231	-	17,231
Charge for year	3,377	-	3,377
December 31, 2019	20,608	-	20,608
Charge for year	6,531	-	6,531
December 31, 2020	27,139	-	27,139
Net book values			
December 31, 2020	18,072	10,062	28,134
December 31, 2019	23,377	290	23,667

* Amount was reclassified to deposits included in prepayments

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

6. **Investment in subsidiary**

Investment in subsidiary is stated at cost as follows:

	2020 $'000	2019 $'000
JCSD Trustee Services Limited	1,631	1,631

7. **Post employment benefits**

The Group's employees participate in the defined benefit pension plan of the ultimate parent company, The Jamaica Stock Exchange Limited. This plan is open to all permanent employees and is administered by Victoria Mutual Pensions Management Limited. The plan is funded by employee contributions of 5% of pensionable salary, with an option for additional voluntary contributions of up to 8.4% of pensionable salary. The Group contributes to the plan at rates determined periodically by external actuarial valuations (currently 6.6% of pensionable salary) to meet the obligations of the plan. Pension benefits are determined on the basis of 2% of final annual pensionable salary times pensionable years of service.

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

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

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

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

7. **Post employment benefits (Continued)**

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

Financial assumptions

	The Group and the Company	
	2020 $'000	2019 $'000
Gross discount rate	9.0%	7.5%
Expected rate of salary increase	7.0%	5.0%
Administrative expenses	1.6%	1.6%

The weighted average duration of the defined benefit obligation as at December 31, 2020 is 18.0 years (2019: 20.6 years).

Demographic assumptions

Demographic assumptions include assumed retirement age of 60 years for all employees (which is the normal retirement age). Assumptions regarding future mortality are based on American 1994 Corporation Annuitant Mortality (GAM94) table with a 5 years mortality improvement. No assumption was made for termination and death prior to retirement.

(b) Amounts included in the separate and consolidated statement of financial position in respect of the Plan is as follows:

	The Group and the Company	
	2020 $'000	2019 $'000
Fair value of Plan assets	193,293	179,953
Present value of defined benefit obligations	(164,058)	(144,517)
	29,235	35,436

(c) Amounts recognised in separate and consolidated statement of profit or loss and other comprehensive income in respect of the Plan:

	The Group and the Company	
	2020 $'000	2019 $'000
Current service costs	7,489	5,477
Interest costs	11,807	9,107
Interest income on Plan assets	(14,309)	(10,638)
	4,987	3,946

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

7. **Post employment benefits (Continued)**

(c) Amounts recognised in separate and consolidated statement of profit or loss and other comprehensive income in respect of the Plan: (continued)

	The Group and the Company	
	2020	**2019**
	$'000	**$'000**
Items in Other Comprehensive Income (OCI)		
Remeasurement loss on obligation for OCI	(6,329)	11,462
Remeasurement loss/(gain) on assets for OCI	22,627	(18,814)
Total remeasurements for OCI	16,298	(7,352)

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

	The Group and the Company	
	2020	**2019**
	$'000	**$'000**
Net asset at start of year	35,436	26,243
Amount recognised in profit or loss	(4,987)	(3,946)
Amount recognised in OCI	(16,298)	7,352
Contributions by Company	15,084	5,787
Net asset at end of year	29,235	35,436

(e) Changes in the present value of the defined benefit obligation:

	The Group and the Company	
	2020	**2019**
	$'000	**$'000**
Opening defined benefit obligations	144,517	127,207
Service cost	12,293	9,886
Interest cost	11,807	9,107
Voluntary contribution	4,239	3,910
Benefits paid/deferred benefits (net)	(2,469)	(17,055)
Remeasurement loss on obligation for OCI	(6,329)	11,462
Closing defined benefit obligations	164,058	144,517

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

7. **Post employment benefits (Continued)**

(f) Changes in fair value of Plan assets:

	The Group and the Company	
	2020	**2019**
	$'000	**$'000**
Opening fair value of plan assets	179,953	153,450
Members' contribution	9,043	8,319
Employer's contribution	15,084	5,787
Interest income on plan assets	14,309	10,638
Benefits paid/Deferred benefits (net)	(2,469)	(17,055)
Remeasurement loss on asset for OCI	(22,627)	18,814
Closing fair value of Plan assets	193,293	179,953

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

	The Group and the Company	
	2020	**2019**
	$'000	**$'000**
Corporate bonds	35,558	34,633
Equity investments	77,064	90,778
Foreign currency bonds	15,710	-
Government of Jamaica securities	4,053	28,239
Repurchase agreements	23,745	9,670
Unit trust	2,644	2,804
Certificate of deposits	7,031	6,057
VMWM Deferred Share	-	4,480
Others	27,488	3,292
Fair value of Plan assets	193,293	179,953

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

7. **Post-employment benefits (Continued)**

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

	The Group and the Company				
	Defined Benefit Pension Plan				
	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Present value of defined benefit obligation	(164,058)	(144,517)	(127,207)	(94,954)	(79,195)
Fair value of plan assets	193,293	179,953	153,450	130,459	119,080
Surplus in the plan	29,235	35,436	26,243	35,505	39,885
Re-measurement loss/(gain) on obligation for OCI	(6,329)	11,462	1,634	(435)	3,101
Re-measurement gain/(loss) on asset for OCI	22,627	(18,814)	(11,686)	7,706	428

The Group expects to make a contribution of $30.7 million (2019: $11.74 million) to the defined benefit plan during the next financial year.

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

(i) Sensitivity analyses

1. Discount rate

	2020		2019	
	The Group and the Company		The Group and the Company	
	½% decrease in Discount rate Assumption $'000	½% increase in Discount rate Assumption $'000	½% decrease in Discount rate Assumption $'000	½% increase in Discount rate Assumption $'000
Defined benefit obligation	177,248	152,483	158,200	132,675

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

7. Post-employment benefits (Continued)

(i) Sensitivity analyses (continued)

2. Salary Assumption

	2020		2019	
	The Group and the Company		The Group and the Company	
	½% decrease in Salary Assumption $'000	½% increase in Salary Assumption $'000	½% decrease in Salary Assumption $'000	½% increase in Salary Assumption $'000
Defined benefit obligation	157,408	171,464	138,677	150,747

3. Actuarial gains/(losses) on defined benefit obligation arising from:

	The Group and the Company	
	2020 $'000	2019 $'000
Financial assumptions	12,106	969
Experience adjustments	(5,777)	(12,431)
Total actuarial gain/(losses)	6,329	(11,462)

8. Investment in securities

(a) Non-current:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Debt instruments at FVOCI				
GOJ Variable Rate Benchmark Investment Notes 2020: 2.05% 2023 (2019: 2.12%, 2020 to 2023)	4,012	4,022	4,012	4,022
VMBS FR 7% Note 2024	50,956	50,976	28,196	28,313
GOJ Global Bond 2039 Fixed Rate 8% (nominal value US$190,000)	39,230	38,834	39,230	38,834
	94,198	93,832	71,438	71,169

Included in the investment balance above is interest receivable in the amount of $0.89 million for the Group and $0.68 million for the Company (2019: $0.89 million for the Group and $0.52 million for the Company).

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(b) Current:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Debt instruments at FVOCI				
GOJ VR 1.99% Benchmark Notes 2020	-	9,928	-	9,928
Debt instruments at FVPL				
Investment in Unit Trust	2,820	2,491	2,820	2,491
	2,820	12,419	2,820	12,419

(c) The movement for the year in debt instrument financial assets is as follows:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance at January 1	106,251	47,639	83,588	47,639
Acquisitions	-	45,000	-	25,000
Foreign exchange gain	1,125	2,343	1,125	2,343
Premium/discount	(167)	(154)	(167)	(154)
Movement in fair value and interest receivable on FVOCI financial assets	(382)	11,152	(479)	8,489
Disposal of units	(9,883)	-	(9,883)	-
Fair value gains through profit and loss	74	271	74	271
Balance at December 31	97,018	106,251	74,258	83,588

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(d) Government securities purchased under resale agreements

The Group entered into repurchase agreements collateralised by the Government of Jamaica securities. These agreements may result in credit exposure in the event that the counter parties of these transactions are unable to fulfill their contractual obligations. The fair value of collateral pursuant to repurchase agreements is $233.45 million for the Group and $10.17 million for the Company (2019: $258.61 million for the Group and $60.27 million for the Company).

