**THE JAMAICA STOCK EXCHANGE LIMITED**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2021
(Expressed in Jamaican Dollars)

**THE JAMAICA STOCK EXCHANGE LIMITED**

**YEAR ENDED DECEMBER 31, 2021**
**(Expressed in Jamaican Dollars)**

**CONTENTS**

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

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

# INDEPENDENT AUDITOR'S REPORT

To the Members of The Jamaica Stock Exchange Limited

## Report on the Audit of the Separate and Consolidated Financial Statements

*Opinion*

We have audited the separate financial statements of The Jamaica Stock Exchange Limited (the Company) and the consolidated financial statements of the Company and its subsidiaries (the Group), which comprise the separate and consolidated statements of financial position as at December 31, 2021, the separate and consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at December 31, 2021 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.

*Key Audit Matters*

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

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

*Key Audit Matters (Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Allowance for expected credit losses | |
| IFRS 9 introduced an expected credit loss ("ECL") model to record allowances for losses for trade receivables, corporate and sovereign bonds and other financial assets at amortized cost and at fair value through other comprehensive income.<br><br>This is a key audit matter as the estimation of ECLs is inherently uncertain and requires the application of judgment and use of subjective assumptions by management. Further, models used to determine credit impairment for corporate and sovereign bonds could be complex.<br><br>Under the general approach, judgment was used in determining the criteria for significant increases in credit risk, the probability of default (PD) and loss given default (LGD). This approach was used for investment securities.<br><br>The Group utilised the simplified approach for trade receivables. Under the simplified approach, the historical loss rate and forward-looking factors were the judgements considered. | We evaluated the modelling techniques and methodologies developed by the Group in order to estimate ECLs, and assessed their compliance with the requirements of IFRS 9.<br><br>We tested the completeness and accuracy of input data to the models used to determine the ECLs. We assessed the reasonableness of the methodologies and assumptions applied in determining the 12 month and lifetime probabilities of default (PD), loss given default (LGD), exposure at default (EAD) and staging, including consideration of the impact of the COVID-19 pandemic. We assessed external source data and assumptions, particularly with respect to forward looking information (FLI) by referencing independent sources.<br><br>We also assessed the adequacy of disclosures in the consolidated financial statements. |

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

*Key Audit Matters (Continued)*

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| Valuation of financial instruments and fair value hierarchy | |
| As detailed in Note 8 *Investment in Securities*, the Group's investments are classified as fair value through profit and loss (FVPL), fair value through other comprehensive income (FVOCI) and at amortised cost.<br><br>Valuation techniques may be subjective and involve assumptions about pricing factors. Changes in these assumptions could result in significantly different values.<br><br>All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole: - Level 1 categorized investment valuations are based on quoted prices (unadjusted) in active markets. - Level 2 categorized investment valuations are based on other than quoted prices included within Level 1, that are observable either directly or indirectly. - Level 3 categorized investment valuations are based on unobservable inputs for the asset.<br><br>Given the inherent subjectivity in the valuation of Level 2 and Level 3 debt investments, we determined this to be a key area for our audit. The Level 2 investments at FVOCI and FVTPL as at December 31, 2021 amounted to $242.47 million. The Group has no Level 3 fair value investments. | Our audit procedures comprised, amongst others, an assessment of the methodology and the appropriateness of the valuation models and inputs used to value investments classified as FVPL and FVOCI.<br><br>Our audit procedures included:<br><br>• Obtaining an understanding of the design and implementation of the Group's controls over the measurement and management of valuation risk including independent price verification.<br><br>• Testing, for a selection of pricing inputs used, that they were externally sourced and were correctly inputted into pricing models.<br><br>• Reperforming an independent valuation of the Group's securities with the assistance of our internal Strategy and Transaction team.<br><br>• Assessing the completeness and accuracy of the disclosures relating to investments to assess compliance with the disclosure requirements of IFRS. |

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

*Other information included in the Group's Annual Report*

Other information consists of the information included in the Group's 2021 Annual Report other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The Group's 2021 Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on additional requirements of the Jamaican Companies Act

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

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

Ernst & Young

Ernst & Young
Kingston, Jamaica

February 28, 2022

**THE JAMAICA STOCK EXCHANGE LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
**AS AT DECEMBER 31, 2021**
**(Expressed in Jamaican Dollars)**

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 4 | 869,976 | 679,521 |
| Intangible assets | 5 | 172,042 | 135,690 |
| Post employment benefit asset | 7(b) | 62,388 | 102,429 |
| Investment in securities | 8(a) | 227,359 | 221,464 |
| Long-term receivables | 9 | 20,824 | 15,949 |
| **Total non-current assets** | | 1,352,589 | 1,155,053 |
| **Current assets** | | | |
| Trade and other receivables | 11 | 300,456 | 262,010 |
| Investment in securities | 8(b) | 15,114 | 12,197 |
| Government securities purchased under resale agreements | 12 | 487,770 | 300,137 |
| Cash and cash equivalents | 13 | 77,431 | 140,508 |
| **Total current assets** | | 880,771 | 714,852 |
| **Total assets** | | 2,233,360 | 1,869,905 |
| **Equity** | | | |
| Share capital | 14 | 238,146 | 238,146 |
| Fair value reserve | 15 | 34,595 | 37,321 |
| Property revaluation reserve | 4 | 392,173 | 290,867 |
| Revenue reserve non-distributable | 16 | 48,367 | 48,367 |
| Revenue reserve | 17 | 1,178,479 | 919,664 |
| **Total equity** | | 1,891,760 | 1,534,365 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 18 | 106,904 | 105,714 |
| **Total non-current liabilities** | | 106,904 | 105,714 |
| **Current liabilities** | | | |
| Due to related party | 10(b) | 5 | 21 |
| Income tax payable | | 21,455 | 15,321 |
| Contract liabilities | 32 | 32,804 | 29,973 |
| Payables and accruals | 19 | 180,432 | 184,511 |
| **Total current liabilities** | | 234,696 | 229,826 |
| **Total equity and liabilities** | | 2,233,360 | 1,869,905 |

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 February 28, 2022 and signed on its behalf by:

____________________ Chairman
Julian Mair

____________________ Managing Director
Marlene Street-Forrest

**THE JAMAICA STOCK EXCHANGE LIMITED**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**YEAR ENDED DECEMBER 31, 2021**
**(Expressed in Jamaican Dollars)**

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Cess | | 469,473 | 380,019 |
| Fee income | | 1,339,724 | 1,215,106 |
| E-campus | | 34,962 | 31,651 |
| Other operating income | 20 | 83,515 | 84,613 |
| | | 1,927,674 | 1,711,389 |
| **Expenses** | | | |
| Staff costs | 21 | 566,297 | 477,324 |
| Property expenses | | 268,986 | 229,774 |
| Depreciation and amortization | 4,5 | 70,201 | 67,169 |
| Advertising and promotion | | 78,849 | 90,751 |
| Professional fees | | 84,796 | 75,498 |
| Securities commission fees | | 68,235 | 57,656 |
| Net impairment losses on financial assets | 29(d) | (411) | 37,485 |
| E-campus | | 35,773 | 29,224 |
| Other operating expenses | | 62,755 | 72,008 |
| | | 1,235,481 | 1,136,889 |
| Investment income | 22(a) | 48,784 | 43,967 |
| Profit before taxation | 23 | 740,977 | 618,467 |
| Taxation | 24 | (243,664) | (211,531) |
| Profit for the year | 25 | 497,313 | 406,936 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Items that will never be reclassified to profit or loss: | | | |
| Remeasurement of employee benefits asset | 7(c) | (70,587) | (58,722) |
| Deferred income tax on item that will never be reclassified to profit or loss | 18 | 23,529 | 19,575 |
| Revaluation surplus on land | 4 | 27,100 | 13,500 |
| Revaluation surplus on property and equipment | 4 | 111,309 | 59,985 |
| Deferred income tax on revaluation surplus | 18 | (37,103) | (19,995) |
| | | 54,248 | 14,343 |
| Items that may be reclassified to profit or loss: | | | |
| Changes in the fair value of debt investments at fair value through other comprehensive income | 15 | (4,208) | 10,484 |
| Net impairment gain | 15 | 80 | 494 |
| Deferred income tax on items that may be reclassified to profit or loss | 18 | 1,402 | (3,495) |
| | | (2,726) | 7,483 |
| Other comprehensive income for the year, net of taxes | | 51,522 | 21,826 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 548,835 | 428,762 |
| Earnings per stock unit | 26 | $0.71 | $0.58 |