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Jamaican dollar denominated	150,068	217,847	10,171	60,267
United States dollar denominated (US$592,333; 2019: US$314,034)	83,382	40,757	-	-
Interest receivable	1,752	719	12	102
Less: loss allowances (Note 26(h))	(2,156)	(1,319)	(88)	(330)
	233,046	258,004	10,095	60,039

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

	The Group		The Company	
	2020 %	2019 %	2020 %	2019 %
Jamaican dollar denominated	2.24	2.30	0.9	1.87
United States dollar denominated	3.08	2.99	-	-

9. **Long-term receivables**

These represent loans granted to employees predominantly for motor vehicle purchases. The loans are repayable by monthly installments over a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans due within twelve months from the end of the reporting period, amounting to approximately $2.2 million (2019: $1.8 million) is included in other receivables (Note 11). Management has assessed the ECL on long term receivables to be immaterial.

Set out below is the movement in the loans receivables:

	The Group and Company	
	2020 $'000	2019 $'000
Loans receivable	4,938	6,007
Less: Current portion included in receivables (Note 11)	(2,189)	(1,819)
Net long-term portion	2,749	4,188

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

10. Due from/(to) related parties

Amounts due from/(to) related parties are as follows:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Due from related parties:				
The Jamaica Stock Exchange Limited	167,902	56,552	167,902	56,552
	167,902	56,552	167,902	56,552
Due to related parties:				
JCSD Trustee Services Limited	-	-	(13,808)	(15,232)
	-	-	(13,808)	(15,232)

There are no set repayment terms in respect of the balances and no interest is charged on the balance owed by the Group to JSE at the end of the reporting period.

11. Trade and other receivables

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cess receivable	7,399	7,609	7,399	7,609
Account maintenance/trade receivable	133,761	136,907	32,058	47,322
Registrar service fees	46,942	32,032	46,942	32,032
Other receivables	5,946	4,118	5,682	4,118
	194,048	180,666	92,081	91,081
Less: Loss allowance (Note 26(h))	(60,779)	(32,717)	(30,299)	(19,242)
	133,269	147,949	61,782	71,839
Prepayments	35,179	30,618	20,255	18,392
	168,448	178,567	82,037	90,231

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

12. Cash and cash equivalents

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

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $000
Cash on hand and in bank	123,188	87,738	26,991	33,093

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates. Of the $123.19 million (2019: $87.74 million) for the Group and $26.99 million (2019: $33.09 million) for the Company, $21.42 million for the Group (2019: $4.08 million) and $8.11 million for the Company (2019: $0.77 million) are held in USD with an interest rate of 0.05% (2019: 0.05%), while $101.77 million (2019: $83.66 million) for the Group and $18.88 million (2019: $32.32 million) for the Company are held in JMD, and are non-interest bearing.

13. Share capital

	2020 No. of shares	2019 No. of shares	2020 $'000	2019 $'000
Authorised at January 1 and December 31				
Ordinary shares – no par value	61,000,000	61,000,000	61,000	61,000
Issued capital:				
At January 1 and December 31	61,000,000	61,000,000	61,000	61,000

14. Fair value reserve

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Balance at January 1	10,780	2,804	8,857	2,804
Net gain arising on revaluation of FVOCI	(36)	10,784	(479)	8,489
Deferred tax adjustments on FVOCI financial assets (Note 17, 23 (iii))	12	(3,595)	160	(2,830)
Net impairment of investments	508	787	527	394
	484	7,976	208	6,053
Balance at December 31	11,264	10,780	9,065	8,857

15. **Revenue reserve – non distributable**

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

16. **Dividend paid**

During the year, the Company made a dividend payment of $284 million (2019: $178.00 million) to the parent company (its sole shareholder). The dividend per share is calculated as $4.66 (2019: $2.92).

17. **Deferred tax**

This comprises:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax assets	10,721	970	7,630	439
Deferred tax liabilities	(15,474)	(21,656)	(13,973)	(17,882)
Net position at the end of the year	(4,753)	(20,686)	(6,343)	(17,443)

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
At January 1	(20,686)	(10,998)	(17,443)	(10,993)
Credited/(Charged) to income for the year (Note 23)	10,488	(3,642)	5,507	(1,169)
Credited/ (Charged) to equity/OCI	5,433	(2,451)	5,433	(2,451)
Credited/(Charged) to fair value reserve (Note 14)	12	(3,595)	160	(2,830)
At December 31	(4,753)	(20,686)	(6,343)	(17,443)

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

17. **Deferred tax (continued)**

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

Deferred tax assets

This comprises:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Accrued vacation	2,088	970	802	439
Capital allowance in excess of depreciation	8,633	-	6,828	-
Deferred tax assets	10,721	970	7,630	439

Deferred tax liabilities

This comprises:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Depreciation in excess of capital allowance	-	(3,848)	-	(1,168)
Unrealized gains In investment In securities	(4,906)	(4,918)	(3,993)	(4,153)
Retirement benefit asset	(9,745)	(11,812)	(9,745)	(11,812)
Interest receivable	(823)	(1,078)	(235)	(749)
Deferred tax liabilities	(15,474)	(21,656)	(13,973)	(17,882)

The deferred tax (credited)/charged to profit or loss comprises the following temporary differences:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Accrued vacation	1,118	115	363	(7)
Capital allowance in excess of depreciation	12,481	(2,357)	7,996	(14)
Retirement benefit asset to profit or loss	(3,366)	(614)	(3,366)	(614)
Interest receivable	255	(786)	514	(534)
	10,488	(3,642)	5,507	(1,169)

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

17. **Deferred tax (continued)**

The deferred tax (credited)/charged to other comprehensive income comprises the following temporary differences:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Unrealized gains in investment in securities to OCI	12	(3,595)	160	(2,830)
Retirement benefit asset to OCI	5,433	(2,451)	5,433	(2,451)
	5,445	(6,046)	5,593	(5,281)

18. **Payable and accruals**

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade payables	51,513	37,129	42,323	29,633
Accruals	11,596	4,432	5,672	1,905
Other payables	8,098	13,077	764	5,650
Total payables and accruals	71,207	54,638	48,759	37,188

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

19. **Other operating income**

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Dividend income	-	-	177,000	110,000
Other income	4,955	3,215	6,557	4,217
Total other operating income	4,955	3,215	183,557	114,217

20. Staff costs

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Salaries and other employee benefits	213,084	186,391	100,653	102,743
Statutory contributions	17,852	17,840	9,090	7,262
Retirement benefit/expense charge (Note 7(d))	4,987	3,946	4,987	3,946
	235,923	208,177	114,730	113,951

21. Investment income

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Investment income comprises:				
Interest income	11,540	8,578	4,335	3,571
Foreign exchange gain	14,394	2,018	8,757	1,087
Investment premium/discount	(167)	(154)	(167)	(154)
Fair value gain through profit and loss	74	271	74	271
	25,841	10,713	12,999	4,775
Investment income earned, analysed by category of financial assets is as follows:				
Loans and receivables at amortised cost	9,891	6,363	6,942	793
Debt instruments at FVOCI	15,950	4,350	6,057	3,982
	25,841	10,713	12,999	4,775

22. Profit before taxation

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

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Income				
Interest	11,540	8,578	4,335	3,571
Expenses				
Directors' emoluments				
Fees	2,939	2,673	2,939	2,673
Management	2,388	2,612	1,194	1,306
Audit fees	2,130	1,833	1,600	1,540
Depreciation of property and equipment (Note 4)	9,437	9,354	6,154	6,177
Amortisation of intangible assets (Note 5)	8,106	6,487	6,531	3,377
Amortisation of right-of-use asset	2,589	2,589	2,589	2,589

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

22. **Profit before taxation (Continued)**

Profit for the year

Reflected in the financial statements of the:

	The Group	
	2020	**2019**
	$'000	**$'000**
Parent company	331,166	265,455
Subsidiary	242,766	209,948
Less intercompany transaction by subsidiary	(177,000)	(110,000)
	396,932	365,403

Revenue reserve

Reflected in the financial statements of the:

	The Group	
	2020	**2019**
	$'000	**$'000**
Parent company	273,376	237,075
Subsidiary	349,510	283,744
	622,886	520,819

23. **Taxation**

(a) Recognised in statement of profit or loss and other comprehensive income:

(i) The charge for the year includes:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Current tax	198,784	193,256	75,784	83,429
Deferred tax adjustment (Note 17)	(10,488)	3,642	(5,507)	1,169
	188,296	196,898	70,277	84,598

23. **Taxation (Continued)**

(a) (continued)

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Profit before tax	585,228	562,301	401,443	350,053
Tax at the domestic income tax rate of 33S %	195,076	187,433	133,814	116,684
Tax effect of items that are not deductible in determining taxable profit	183	307	183	307
Effect of income not taxable	-	-	(59,000)	(36,667)
Other	(6,963)	9,158	(4,720)	4,274
	188,296	196,898	70,277	84,598

(iii) Recognised in other comprehensive income:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Fair value adjustment (Note 14)	12	(3,595)	160	(2,830)

24. **Related party transactions and balances**

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Ultimate parent company				
The Jamaica Stock Exchange Limited lease payment	4,109	4,109	4,109	4,109
Professional fees	3,216	1,409	3,216	1,409
Subsidiary				
JCSD Trustee Services Limited lease payments	-	-	1,350	1,350
Other charges	-	-	24,723	19,043

(b) Balances with related entities at the end of the reporting period are disclosed at Note 10.