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

**THE JAMAICA STOCK EXCHANGE LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**YEAR ENDED DECEMBER 31, 2021**
**(Expressed in Jamaican Dollars)**

| | Share Capital $'000 (Note 14) | Fair Value Reserve $'000 (Note 15) | Property Revaluation Reserve $'000 (Note 4) | Revenue Reserve Non-Distributable $'000 (Note 16) | Revenue Reserve $'000 (Note 17) | Total $'000 |
|---|---|---|---|---|---|---|
| Balance at January 1, 2020 | 238,146 | 29,838 | 237,377 | 48,367 | 916,525 | 1,470,253 |
| Profit for the year | - | - | - | - | 406,936 | 406,936 |
| Other comprehensive income: | | | | | | |
| Appreciation in fair value of investments, net of taxes | - | 7,483 | - | - | - | 7,483 |
| Re-measurement of employees benefit assets, net of taxes | - | - | - | - | (39,147) | (39,147) |
| Revaluation surplus of property, plant and equipmentc, net of taxes | - | - | 53,490 | - | - | 53,490 |
| Total comprehensive income for the year | - | 7,483 | 53,490 | - | 367,789 | 428,762 |
| Dividend (Note 30) | - | - | - | - | (364,650) | (364,650) |
| Balance at December 31, 2020 | 238,146 | 37,321 | 290,867 | 48,367 | 919,664 | 1,534,365 |
| Profit for the year | - | - | - | - | 497,313 | 497,313 |
| Other comprehensive income: | | | | | | |
| Appreciation in fair value of investments, net of taxes | - | (2,726) | - | - | - | (2,726) |
| Re-measurement of employees benefit assets, net of taxes | - | - | - | - | (47,058) | (47,058) |
| Revaluation surplus of property, plant and equipmentc, net of taxes | - | - | 101,306 | - | - | 101,306 |
| Total comprehensive income for the year | - | (2,726) | 101,306 | - | 450,255 | 548,835 |
| Dividend (Note 30) | - | - | - | - | (191,440) | (191,440) |
| Balance at December 31, 2021 | 238,146 | 34,595 | 392,173 | 48,367 | 1,178,479 | 1,891,760 |

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

**THE JAMAICA STOCK EXCHANGE LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**YEAR ENDED DECEMBER 31, 2021**
**(Expressed in Jamaican Dollars)**

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 497,313 | 406,936 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 4 | 36,100 | 34,672 |
| Amortisation of intangible assets | 5 | 34,101 | 32,497 |
| Net impairment on investment | 15 | - | 494 |
| Gain on investment through profit and loss | 22(a) | (1,917) | (851) |
| Investment premium/discount | 22(a) | 842 | 768 |
| Foreign exchange gains on investments | 22(a) | (23,052) | (24,868) |
| Employee benefits expense | 7(c), | 14,845 | 8,309 |
| Net impairment on financial assets | 29(d) | (411) | 37,485 |
| Income tax charge | 24 | 243,664 | 211,531 |
| Interest income | 22(a) | (24,657) | (19,016) |
| Operating cash flows before movements in working capital | | 776,828 | 687,957 |
| Increase in trade and other receivables | | (37,866) | (27,642) |
| Increase contract liabilities | | 2,831 | 5,756 |
| Increase in payables and accruals | | (4,078) | 21,070 |
| Post employment benefit contributions | 7(d) | (45,391) | (39,350) |
| Cash provided by operations | | 692,324 | 647,791 |
| Income tax paid | | (248,510) | (242,132) |
| Cash provided by operating activities | | 443,814 | 405,659 |
| **Cash flows from investing activities** | | | |
| Investment securities, net | | - | - |
| Government securities purchased under resale agreements | | (180,844) | 20,019 |
| Receipts from related parties | | (16) | 703 |
| Proceeds from sale of debt investments | 8 | - | 14,278 |
| Acquisition of property and equipment | 4 | (88,146) | (49,709) |
| Acquisition of intangible assets | 5 | (70,453) | (25,891) |
| Long-term receivables | | (4,875) | (967) |
| Interest received | | 23,724 | 19,257 |
| Cash used in investing activities | | (320,610) | (22,310) |
| **Cash flows from financing activity** | | | |
| Dividends paid | | (191,400) | (364,650) |
| Cash used in financing activity | | (191,400) | (364,650) |
| Net (decrease)/increase in cash and cash equivalents | | (68,196) | 18,699 |
| Cash and cash equivalents at the beginning of the year | | 140,508 | 107,112 |
| Effect of foreign exchange rate changes | | 5,119 | 14,697 |
| Cash and cash equivalents at the end of the year | 13 | 77,431 | 140,508 |