24. **Related party transactions and balances (Continued)**

(c) Dividend (paid)/received during the year

	The Company	
	2020 $'000	2019 $'000
Dividends paid (Note 16)	(284,000)	(178,000)
Dividends received (Note 19)	177,000	110,000

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Short-term benefits	44,404	42,210	27,099	28,474
Post employment benefits	3,222	2,194	1,959	1,492
	47,626	44,404	29,058	29,966

(e) Loans to related parties

	The Group and the Company	
	2020 $'000	2019 $'000
Loans to key management personnel	715	972

25. **Commitments**

Capital commitments

There were nil capital commitments which were authorized and contracted for as at December 31, 2020, for the Group and the Company (2019: Nil for the Group and Company).

26. **Financial instruments**

(a) Capital risk management

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

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

i) To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for stockholders and benefits for other stakeholders; and

ii) Maintain a strong capital base to support the business development.

The Group's overall strategy remains unchanged from 2019.

The subsidiary is subject to externally imposed capital requirements (non-distributable capital in excess of $50 million). The subsidiary has complied with this requirement (Note 15).

26. **Financial instruments (Continued)**

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 3 to the financial statements.

(c) Categories of financial instruments

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial assets				
Investment in securities	97,018	106,251	74,258	83,588
Long-term receivables	2,749	4,188	2,749	4,188
Trade and other receivables	133,269	147,949	61,782	71,839
Due from related parties	167,902	56,552	167,902	56,552
Government securities purchased under resale agreements	233,046	258,004	10,095	60,039
Cash and bank balances	123,188	87,738	26,991	33,093
	757,172	660,682	343,777	309,299

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Financial liabilities				
Due to related parties	-	-	13,808	15,232
Contract liabilities	19,387	9,788	-	-
Lease liabilities	25,021	26,819	25,021	26,819
Other liabilities at amortised cost	51,513	37,129	42,323	29,633
	95,921	73,736	81,152	71,684

(d) Financial risk management objectives

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

26. **Financial instruments (Continued)**

(e) Market risk

The Group's investment activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates and credit risk (see Notes 26(f), 26(g) and 26(h)).

The Group manages its risk through extensive research and monitors the risk exposures on the local and international markets.

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

(f) Foreign currency risk management

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

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Investment securities	39,230	38,834	39,230	38,834
Government securities purchased under resale agreements (Note 8 (d))	83,382	40,757	-	-
Cash and cash equivalents (Note (12))	21,421	4,076	8,109	773
Net exposure	144,033	83,667	47,339	39,607

Foreign currency sensitivity analysis

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 6% depreciation or 2% appreciation in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity of the 6% depreciation (2019: 6% depreciation) or 2% appreciation (2019: 4% appreciation) in the Jamaican dollar against the United States dollar exposure would be an increase of $8.64 million and a decrease of $2.88 million of the Group and an increase of $2.84 million and a decrease of $0.95 million for the Company (2019: increase of $5.02 million and a decrease of $3.35 million of the Group and an increase of $2.38 million and a decrease of $1.58 million for the Company).

The Group's sensitivity to foreign currency has increased during the year mainly due to increased holdings of foreign cash and investments.

26. **Financial instruments (Continued)**

(g) Interest rate risk management

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity analysis

Interest rate sensitivity has been determined based on the exposure to interest rates for the Group's investment in securities at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate financial assets and financial liabilities, the analysis assumes the amount outstanding at year end was outstanding for the whole year. A 100 basis points increase (2019: 100 basis points increase) or a 100 basis points decrease (2019: 100 basis points decrease) for local currency and 100 basis points increase (2019: 100 basis points increase) or 100 basis points decrease (2019: 100 basis points decrease) for those denominated in United States currency represents management's assessment of the reasonable possible change in interest rates.

The net effect on profit if market interest rates had changed by the basis points shown below for J$ and US$ investments and all other variables were held constant is as follows:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Effect on profit-increase of 100 basis points (2019:100 basis points) (J$)	1,917	1,915	290	139
Effect on profit-decrease of 100 basis points (2019:100 basis points) (J$)	(1,917)	(1,915)	(290)	139
Effect on profit-increase of 100 basis points (2019: 100 basis points) (US$)	1,101	655	267	249
Effect on profit-decrease of 100 basis points (2019: 100 basis points) (US$)	(1,101)	(655)	(267)	(247)

(h) Credit risk management

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

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

Investments in securities and bank deposits are held in Government of Jamaica instruments and with counterparties which are banks or financial institutions with high credit ratings thereby mitigating the exposure.

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

26. **Financial instruments (Continued)**

(h) Credit risk management (continued)

The carrying amount of financial assets recorded in the financial statements (as disclosed in Note 26(c)), which is net of impairment losses, represents the Group's maximum exposure to credit risk.

Impairment of financial assets

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

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

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

Trade receivables

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

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

26. **Financial instruments (Continued)**

(h) Credit risk management (Continued)

Impairment of financial assets (continued)

The loss allowance as at December 31, 2020,was determined as follows for trade receivables:

	The Group		The Company	
December 31, 2020	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**
Current	0.06	82,995	0.06	40,706
30 - 60 days past due	0.05	23,380	0.05	9,787
61 - 90 days past due	0.13	11,697	0.15	2,213
91 – 180 days past due	0.28	32,457	0.34	19,053
More than 180 days past due	1.00	43,519	1.00	20,322
Total		194,048		92,081
Loss allowance (Note 11)		60,779		30,299

	The Group		The Company	
December 31, 2019	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**
Current	0.047	88,019	0.06	45,791
30 - 60 days past due	0.040	37,665	0.05	14,966
61 - 90 days past due	0.110	20,901	0.13	12,967
91 – 180 days past due	0.210	12,277	0.28	4,546
More than 180 days past due	1.01	21,804	1.01	12,811
Total		180,666		91,081
Loss allowance (Note 11)		32,717		19,242

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

26. **Financial instruments (Continued)**

(h) Credit risk management (Continued)

Impairment of financial assets (continued)

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

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Opening loss allowance as at 1st January – calculated under IFRS 9	32,717	30,087	19,242	15,613
Increase in loss allowance recognised in income statement	28,062	2,630	11,057	3,629
At 31st December 2019	60,779	32,717	30,299	19,242

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

Debt investments

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

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Government of Jamaica	43,242	52,784	43,242	52,784
Corporate	286,822	311,471	41,111	90,843
	330,064	364,255	84,353	143,627

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

26. **Financial instruments (Continued)**

(h) Credit risk management (Continued)

Impairment of financial assets (continued)

The loss allowances for debt investment at amortised cost as at December 31, 2020,is as follows:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening loss allowance as at January 1	1,319	291	330	97
Increase (decrease) in loss allowance recognized in statement of profit or loss	837	1,028	(242)	233
	2,156	1,319	88	330

Debt investments carried at FVOCI

The closing loss allowances for fair value through OCI as at December 31, 2020 is as follows:

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Opening loss allowance as at January 1	787	-	394	-
Increase in loss allowance recognized in other comprehensive income	508	787	527	394
	1,295	787	921	394

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

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade receivables	28,062	2,630	11,057	3,629
Debt securities at amortised cost	837	1,028	(242)	233
Debt securities at FVOCI	508	787	527	394
	29,407	4,445	11,342	4,256

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

26. Financial instruments (Continued)

(i) Liquidity risk management

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

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

	The Group						
	Weighted Average effective interest rate %	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 year $'000	5 years $'000	Total $'000
2020							
Financial assets							
Non-interest bearing		104,480	180,096	-	-	-	284,576
Interest bearing	5.01	65,487	-	2,279	33,589	-	101,355
Variable interest rate instruments	2.12	2	149,164	29,808	4,135	-	183,109
Fixed interest rate instruments	5.0	10,522	794	2,152	37,428	57,165	108,061
		180,491	330,054	34,239	75,152	57,165	677,101
Financial liabilities							
Non-interest bearing		51,513	19,387	-	-	-	70,900
Interest bearing	8.62	342	685	3,082	16,435	16,109	36,653
		51,855	20,072	3,082	16,435	16,019	107,553
2019							
Financial assets							
Non-interest bearing		83,664	270,884	-	-	-	354,548
Interest bearing		773	-	1,899	5,861	-	8,553
Variable interest rate instruments	2.05	9,073	165,743	36,961	29,408	-	241,185
Fixed interest rate instruments	4.6	10,683	748	2,028	36,687	52,704	102,850
		104,193	437,375	40,888	71,956	52,704	707,116
Financial liabilities							
Non-interest bearing		37,129	9,788	-	-	-	46,917
Interest bearing	8.62	342	685	3,082	16,435	20,218	40,762
		37,471	10,473	3,082	16,435	20,218	87,679