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

**THE JAMAICA STOCK EXCHANGE LIMITED**

**SEPARATE STATEMENT OF FINANCIAL POSITION**
**AS AT DECEMBER 31, 2021**
**(Expressed in Jamaican Dollars)**

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property and equipment | 4 | 857,279 | 659,860 |
| Intangible assets | 5 | 142,891 | 105,816 |
| Investment in subsidiary | 6 | 61,000 | 61,000 |
| Post employment benefit asset | 7(b) | 43,403 | 73,194 |
| Investment in securities | 8(a) | 45,197 | 127,266 |
| Long-term receivables | 9 | 18,456 | 13,200 |
| **Total non-current assets** | | 1,168,226 | 1,040,336 |
| **Current assets** | | | |
| Income tax recoverable | | - | 15,212 |
| Trade and other receivables | 11 | 108,329 | 93,562 |
| Investment in securities | 8(b) | 12,075 | 9,377 |
| Government securities purchased under resale agreements | 12 | 48,733 | 67,091 |
| Cash and cash equivalents | 13 | 12,456 | 17,320 |
| **Total current assets** | | 181,593 | 202,562 |
| **Total assets** | | 1,349,819 | 1,242,898 |
| **Equity** | | | |
| Share capital | 14 | 238,146 | 238,146 |
| Fair value reserve | 15 | 8,381 | 26,057 |
| Property revaluation reserve | 4 | 392,173 | 290,867 |
| Revenue reserve | 17 | 361,196 | 296,778 |
| **Total equity** | | 999,896 | 851,848 |
| **Non-current liabilities** | | | |
| Deferred tax liabilities | 18 | 100,499 | 100,961 |
| **Total non-current liabilities** | | 100,499 | 100,961 |
| **Current liabilities** | | | |
| Income tax payable | | 32,984 | - |
| Due to related party | 10(b) | 102,842 | 167,923 |
| Contract liabilities | 32 | 13,616 | 10,586 |
| Payables and accruals | 19 | 99,982 | 111,580 |
| **Total current liabilities** | | 249,424 | 290,089 |
| **Total equity and liabilities** | | 1,349,819 | 1,242,898 |

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 February 28, 2022 and signed on its behalf by:

_____________________________ Chairman
Julian Mair

_____________________________ Managing Director
Marlene Street-Forrest

**THE JAMAICA STOCK EXCHANGE LIMITED**

**SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**
**YEAR ENDED DECEMBER 31, 2021**
**(Expressed in Jamaican Dollars)**

| | Notes | 2021 $'000 | 2020 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Cess | | 441,030 | 332,516 |
| Fee income | | 247,230 | 211,225 |
| E-campus | | 34,962 | 31,651 |
| Other operating income | 20 | 274,728 | 368,558 |
| | | 997,950 | 943,950 |
| **Expenses** | | | |
| Staff costs | 21 | 265,671 | 241,401 |
| Property expenses | | 132,280 | 123,013 |
| Depreciation and amortization | 4,5 | 55,482 | 49,626 |
| Advertising and promotion | | 72,998 | 85,949 |
| Professional fees | | 52,978 | 43,240 |
| Securities commission fees | | 61,375 | 50,685 |
| Net impairment(gains)/loss on financial assets | 29(d) | (633) | 8,078 |
| E-campus expenses | | 35,773 | 29,224 |
| Other operating expenses | | 8,932 | 13,621 |
| | | 684,856 | 644,837 |
| Investment income | 22(a) | 19,586 | 18,126 |
| Profit before taxation | 23 | 332,680 | 317,239 |
| Taxation | 24 | (45,785) | (23,235) |
| Profit for the year | 25 | 286,895 | 294,004 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Items that will never be reclassified to profit or loss: | | | |
| Remeasurement (loss)/gain of employee benefits asset | 7(c) | (46,555) | (42,424) |
| Deferred income tax on item that will never be reclassified to profit or loss | 18 | 15,518 | 14,142 |
| Revaluation surplus on land | 4 | 27,100 | 13,500 |
| Revaluation surplus on property and equipment | 4 | 111,309 | 59,985 |
| Deferred income tax on revaluation surplus | 18 | (37,103) | (19,995) |
| | | 70,269 | 25,208 |
| Items that may be reclassified to profit or loss: | | | |
| Changes in the fair value of debt investments of fair value through other comprehensive income | 15 | (26,193) | 10,520 |
| Net impairment (loss)/gain | 15 | (214) | (14) |
| Deferred income tax on items that may be reclassified to profit or loss | 15,18 | 8,731 | (3,507) |
| | | (17,676) | 6,999 |
| Other comprehensive income for the year, net of taxes | | 52,593 | 32,207 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | 339,488 | 326,211 |

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

**THE JAMAICA STOCK EXCHANGE LIMITED**

**SEPARATE STATEMENT OF CHANGES IN EQUITY**
**YEAR ENDED DECEMBER 31, 2021**
**(Expressed in Jamaican Dollars)**

| | Share Capital $'000 (Note 14) | Fair Value Reserve $'000 (Note 15) | Property Revaluation Reserve $'000 (Note 4) | Revenue Reserve $'000 (Note 17) | Total $'000 |
|---|---|---|---|---|---|
| Balance at January 1, 2020 | 238,146 | 19,058 | 237,377 | 395,706 | 890,287 |
| Profit for the year | - | - | - | 294,004 | 294,004 |
| Other comprehensive income: | | | | | |
| Appreciation in fair value of investments, net of taxes | - | 6,999 | - | - | 6,999 |
| Remeasurement of employee benefits assets, net of taxes | - | - | - | (28,282) | (28,282) |
| Revaluation of land and building, net of taxes | - | - | 53,490 | - | 53,490 |
| Total comprehensive income for the year | - | 6,999 | 53,490 | 265,722 | 326,211 |
| Dividend (Note 30) | - | - | - | (364,650) | (364,650) |
| Balance at December 31, 2020 | 238,146 | 26,057 | 290,867 | 296,778 | 851,848 |
| Profit for the year | - | - | - | 286,895 | 286,895 |
| Other comprehensive income: | | | | | |
| Appreciation in fair value of investments, net of taxes | - | (17,676) | - | - | (17,676) |
| Remeasurement of employee benefits assets, net of taxes | - | - | - | (31,037) | (31,037) |
| Revaluation of land and building, net of taxes | - | - | 101,306 | - | 101,306 |
| Total comprehensive income for the year | - | (17,676) | 101,306 | 255,858 | 339,488 |
| Dividend (Note 30) | - | - | - | (191,440) | (191,440) |
| Balance at December 31, 2021 | 238,146 | 8,381 | 392,173 | 361,196 | 999,896 |