26. **Financial instruments (Continued)**

(i) Liquidity risk management (continued)

	The Company						
	Weighted Average Effective interest rate %	**Less than 1 month $'000**	**1 to 3 months $'000**	**3 months to 1 year $'000**	**1 to 5 years $'000**	**5 years $'000**	**Total $'000**
2020							
Financial assets							
Non-interest bearing		21,595	94,801				116,396
Interest bearing	1.515	8,109		2,279	3,845		14,233
Variable interest rate instruments Fixed	2.09 8	2		64	4,135		4,201
interest rate Instruments		10,522	794	2,152	37,428	57,165	108,061
		40,228	95,595	4,495	45,408	57,165	242,891
Financial liabilities							
Non-interest bearing		56,131	-	-	-	-	56,131
Leases	8.62	342	685	3,082	16,435	16,109	36,654
		56,473	685	3,082	16,435	16,109	92,785
2019							
Financial assets							
Non-interest bearing		32,319	179,542	-	-	-	211,861
Interest bearing		773	-	1,899	5,861	-	8,533
Variable interest rate instruments	2.05	3		10,069	4,172	-	14,244
Fixed interest rate Instruments	3.77	- 10,683	748	2,028	36,687	52,704	102,850
		43,778	180,290	13,996	46,720	52,704	337,488
Financial liabilities							
Non-interest bearing		44,865	-	-	-	-	44,865
Leases	8.62	342	685	3,082	16,435	20,218	40,763
		45,207	685	3,082	16,435	20,218	85,628

(j) Fair value of financial instruments

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

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

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

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

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

26. **Financial instruments (Continued)**

(k) Fair value measurements recognised in the separate and consolidated statement of financial position

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

There were no Level 3 fair value investments.

	The Group			
	2020			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Debt instruments at FVOCI and amortised cost				
Debt securities	-	97,018	-	97,018

	The Group			
	2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Debt instruments at FVOCI and amortised cost				
Debt securities	-	106,251	-	106,251

	The Company			
	2020			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Debt instruments at FVOCI				
Debt securities	-	74,258	-	74,258

	The Company			
	2019			
	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Debt instruments at FVOCI				
Debt securities	-	83,588	-	83,588

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

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

Disaggregation of Revenue

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

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Cess fee	47,503	87,165	47,503	87,165
Membership and users fee	410,457	364,136	435,180	383,179
Trustee fee	479,033	405,650	-	-
Retail repurchase fee	117,607	95,279	-	-
Other operating fee	4,955	3,215	183,557	114,217
	1,059,555	955,445	666,240	584,561

Reconciliation of contract liabilities

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

	The Group		The Company	2020
	2019		**2020 2019**	
	$'000	**$'000**	**$'000**	**$'000**
Opening balance	9,788	8,042	-	-
Additions during the year	235,834	210,948	51,692	33,590
Amount recognized as revenue	(226,235)	(209,202)	(51,692)	(33,590)
Ending balance	19,387	9,788	-	-

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Revenue recognized that was included in the contract liability balance				
Fee income	51,692	33,590	51,692	33,590
Other operating income	174,543	175,612	-	-
Ending balance	226,235	209,202	51,692	33,590

27. **Changes in Accounting Policies (Continued)**

IFRS 15 Revenue from contracts with customers (Continued)

Timing of Revenue Recognition:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
At a point in time	833,320	746,244	614,548	550,971
Over time	226,235	209,201	51,692	33,590
	1,059,555	955,445	666,240	584,561

Unsatisfied performance obligation
The following table shows unsatisfied performance obligations resulting from 110 (2019: 109) contracts for the Group, nil (2019: nil) for the Company.

	The Group	
	2020	2019
	$'000	$'000
Aggregate amount of the transaction price allocated to 109 (2019: 109) contracts that are partially or fully unsatisfied as at December 31	42,319	28,056

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of December 31, 2020 will be recognised as revenue during the next reporting period $42.32 million for the Group (2019 28.56 million for the Group). The Group/Company amount disclosed above does not include variable consideration which is constrained.

28. **IFRS 16 Leases**

The Group has a lease contract for building with JSE under which it operates from. The lease term is 11 years. The lease liabilities are measured at present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was 8.62% (2019: 8.62%).

28. **IFRS 16 Leases**

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(a) **Right-of-use asset**

(i) **Amounts recognised in the statement of financial position**

The statement of financial position shows the following amounts relating to leases:

	The Group and the Company
	December 31, 2020 $'000
As at January 1, 2019	28,475
Amortization expense	(2,589)
As at December 31, 2019	**25,886**
Amortization expense	(2,589)
As at December 31, 2020	**23,297**

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

	The Group and the Company	
	2020 $'000	2019 $'000
As at January 1	26,819	28,474
Interest	2,311	2,454
Payments	(4,109)	(4,109)
As at December 31	25,021	26,819

	2020 $'000	2019 $'000
Lease liabilities		
Current	1,952	865
Non-current	23,069	25,954
	25,021	26,819

28. **IFRS 16 Leases (continued)**

The following are the amounts recognised in profit or loss:

	The Group and the Company	
	2020	**2019**
	$'000	**$'000**
Depreciation of right of use	2,589	2,589
Interest expense on lease liabilities	2,311	2,454
Total recognized in profit or loss	4,900	5,043

The Company's cash outflow for leases in 2020 was $4,108,868 (2019: $4,108,868).

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020.

(Concluded)

FINANCIAL STATEMENTS

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

"Safe · Reliable · Efficient"

TRUSTEE SERVICES

JCSD

TRUSTEE SERVICES

FOR THE YEAR ENDED DECEMBER 31, 2020.

(Expressed in Jamaican Dollars)

CONTENTS

"Safe · Reliable · Efficient"

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

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INDEPENDENT AUDITOR'S REPORT

To the Members of JCSD Trustee Services Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of JCSD Trustee Services Limited (the Company), which comprise the statement of financial position as at December 31, 2020, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of JCSD Trustee Services Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To the Members of JCSD Trustee Services Limited (Continued)

Report on the Audit of the Financial Statements (Continued)

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

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

Report on additional requirements of the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

Ernst & Young
Ernst & Young
Kingston, Jamaica

March 1, 2021

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STATEMENT OF FINANCIAL POSITION

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe · Reliable · Efficient"

AS AT DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	2020 $'000	2019 $'000
ASSETS			
Non-current assets			
Property and equipment	4	6,765	8,282
Intangible asset	5	1,740	3,132
Right-of-use asset	22	7,652	8,502
Investment in securities	6	22,760	22,663
Deferred tax assets	15	1,590	-
		40,507	42,579
Current assets			
Due from related parties	7	13,808	15,232
Trade and other receivables	8	86,411	88,336
Government securities purchased under resale agreements	9	222,951	197,965
Cash and cash equivalents	10	96,197	54,645
		419,367	356,178
TOTAL ASSETS		459,874	398,757
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	1,631	1,631
Fair value reserve	12	2,199	1,923
Revenue reserve – non distributable	13	48,367	48,367
Revenue reserve		349,510	283,744
		401,707	335,665
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	15	-	3,243
Lease liability	22	7,575	8,218
		7,575	11,461
Current liabilities			
Income tax payable		8,680	24,109
Contract liabilities	21	19,387	9,788
Lease liability	22	642	589
Payables and accruals	16	21,883	17,145
		50,592	51,631
TOTAL EQUITY AND LIABILITIES		459,874	398,757

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

The financial statements were approved for issue by the Board of Directors on March 1, 2021 and signed on its behalf by:

Chairman — Livingstone Morrison

Director — Marlene Street-Forrest

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

JAMAICA CENTRAL SECURITIES DEPOSITORY LIMITED

TRUSTEE SERVICES JCSD TRUSTEE SERVICES

"Safe · Reliable · Efficient"

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	2020 $'000	2019 $'000
Revenue			
Trustee fees	21	479,033	405,650
Retail repo fees	21	117,607	95,279
Other income	21	7	348
		596,647	501,277
Expenses			
Staff costs	17	121,193	94,226
Property expenses		52,138	40,611
Depreciation and amortization	4,5	4,858	6,287
Right-of-use asset depreciation	22	850	850
Professional fees		44,065	30,975
Securities commission		344	1,844
Advertising and promotion		2,154	4,676
Net change in impairment losses on financial assets	20(h)	18,065	189
Other operating expenses		4,277	4,504
		247,944	184,162
		348,703	317,115
Investment income		12,842	5,938
Finance costs	22	(760)	(805)
		12,082	5,133
Profit before taxation	18	360,785	322,248
Taxation	19	(118,019)	(112,300)
Net profit		242,766	209,948
OTHER COMPREHENSIVE INCOME			
Items that may be reclassified to profit or loss:			
Changes in fair value of debt instruments at fair value through other comprehensive income	12	443	2,295
Net impairment (loss)/gain	12	(19)	393
Deferred income tax on items that may be reclassified to profit or loss	12,15	(148)	(765)
Other comprehensive income for the year, net of taxes		276	1,923
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		243,042	211,871

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	Share Capital $'000 (Note 11)	Fair Value Reserve $'000 (Note 12)	Revenue Reserve Non-Distributable $'000 (Note 13)	Revenue Reserve $'000	Total $'000
Balance as at January 1, 2019		1,631	-	48,367	183,796	233,794
Profit for the year		-	-	-	209,948	209,948
Other comprehensive income:						
Movement in fair value of investments, net of taxation		-	1,530	-	-	1,530
Net impairment of financial assets	12	-	393	-	-	393
Total comprehensive income for the year		-	1,923	-	209,948	211,871
Dividend	14	-	-	-	(110,000)	(110,000)
Balance at December 31, 2019		1,631	1,923	48,367	283,744	335,665
Profit for the year					242,766	242,766
Other comprehensive income:						
Movement in fair value of investments, net of taxation		-	295	-	-	295
Net impairment of financial assets	12	-	(19)	-	-	(19)
Total comprehensive income for the year		-	276	-	242,766	243,042
Dividend	14	-	-	-	(177,000)	(177,000)
Balance at December 31, 2020		1,631	2,199	48,367	349,510	401,707

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

	Notes	2020 $'000	2019 $'000
Cash flows from operating activities			
Profit for the year		242,766	209,948
Adjustments for:			
Depreciation of property and equipment	4	3,283	3,177
Amortisation of intangibles assets	5	1,575	3,110
Depreciation on right of use of assets	22	850	850
Loss on disposal of property and equipment		-	-
Write off of intangible assets		-	128
Foreign exchange gain	18	(5,637)	(930)
Net impairment of financial assets	20(h)	18,065	189
Interest income	18	(7,205)	(5,007)
Finance costs	22	760	805
Income tax expense	19	118,019	112,300
Operating cash flows before movements in working capital		372,476	324,570
Increase in trade and other receivables		(15,080)	(28,625)
Decrease in payables and accruals		4,738	1,576
Increase in contract liabilities		9,599	1,746
Cash provided by operating activities		371,733	299,267
Income tax paid		(138,429)	(106,449)
Net cash provided by operating activities		233,304	192,818
Cash flows from investing activities			
Net acquisition of investments in securities		-	(20,000)
Proceeds from the sale of investments		-	-
Government securities purchased under resale agreements, net		(23,128)	(52,894)
Interest received		6,428	4,252
Acquisition of property and equipment	4	(1,766)	(457)
Acquisition of intangible assets	5	(183)	(290)
Lease liability payments	22	(1,350)	(1,350)
Cash used in investing activities		(19,999)	(70,739)
Cash flows from financing activities			
Advances to related companies		1,424	(7,741)
Dividends paid	14	(177,000)	(110,000)
Cash used in financing activities		(175,576)	(117,741)
Net increase in cash and cash equivalents		37,729	4,338
Effect of foreign exchange rate changes		3,823	458
Cash and cash equivalents at the beginning of the year		54,645	49,849
Cash and cash equivalents at the end of the year	10	96,197	54,645

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

1. **Identification and principal activities**

JCSD Trustee Services Limited, (the Company) was incorporated in Jamaica on July 21, 2008, as a wholly-owned subsidiary of the Jamaica Central Securities Depository Limited. Jamaica Central Securities Depository Limited, is incorporated in Jamaica and is a wholly-owned subsidiary of The Jamaica Stock Exchange Limited, (ultimate parent company) which is also incorporated in Jamaica. The Company is domiciled in Jamaica and its registered office is 40 Harbour Street, Kingston, Jamaica.

The Company commenced operations in September 2008 and its main business activities are the provision of trustee, custodianship and related services.

2. **Statement of compliance and basis of preparation**

(a) Statement of compliance

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

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

Standards and interpretations adopted during the year

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2020. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

These new standards and amendments applied for the first time in 2020 and the nature and the impact of each new standard or amendment is described below.

Standards and interpretations adopted during the year

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

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

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

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

Standards and interpretations adopted during the year (continued)

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

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

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

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

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2020. These amendments had no impact on the Company's financial statements.

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

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

Standards and interpretations adopted during the year (continued)

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

The amendments to IFRS 9

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

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

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

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

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

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

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

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

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

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

Standards and interpretations adopted during the year (continued)

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

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

- For the prospective assessment of hedge effectiveness, it is assumed that the benchmark on which the hedge cash flows are based (whether or not it is contractually specified) and/or the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform.
- For the retrospective assessment of hedge effectiveness, to allow the hedge to pass the assessment even if the actual results of the hedge are temporarily outside the 80%-125% range, during the period of uncertainty arising from IBOR reform.
- For a hedge of a benchmark portion (rather than a risk component under IFRS 9) of interest rate that is affected by IBOR reform, the requirement that the portion is separately identifiable need be met only at the inception of the hedge.

These amendments had no impact on the Company's financial statements.

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

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

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

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

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

IFRS 17 Insurance Contracts

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

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

IFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Company does not have insurance contracts therefore the amendments are not expected to have an impact on its financial statements.

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR).

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Inherent in allowing the use of this practical expedient is the requirement that the transition from an IBOR benchmark rate to an RFR takes place on an economically equivalent basis with no value transfer having occurred. Any other changes made at the same time, such as a change in the credit spread or maturity date, are assessed. If they are substantial, the instrument is derecognized. If they are not substantial, the updated effective interest rate (EIR) is used to recalculate the carrying amount of the financial instrument, with any modification gain or loss recognized in profit or loss. The practical expedient is required for entities applying IFRS 4 that are using the exemption from IFRS 9 (and, therefore, apply IAS 39) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

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

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

Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)
The amendments also include temporary relief from discontinuing hedging relationships and temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

The amendments are mandatory, with earlier application permitted. Hedging relationships must be reinstated if the hedging relationship was discontinued solely due to changes required by IBOR reform and it would not have been discontinued if the phase two amendments had been applied at that time. While application is retrospective, an entity is not required to restate prior periods.

These amendments are effective for annual periods beginning on or after January 1, 2021 and are not expected to have an impact on the financial statements of the Company.

COVID-19-Related Rent Concessions – Amendment to IFRS 16
In May 2020, the IASB amended IFRS 16 Leases to provide relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. The amendment does not apply to lessors. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30th June 2021, (for example, a rent concession would meet this condition if it results in reduced lease payments before 30th June 2021 and increased lease payments that extend beyond 30th June 2021).
- There is no substantive change to other terms and conditions of the lease.

This amendment is effective for annual periods beginning on or after June 1, 2020 and is not expected to have an impact on the financial statements.

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

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

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

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss. This amendment is effective for annual periods beginning on or after January 1, 2022. Management has not yet assessed the impact of these amendments.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a 'directly related cost approach'.

The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. These amendments are effective for annual periods beginning on or after January 1, 2022 and are not expected to have an impact on the financial statements.

Classification of Liabilities as Current or Non-current - Amendments to IAS 1
In January 2020, the Board issued amendments to paragraphs 69 to 76 of IAS 1 Presentation of Financial Statements to specify the requirements for classifying liabilities as current or non-current.

The amendments clarify:
- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument, would the terms of a liability not impact its classification

Right to defer settlement
The Board decided that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date.

Existence at the end of the reporting period
The amendments also clarify that the requirement for the right to exist at the end of the reporting period applies regardless of whether the lender tests for compliance at that date or at a later date.

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

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

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

Classification of Liabilities as Current or Non-current - Amendments to IAS 1 (continued)

Management expectations

IAS 1.75A has been added to clarify that the 'classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability for at least twelve months after the reporting period'. That is, management's intention to settle in the short run does not impact the classification. This applies even if settlement has occurred when the financial statements are authorised for issuance.

Meaning of the term 'settlement'

The Board added two new paragraphs (paragraphs 76A and 76B) to IAS 1 to clarify what is meant by 'settlement' of a liability. The Board concluded that it was important to link the settlement of the liability with the outflow of resources of the entity.