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

**THE JAMAICA STOCK EXCHANGE LIMITED**

**SEPARATE STATEMENT OF CASH FLOWS**
**YEAR ENDED DECEMBER 31, 2021**
**(Expressed in Jamaican Dollars)**

| | Notes | 2021<br>$'000 | 2020<br>$'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit for the year | | 286,895 | 294,004 |
| Adjustments for: | | | |
| Depreciation of property and equipment | 4 | 27,877 | 25,235 |
| Amortisation of intangible assets | 5 | 27,605 | 24,391 |
| Net gain on investment through profit and loss | 22(a) | (1,923) | (777) |
| Foreign exchange gain | | (10,792) | (10,474) |
| Investment premium/discount | | 679 | 601 |
| Post employment benefit expense | 7(c) | 9,655 | 3,322 |
| Impairment loss on financial assets recognized/(reversed) | 29(d) | (633) | 8,078 |
| Loss on sale of debt investments financial assets | 15 | - | 14 |
| Income tax charge | 24 | 45,785 | 23,235 |
| Interest income | 22(a) | (7,550) | (7,476) |
| Dividend income | 20 | (191,400) | (284,000) |
| Operating cash flows before movements in working capital | | 186,198 | 76,153 |
| Increase in trade and other receivables | | (14,342) | (9,699) |
| Increase/(Decrease) in contract liabilities | | 3,030 | (3,843) |
| Decrease/(Increase) in trade and other payables | | (11,598) | 3,710 |
| Post employment benefit contributions | 7(d) | (26,419) | (24,266) |
| Cash provided by operations | | 136,869 | 42,055 |
| Income tax paid | | (10,903) | (23,232) |
| Cash provided by operating activities | | 125,966 | 18,823 |
| **Cash flows from investing activities** | | | |
| Proceeds from sale of investments in debts | 8(c | | |
| - financial assets | | 61,523 | 4,395 |
| Government securities purchased under resale agreements | | 17,641 | (5,135) |
| Payment to/(Receipts from) related parties | | (65,081) | 112,053 |
| Acquisition of property and equipment | 4 | (86,887) | (44,736) |
| Acquisition of intangible assets | 5 | (64,680) | (14,710) |
| Long-term receivable | | (5,256) | (2,406) |
| Dividend received | | 191,400 | 284,000 |
| Interest received | | 8,667 | 7,230 |
| Cash provided by investing activities | | 57,327 | 340,691 |
| **Cash flows from financing activities** | | | |
| Dividend paid | 30 | (191,400) | (364,650) |
| Cash used in financing activities | | (191,400) | (364,650) |
| Net decrease in cash and cash equivalents | | (8,107) | (5,136) |
| Cash and cash equivalents at the beginning of the year | | 17,320 | 19,374 |
| Effect of foreign exchange rate changes | | 3,243 | 3,082 |
| Cash and cash equivalents at the end of the year | 13 | 12,456 | 17,320 |

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

1. **Identification and principal activities**

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

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

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

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

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

(a) Statement of compliance:

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

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

**Standards and interpretations adopted during the year**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after January 1, 2021. 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 2021 and the nature and the impact of each new standard or amendment is described below.

***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.

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 – Phase 2 - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (continued)***

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.

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 had no impact on the consolidated financial statements of the group.

**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.

**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.

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)**

**COVID-19-Related Rent Concessions – Amendment to IFRS 16 (continued)**

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 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments before 30 June 2021 and increased lease payments that extend beyond 30 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 April 1, 2021 and is not expected to have an impact on the consolidated financial statements.

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

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

IFRS 17 is effective for reporting periods beginning on or after January 1, 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.

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)**

**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.

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.

**Definition of Accounting Estimates - Amendments to IAS 8**
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of accounting estimates.

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amended standard clarifies that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors. The previous definition of a change in accounting estimate specified that changes in accounting estimates may result from new information or new developments. Therefore, such changes are not corrections of errors. This aspect of the definition was retained by the IASB. The amendments are intended to provide preparers of financial statements with greater clarity as to the definition of accounting estimates, particularly in terms of
the difference between accounting estimates and accounting policies. Although the amendments are not expected to have a material impact on entities’ financial statements, they should provide helpful guidance for entities in determining whether changes are to be treated as changes in estimates, changes in policies, or errors.

These amendments are effective for annual periods beginning on or after January 1, 2023 Management has not yet assessed the impact of these amendments on the consolidated financial statements of the Group.

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

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

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

**Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2**

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements (the PS), in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

In the absence of a definition of the term ‘significant’ in IFRS, the IASB decided to replace it with ‘material’ in the context of disclosing accounting policy information. ‘Material’ is a defined term in IFRS and is widely understood by the users of financial statements, according to the IASB. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and the nature of them.

Although standardised information is less useful to users than entity-specific accounting policy information, the IASB agreed that, in some circumstances, standardised accounting policy information may be needed for users to understand other material information in the financial statements. In those situations, standardised accounting policy information is material, and should be disclosed.

The amendments to the PS also provide examples of situations when generic or standardised information summarising or duplicating the requirements of IFRS may be considered material accounting policy information.

The amendments may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard.