Settlement by way of an entity's own equity instruments is considered settlement for the purpose of classification of liabilities as current or non-current, with one exception.

In cases where a conversion option is classified as a liability or part of a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current. Only if the conversion option itself is classified as an equity instrument would settlement by way of own equity instruments be disregarded when determining whether the liability is current or non-current.

Unchanged from the current standard, a rollover of a borrowing is considered the extension of an existing liability and is therefore not considered to represent 'settlement'. These amendments are effective for annual periods beginning on or after January 1, 2023. Management has not yet assessed the impact of these amendments.

Reference to Conceptual Framework- Amendments to IFRS 3

In May 2020, the IASB issued Amendments to IFRS 3 Business Combinations - Reference to the Conceptual Framework. The amendments are intended to replace a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018,(the Conceptual Framework) without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

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

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

Reference to Conceptual Framework- Amendments to IFRS 3 (continue)

The amendments must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS Standards (March 2018).

The amendments are intended to update a reference to the Conceptual Framework without significantly changing requirements of IFRS 3. The amendments will promote consistency in financial reporting and avoid potential confusion from having more than one version of the Conceptual Framework in use. These amendments are effective for annual periods beginning on or after January 1, 2022. Management has not yet assessed the impact of these amendments.

Annual Improvements 2018 - 2020 Cycle (issued in May 2020)
These improvements include:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter- effective January 1, 2022
- IFRS 9 Financial instruments – Fees in the 10 "per cent" test for derecognition of financial liabilities - effective January 1, 2022
- IAS 41 Agriculture -Taxation in fair value measurements– effective January 1, 2022

Management has not yet assessed the impact of these improvements.

(c) Basis of preparation

The Company's financial statements have been prepared on the historical cost basis, except for financial assets classified as fair value through profit and loss and fair value through other comprehensive income investments that are measured at revalued amounts or fair values as explained in the accounting policy at Note 3(i). Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented in thousands of Jamaica dollars ($'000). The Jamaican dollar is the functional currency of the Company.

(d) Accounting estimates and judgements

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(d) Accounting estimates and judgements (continued)

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

Key sources of estimation uncertainty:

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

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

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

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

  In the current year, management has considered the impact of the COVID-19 pandemic on the forward looking factors specific to the economic environment. Management has concluded that this has not significantly impacted the ECLs recognised in the current year, however increased delays in repayments of debts by customers has resulted in increased ECLs in some instances.

  At year end, the loss allowance recognised in respect of trade receivables amounted to \$30.48 million (2019: \$13.48 million) (Note 8), repurchase agreements \$2.07 million (2019: \$0.99 million) (Note 9) and bond at FVOCI of \$0.374 million (2019: \$0.39) (Note 12).

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

(d) Accounting estimates and judgements (continued)

Key sources of estimation uncertainty: (continued)

- Taxation

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

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies (See Notes 15 and 19).

It is reasonably possible that outcomes within the next financial year that are different from these assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

- Leases

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

3. **Significant accounting policies**

(a) Foreign currencies

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Company operates (its functional currency). In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

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

(a) Foreign currencies (continued)

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

(b) Current vs. non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

(c) Fair value measurement

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

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

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

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

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

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

(c) Fair value measurement (Continued)

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

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

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

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

(d) Property and equipment

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

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

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

Depreciation is recognised so as to write off the cost of property, plant and equipment less residual values, over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

(e) Intangible assets acquired separately

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

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

(f) Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

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

(g) Post employment benefit

The Company is a participating employer in a defined benefit group pension scheme. The main defined benefit scheme is effectively guaranteed by the ultimate Parent Company, the Jamaica Stock Exchange Limited and does not expose the Company to actuarial risks. This plan is therefore accounted for as a defined contribution plan in the financial statements of the Company and the pension contributions are expensed as and when they fall due.

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(h) Financial instruments

Financial assets and financial liabilities are recognised when an entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

(i) Financial assets and liabilities

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

(i) Recognition

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

(ii) Derecognition

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

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

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

(iii) Measurement

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

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

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

(i) Financial assets and liabilities (continued)

(iii) Measurement (continued)

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

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

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

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

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

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

(iv) Classification

The classification basis for financial assets is discussed in Note 3(i)(iii) above.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

(i) Financial assets and liabilities (continued)

(Iv) Classification (continued)

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

The Company classified its financial assets into the following categories: financial assets at FVTPL, debt instruments at amortised cost and debt instruments at FVOCI. Management determines the classification of its investments at initial recognition.

(v) Identification and measurement of impairment

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

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. See Note 20(h) for further details.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a company of assets such as adverse changes in the payment status of borrowers or issuers in the Company, or economic conditions that correlate with defaults in the Company. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Company considers evidence of impairment for loans and receivables are at a specific asset level and collectively. All individually significant loans and receivables are assessed for specific impairment. All individually significant loans and receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, management makes judgements as to current economic and credit conditions and their effect on default rates, loss rates and the expected timing of future recoveries, ensuring that assumptions remain appropriate.

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(i) Financial assets and liabilities (continued)

(v) Identification and measurement of impairment (continued)

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

(j) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes leases liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before then commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets, as follows:

- Building 10 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Right-of-use assets are also subject to impairment.

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(j) Leases (continued)

ii) Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including substance fixed payments) less incentives receivable, variable lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a resulting modification, a change in the lease term, a change in the lease payments) e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

(k) Repurchase and reverse repurchase agreements

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(l) Taxation

Income tax expense represents the sum of tax currently payable and deferred tax.

(i) Current tax

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

(ii) Deferred tax

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

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

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

(iii) Current and deferred tax for the year

Current tax is accrued and recognised in profit or loss. Deferred taxes are recognised in net profit or loss except, when they relates to items that are recognised in other comprehensive income or directly in equity in which case the deferred taxes are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

(m) Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related services. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e., transfers control of the related services to the customer).

(n) Related party transactions and balances

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

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

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

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

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

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

(o) Revenue recognition

(i) Trustee service fees

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

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

(o) Revenue recognition (continued)

(ii) Retail repo fees

This is a service fee charged by the Retail Repurchase Division for the provision of trustee services to dealers engaged in the Retail Repurchase Market. Retail repo services are recognized at a point in time.

(iii) Other operating income

These include income related to other services and events of the Company and are accounted for on the accrual basis.

(iv) Investment income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of the income can be measured reliably.

Interest income is accrued on a time basis and is recognised in profit or loss, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

4. **Property and equipment**

	Furniture & Fixtures $'000	Office equipment $'000	Computer hardware $'000	Total $'000
Cost:				
January 1, 2019	1,363	3,802	11,474	16,639
Additions	102	-	355	457
December 31, 2019	1,465	3,802	11,829	17,096
Additions	160	389	1,217	1,766
December 31, 2020	1,625	4,191	13,046	18,862
Depreciation:				
January 1, 2019	148	1,621	3,868	5,637
Charge for the year (Note 18)	140	760	2,277	3,177
December 31, 2019	288	2,381	6,145	8,814
Charge for the year (Note 18)	148	771	2,364	3,283
December 31, 2020	436	3,152	8,509	12,097
Carrying amount:				
December 31, 2020	1,189	1,039	4,537	6,765
December 31, 2019	1,177	1,421	5,684	8,282

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

The following useful lives are used in the calculation of depreciation of equipment.

Furniture and fixtures	-	10 years
Computer hardware	-	5 years
Office equipment	-	5 years

5. **Intangible assets**

	Computer Software $'000	Computer Software projects $'000	Total $'000
Cost:			
January 1, 2019	14,502	128	14,630
Additions	-	290	290
Write offs	-	(128)	(128)
December 31, 2019	14,502	290	14,792
Additions	183	-	183
December 31, 2020	14,685	290	14,975
Amortisation:			
January 1, 2019	8,550	-	8,550
Charge for the year	3,110		3,110
December 31, 2019	11,660	-	11,660
Charge for the year	1,575		1,575
December 31, 2020	13,235	-	13,235
Net book values:			
December 31, 2020	1,450	290	1,740
December 31, 2019	2,842	290	3,132

Amortisation of computer software is calculated based on estimated useful life of 3 – 5 years. Amortisation is not calculated on computer software development.

6. **Investment in securities**

(a) Non-current:

	2020 $'000	2019 $'000
Debt instruments at FVOCI		
VMBS FR 7% Note 2024	22,760	22,663

Included in the investment balances above is interest receivable in the amount of $0.02 million (2019: 0.37 million).

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

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

The movement for the year in debt instruments financial assets is as follows:

	2020 $'000	2019 $'000
At January 1	22,663	-
Purchases	-	20,000
Movement in interest receivable on debt instruments financial assets	(346)	368
Movement in fair value on debt instruments financial assets (Note 12)	443	2,295
At December 31	22,760	22,663

7. **Related parties**

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

	2020 $'000	2019 $'000
(a) Related party balances		
Amount due from related parties:		
Jamaica Central Securities Depository Limited – parent	13,808	15,232
(b) Related party transactions:		
Jamaica Central Securities Depository Limited – parent		
Lease payments/(Rental expenses)	(1,350)	(1,350)
Trustee services fees	24,723	19,043

Compensation of key management personnel

The remuneration of directors and other members of key management during the year were as follows:

	The Company	
	2020 $'000	2019 $'000
Short-term benefits	17,305	13,736
Post employment benefits	1,263	702
	18,568	14,438

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

8. **Trade and other receivables**

	2020 $'000	2019 $'000
Trade receivables	101,703	89,585
Other receivables	264	-
	101,967	89,585
Less: loss allowance (Note 20 (h))	(30,480)	(13,475)
	71,487	76,110
Prepayments	14,924	12,226
	86,411	88,336

The average credit period on services is 30 days. No interest is charged on trade and other receivables.

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

The Company entered into repurchase agreements collaterised by the Government of Jamaica securities. These agreements may result in credit exposure in the event that the counter-parties of these transactions are unable to fulfill their contractual obligations. The fair value of collateral pursuant to repurchase agreements is $223.28 million (2019: $198.34 million).

	2020 $'000	2019 $'000
Jamaican dollar denominated	139,897	157,580
United States dollar denominated US$ 592,333 (2019: US$192,565)	83,382	40,757
Interest receivables	1,740	617
Less: loss allowances (Note 20(h))	(2,068)	(989)
	222,951	197,965

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

	2020 %	2019 %
Jamaican dollar denominated	2.47	2.40
United States dollar denominated	3.04	2.99

10. Cash and cash equivalents

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

	2020 $'000	2019 $'000
Cash on hand and in bank	96,197	54,645

(a) Cash at bank earns interest at floating rates based on daily bank deposit rates. Of the $96.2 million (2019: $54.65 million), 13.31 million (2019: $3.30 million) is held in USD with an interest rate of 0.05% (2019: 0.05%). The remainder is held in JMD and is not interest bearing.

11. Share capital

	2020 No. of shares	2019 No. of shares	2020 $'000	2019 $'000
Authorised:				
Ordinary shares – no par value	2,000,000	2,000,000		-
Issued and fully paid	2,000,000	2,000,000	1,631	1,631

12. Fair value reserve

The fair value reserve represents the cumulative fair value gains and losses arising on the revaluation of debt instruments at FVOCI that have been recognized in other comprehensive income, net of deferred tax.

	2020 $'000	2019 $'000
Balance at January 1	1,923	-
Movement in fair value of investment (Note 6)	443	2,295
Deferred tax adjustments on debt instruments at FVOCI (Note 15)	(148)	(765)
Change in accumulated impairment on investments at FVOCI (Note 20(h))	(19)	393
Balance at December 31	2,199	1,923

13. Revenue reserve – Non distributable

In order to provide custody services to its clients, the Company is required by the Financial Services Commission to have a minimum of $50 million as Non-Distributable Capital. Consequently, during the year ended December 31, 2015, in order to meet this requirement, the Company received approval from the Board of Directors to transfer $48.37 million from revenue reserves to revenue reserves - non-distributable.

14. **Dividend paid**

During the year, the Company made a dividend payment of $177 million (2019: $110.0 million) to the Parent Company (its only shareholder). The dividend per share was $88.50 (2019 - $55.00).

15. **Deferred tax**

This comprises:

	2020 $'000	2019 $'000
Deferred tax assets	3,091	531
Deferred tax liabilities	(1,501)	(3,774)
Net position at the end of the year	1,590	(3,243)

	2020 $'000	2019 $'000
At January 1	(3,243)	(5)
Credited/(Charged) to income for the year (Note 19)	4,981	(2,473)
(Charged)/Credited fair value reserve (Note 12)	(148)	(765)
At December 31	1,590	(3,243)

Deferred income tax assets and liabilities are attributable to the following items:

	2020 $'000	2019 $'000
Deferred tax liabilities:		
Capital allowance in excess of depreciation	-	2,680
Interest receivable	588	329
Unrealised gain on investment at FVOCI	913	765
	1,501	3,774

	2020 $'000	2019 $'000
Deferred tax assets:		
Capital Allowance in excess of depreciation	1,805	-
Accrued vacation	1,286	531
	3,091	531
Net deferred tax assets/(liabilities)	1,590	3,243

The deferred tax (credited)/charged to profit or loss comprises the fol lowing temporary differences:

	2020 $'000	2019 $'000
Capital allowance in excess of depreciation	4,485	(2,343)
Interest receivable	(259)	(252)
Accrued vacation	755	122
	4,981	(2,473)

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

15. **Deferred tax (continued)**

The deferred tax (credited) to other comprehensive income comprises the following temporary differences:

	2020 $'000	2019 $'000
Unrealised gain on investment at FVOCI	(148)	(765)

16. **Payables and accruals**

	2020 $'000	2019 $'000
Trade payables	9,190	7,496
Accruals	5,924	2,527
Other payables	6,769	7,122
	21,883	17,145

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

17. **Staff costs**

	2020 $'000	2019 $'000
Salaries and other employee benefits	102,979	83,647
Statutory contributions	8,762	7,185
Retirement benefit expense charge	9,452	3,394
	121,193	94,226

18. **Profit before taxation**

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

	2020 $'000	2019 $'000
Interest income	(7,205)	(5,007)
Foreign exchange gain	(5,637)	(930)
Net change in impairment on financial assets (Note 20)	18,065	189
Directors' emoluments	1,194	1,306
Audit fees	530	527
Depreciation (Note 4)	3,283	3,177
Amortisation of intangible assets (Note 5)	1,575	3,110
Depreciation on right-of-use asset (Note 22)	850	850

19. **Taxation**

		2020 $'000	2019 $'000
(i)	The charge for the year represents:		
	Current tax	123,000	109,827
	Deferred tax adjustment (Note 15)	(4,981)	2,473
		118,019	112,300

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

	2020 $'000	2019 $'000
Profit before tax	360,785	322,248
Tax at the domestic income tax rate of 33S %	120,262	107,416
Tax effect of items that are deductible/not deductible in determining taxable profit	(2,243)	4,884
	118,019	112,300

(iii) Recognised in other comprehensive income:

	2020 $'000	2019 $'000
Fair value adjustments (Note 12)	(148)	765

20. **Financial instruments**

(a) Capital risk management:

The capital structure of the Company consists of equity attributable to the shareholders comprising issued capital, retained earnings and cash and cash equivalents.

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

i) To safeguard the Company's ability to continue as a going concern so that it can continue to provide benefits for its stakeholders; and

ii) To maintain a strong capital base to support the business development.

The Company has complied with externally imposed capital requirements (capital in excess of $50 million) (Note 13).

20. **Financial instruments**

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in Note 3 to the financial statements.

(c) Categories of financial instruments

	2020 $'000	2019 $'000
Financial assets at FVOCI		
Debt investments	22,760	22,663
Financial assets at amortised cost		-
Trade and other receivables	71,487	76,110
Due from related parties	13,808	15,232
Debt investments	222,951	197,965
Cash and bank balances	96,197	54,645
Total financial assets	427,203	366,615
Financial liabilities at amortised cost		
Contract liabilities	19,387	9,788
Other financial liabilities	9,190	7,496
	28,577	17,284

(d) Financial risk management objectives

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

(e) Market risk

The Company's investment activities expose it primarily to the financial risks of changes in foreign exchange rates (see Note 20(f)) and interest rates (see Note 20(g)). The Company manages its risk through extensive research and monitors the price movement of securities on the local markets.

(f) Foreign currency risk management

Foreign currency risk is the risk of loss arising from adverse movements in foreign exchange rates. The Company undertakes certain investment transactions denominated in currencies other than the Jamaican dollar. Exchange rate exposures are managed within approved policy parameters and maintaining a manageable balance in the types of investments.

20. **Financial instruments (Continued)**

(f) Foreign currency risk management (Continued)

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

	2020 $'000	2019 $'000
Government securities purchased under resale agreement (Note 9)	83,382	40,757
Cash and cash equivalents (Note 10)	13,312	3,303
	96,694	44,060

Foreign currency sensitivity analysis

The Company's investment portfolio is exposed to the United States dollar. The Company's sensitivity to a 6% depreciation or a 2% appreciation (2019: 6% depreciation, 4% appreciation) in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate.