Entities should carefully consider whether ‘standardised information, or information that only duplicates or summarises the requirements of the IFRS’ is material information and, if not, whether it should be removed from the accounting policy disclosures to enhance the usefulness of the financial statements.

These amendments are effective for annual periods beginning on or after January 1, 2023. Management has not yet assessed the impact of these amendments on the consolidated financial statements of the Group.

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

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

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

**Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12**
The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). This judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Nevertheless, it is possible that the resulting deferred tax assets and liabilities are not equal (e.g., if the entity is unable to benefit from the tax deductions or if different tax rates apply to the taxable and deductible temporary differences). In such cases, which the Board expects to occur infrequently, an entity would need to account for the difference between the deferred tax asset and liability in profit or loss.

An entity should apply the amendments to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, it should also recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for all deductible and taxable temporary differences associated with leases and decommissioning obligations. The amendments are effective for annual periods beginning on or after January 1, 2023. Management has not yet assessed the impact of these amendments on the consolidated financial statements of the Group.

(c) Basis of measurement and functional currency

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

(d) Basis of consolidation

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

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

(d) Basis of consolidation (continued)

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

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

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

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

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

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

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

(e) Accounting estimates and judgements

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

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

(e) 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 only affects that period or in the period of revision and future periods if the revision affects both current and future periods.

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

- Allowance for credit losses

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

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

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

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

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 payments of debts by customers has resulted in increased ECLs in some instances.

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

(e) Accounting estimates and judgements (continued)

- Allowance for credit losses (continued)

  At year end, the loss allowance provision recognised in respect of trade receivables of the Group amounted to $78.31 million (2020: $78.89 million) and for the Company $17.68 million (2020: $18.11 million), in respect of repurchase agreements, $2.60 million (2020: $2.51 million) for the Group and $0.36 million (2020: $0.36 milion) for Company and in relation to bonds measured at FVOCI, $1.88 million for the Group and $0.13 million for the Company (2020: $0.35 million for the Group and $0.35 million for the Company).

- Fair value of financial instruments

  As described in Note 29, management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Group. The financial assets of the Group at the end of the reporting period stated at fair value determined in this manner amounted to $242.47 million (2020: $233.66 million) and $57.27 million for the Company (2020: $136.65 million) (Note 8).

  Had the fair value of these securities been 2% higher or lower the fair value reserve for the Group would increase/decrease by $4.85 million (2020: $4.67 million) and $1.15 million for the Company (2020: $2.73 million).

- Employee benefits

  As disclosed in Note 7, the Group operates a defined benefit pension plan. The retirement benefit asset disclosed in the statement of financial position for the Group is $62.39 million (2020: $102.43 million) and Company $43.40 million (2020: $73.19 million). The defined benefits plan, is subject to estimates in respect of periodic costs which costs are dependent on returns on assets, future discount rates, rates of salary increases and inflation rate in respect of the pension plan.

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

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

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

- Fair value of land and buildings

  Included in the statement of financial position are land and buildings with a carrying value of $772.20 million (2020: $591.50 million) at fair value as determined by an external valuator less accumulated depreciation (Note 4).

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

(e) Accounting estimates and judgements (continued)

- Fair value of land and buildings (continued)

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

- Residual value and expected useful life of property and equipment

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

- Taxes

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

  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 18 and 24).

  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 financial statements.

3. **Significant accounting policies**

(a) Foreign currencies

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

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

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

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

(b) Current vs. non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Group classifies all other liabilities as non-current.

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

(c) Fair value measurement

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

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

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

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

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

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

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

(c) Fair value measurement (continued)

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

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

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

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

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

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

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

(d) Property and equipment

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

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

(d) Property and equipment (continued)

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

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

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

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

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

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

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

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

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

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

(e) Intangible assets

(i) Intangible assets acquired separately

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

(ii) Derecognition of intangible assets

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

(f) 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.

(g) Impairment of tangible and intangible assets

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

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

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

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

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

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

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

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

(h) Employee benefit costs

*Pension obligations*

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

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

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

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

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

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

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

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

(i) Financial assets and liabilities (Continued)

(ii) **Derecognition**

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

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

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

(iii) **Measurement**

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

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

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

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

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

(i) Financial assets and liabilities (continued)

(iii) **Measurement (Continued)**

*Debt instruments (Continued)*

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

- Fair value through profit and loss (FVPL) - Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. 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 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.