The sensitivity of the 6% depreciation or 2% appreciation in the Jamaican dollar against the United States dollar exposure would be an increase of $5.80 million or decrease of net profit by $1.90 million (2019: increase of $1.76 million or decrease of net profit by $2.64 million). The Company's sensitivity to foreign currency changed significantly during the year due to an increase in USD denominated financial instruments.

(g) Interest rate risk management

The Company's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Interest rate sensitivity analysis has been determined based on the exposure to interest rates for the Company's investment in securities at the end of the reporting period as these are substantially the interest sensitive instruments impacting financial results. The analysis assumes the amount outstanding at year end was outstanding for the whole year. A 100 basis point increase or a 100 basis point decrease (2019: 100 basis point increase or a 100 basis point decrease) for local currency investments and for foreign currency, a 100 basis point increase or 100 basis point decrease (2019: 100 basis point increase or 100 basis point decrease) which represents management's assessment of the reasonable possible change in interest rates.

The net effect on profits if market interest rates had changed by the basis points shown below for J$ and US$ investments and all other variables were held constant is as follows:

	2020 $'000	2019 $'000
Effect on profit-increase of 100 basis points (2019: 100 basis point) J$	1,627	1,776
Effect on profit-decrease of 100 basis points (2019: 100 basis point) J$	(1,627)	(1,776)

20. **Financial instruments (Continued)**

(g) Interest rate risk management (continued)

	2020 $'000	2019 $'000
Effect on profit-decrease of 100 basis points (2019: 100 basis point) US$	834	408
Effect on profit-decrease of 100 basis points (2019: 100 basis point) US$	(834)	(408)

The Company's sensitivity to interest rates has increased during the current year as the Company had an increase in its financial instruments.

(h) Credit risk management

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

Trade receivables consist of creditworthy companies and ongoing credit evaluation is performed on the financial condition of these receivables. Investment in securities and bank deposits are held in Government of Jamaica instruments and with counterparties which are banks or financial institutions with high credit ratings thereby mitigating the exposure.

The carrying amount of financial assets recorded in the financial statements (as disclosed in Note 20(c)), represents the Company's maximum exposure to credit risk.

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

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

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

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

20. **Financial instruments (Continued)**

(h) Credit risk management (Continued)

Impairment of financial assets (continued)

Trade receivables (continued)
On this basis, the loss allowance as at December 31, 2020, was determined as follows for trade receivables:

	2020		2019	
31 December	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**	**Average Expected Credit Loss Rate**	**Adjusted Gross Carrying Amount $'000**
Current	0.052	42,026	0.040	41,817
31 - 60 days past due	0.054	13,592	0.032	22,698
61 - 90 days past due	0.127	9,484	0.085	7,934
91 - 180 days past due	0.237	13,404	0.165	7,732
More than 180 days past due	1.000	23,197	1.000	9,404
Total		101,703		89,585
Loss allowance		30,480		13,475

The closing loss allowances for trade receivables as at December 31, 2020, is as follows:

	2020 $'000	**2019 $'000**
Opening loss allowance as at January 1	13,475	14,474
Increase/(decrease) in loss allowance recognised in statement of profit or loss	17,005	(999)
At December 31, 2020	30,480	13,475

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

All of the entity's debt investments at amortised cost and FVOCI are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency.

20. **Financial instruments (Continued)**

(h) Credit risk management (Continued)

Impairment of financial assets (continued)

Debt investments at amortised cost

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

	2020 $'000	2019 $'000
Government securities purchased under resale agreements	222,951	197,965
Investment in securities	22,760	22,663

The closing loss allowances for debt investment at amortised cost as at December 31, 2020 is as follows:

	2020 $'000	2019 $'000
Opening loss allowance as at January 1	989	194
Increase in loss allowance recognised in statement of profit or loss	1,079	795
At December 31	2,068	989

Debt investments carried at FVOCI

The closing loss allowances for fair value through OCI as at December 31 2020 is as follows:

	2020 $'000	2019 $'000
Opening loss allowance as at January 1	393	-
Increase in loss allowance recognised in other comprehensive income	(19)	393
At December 31	374	393

Change in impairment allowance recorded in the statement of profit and loss

	2020 $'000	2019 $'000
Trade receivables	17,005	(999)
Debt securities at amortised cost	1,079	795
Debt securities at FVOCI	(19)	393
	18,065	189

20. **Financial instruments (Continued)**

(i) Liquidity risk management

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

Liquidity and interest rate tables

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

	Average Effective Interest rate	Less than 1 Month $'000	1 to 3 Months $'000	3 months to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2020							
Financial assets							
Non-interest bearing		82,885	85,295	-	-	-	168,180
Interest bearing instrument	2.67%	57,378	149,164	29,744	23,833	-	260,119
		140,263	234,459	29,744	23,833	-	428,299
Financial liabilities							
Non-interest bearing		9,190	19,387	-	-	-	28,577
Interest bearing	8.62%	112	225	1,012	5,398	5,291	12,038
		9,302	19,612	1,012	5,398	5,291	40,615

	Average Effective Interest rate	Less than 1 Month $'000	1 to 3 Months $'000	3 months to 1 year $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
2019							
Financial assets							
Non-interest bearing		51,345	91,342	-	-	-	142,687
Interest bearing instrument	2.94%	9,070	165,743	26,892	25,236	-	226,941
		60,415	257,085	26,892	25,236	-	369,628
Financial liabilities							
Non-interest bearing		7,496	9,788	-	-	-	17,284
Interest bearing	8.62%	112	225	1,012	5,398	6,640	13,387
		7,608	10,013	1,012	5,398	6,640	30,671

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

20. **Financial instruments (Continued)**

(j) Fair value of financial instruments

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

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

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

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

No significant unobservable inputs were applied in the valuation of the Company's financial instruments classified as FVOCI.

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

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

	2020			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Debt instruments at FVOCI				
Debt securities	-	22,760	-	22,760

	2019			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Debt instruments at FVOCI				
Debt securities	-	22,663	-	22,663

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

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

21. **Revenue from contract with customers**

a) Disaggregation of revenue

Set out below is the disaggregation of the Company's revenue from contracts with customers:

Revenue	2020 $'000	2019 $'000
Trustee fees	479,033	405,650
Retail repo	117,607	95,279
Others	7	348
	596,647	501,277
Timing of revenue recognition:		
At a point in time	422,104	325,665
Over time	174,543	175,612
	596,647	501,277

(b) Reconciliation of contract liabilities

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

	2020 $'000	2019 $'000
Opening balance	9,788	8,042
Additions during the year	184,142	177,358
Amount recognized as revenue	(174,543)	(175,612)
Ending balance	19,387	9,788

	2020 $'000	2019 $'000
Revenue recognised that was included in the contract liability balance		
Trustee fees	184,142	177,358

Unsatisfied performance obligation

The following table shows unsatisfied performance obligations resulting from 110 contracts (2019: 109 contracts)

	2020 $'000	2019 $'000
Aggregate amount of the transaction price allocated to 109 contracts (2019: 109 contracts) that are partially or fully unsatisfied as at 31st December	42,319	28,056

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of December 31, 2020, will be recognised as revenue during the next reporting period. The amount disclosed above does not include variable consideration which is constrained.

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

22. **IFRS 16 Leases**

The Company has a lease contract for building with JCSD under a sub-lease agreement which it operates from. The lease term is 11 years. The lease liabilities are measured at present value of the remaining lease payments, discounted using the lesee's incremental borrowing rate. The weighted average lesee's incremental borrowing rate applied to the lease liabilities was 8.62% (2019: 8.62%).

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

(a) **Right-of-use asset**

(i) **Amounts recognised in the statement of financial position**

The statement of financial position shows the following amounts relating to leases:

	December 31, 2020 $'000
As at January 1, 2019	9,352
Amortization expense	(850)
As at December 31, 2019	**8,502**
Amortization expense	(850)
As at December 31, 2020	**7,652**

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

	2020 $'000	**2019 $'000**
As at January 1	8,807	9,352
Interest	760	805
Payments	(1,350)	(1,350)
As at December 31	8,217	8,807

	2020 $'000	**2019 $'000**
Lease liabilities		
Current	642	589
Non-current	7,575	8,218
	8,217	8,807

YEAR ENDED DECEMBER 31, 2020
(Expressed in Jamaican Dollars)

22. **IFRS 16 Leases (continued)**

The following are the amounts recognised in profit or loss:

	2020 $'000	2019 $'000
Depreciation of right of use	850	850
Interest expense on lease liabilities	760	805
Total recognized on statement of profit or loss and other comprehensive income	**1,610**	**1,655**

The Company's cash outflow for leases in 2020 was $1,350,000 (2019: $1,350,000).

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2020.

(Concluded)