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

(i) Financial assets and liabilities (continued)

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

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

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

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

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

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

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

(j) Repurchase and reverse repurchase agreements

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

(k) Investment in subsidiary

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

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

(l) Taxation

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

(i) Current tax

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

(ii) Deferred tax

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

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

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

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

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

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

(l) 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.

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.

(m) 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 established for the benefit of employees of either the company or an entity related to the reporting entity.
(vi) The entity is controlled, or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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

(n) Revenue recognition

(i) Cess income

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

(ii) Fee income

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

Fee income of the subsidiaries include:

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

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

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

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

(iii) E-campus income

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

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

(n) Revenue recognition (Continued)

(iv) Members/dealers license fee

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

(v) Other operating income:

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

(vi) Investment income

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

(o) Contract liabilities:

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

4. **Property and equipment**

The Group

| | Freehold land $'000 | Freehold buildings $'000 | Furniture & fixtures $'000 | Office equipment $'000 | Computer hardware $'000 | Motor vehicles $'000 | Work-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or fair value** | | | | | | | | |
| January 1, 2020 | 165,000 | 351,000 | 22,470 | 82,131 | 93,322 | 3,678 | 6,382 | 723,983 |
| Additions | - | 10,790 | 2,352 | 7,391 | 7,563 | - | 21,613 | 49,709 |
| Revaluation | 13,500 | 51,210 | - | - | - | - | - | 64,710 |
| December 31, 2020 | 178,500 | 413,000 | 24,822 | 89,522 | 100,885 | 3,678 | 27,995 | 838,402 |
| Additions | - | 52,616 | 1,788 | 11,794 | 12,318 | - | 9,630 | 88,146 |
| Revaluation | 27,100 | 100,984 | - | - | - | - | - | 128,084 |
| December 31, 2021 | 205,600 | 566,600 | 26,610 | 101,316 | 113,203 | 3,678 | 37,625 | 1,054,632 |
| **Depreciation** | | | | | | | | |
| January 1, 2020 | - | - | 12,344 | 55,930 | 61,032 | 3,678 | - | 132,984 |
| Charge for year (Note 23) | - | 8,775 | 1,633 | 11,171 | 13,093 | - | - | 34,672 |
| Revaluation | - | (8,775) | - | - | - | - | - | (8,775) |
| December 31, 2020 | - | - | 13,977 | 67,101 | 74,125 | 3,678 | - | 158,881 |
| Charge for year (Note 23) | - | 10,325 | 1,620 | 10,321 | 13,834 | - | - | 36,100 |
| Revaluation | - | (10,325) | - | - | - | - | - | (10,325) |
| December 31, 2021 | - | - | 15,597 | 77,422 | 87,959 | 3,678 | - | 184,656 |
| **Carrying amounts** | | | | | | | | |
| December 31, 2021 | 205,600 | 566,600 | 11,013 | 23,894 | 25,244 | - | 37,625 | 869,976 |
| December 31, 2020 | 178,500 | 413,000 | 10,845 | 22,421 | 26,760 | - | 27,995 | 679,521 |

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

The Company

| | Freehold land $'000 | Freehold buildings $'000 | Furniture & fixtures $'000 | Office equipment $'000 | Computer hardware $'000 | Motor vehicles $'000 | Work-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or fair value** | | | | | | | | |
| January 1, 2020 | 165,000 | 351,000 | 16,460 | 58,146 | 51,706 | 3,678 | 6,382 | 652,372 |
| Additions | - | 10,790 | 2,163 | 6,239 | 3,931 | - | 21,613 | 44,736 |
| Revaluation | 13,500 | 51,210 | - | - | - | - | - | 64,710 |
| December 31, 2020 | 178,500 | 413,000 | 18,623 | 64,385 | 55,637 | 3,678 | 27,995 | 761,818 |
| Additions | - | 52,616 | 1,620 | 11,431 | 11,590 | - | 9,630 | 86,887 |
| Revaluation | 27,100 | 100,984 | - | - | - | - | - | 128,084 |
| December 31, 2021 | 205,600 | 566,600 | 20,243 | 75,816 | 67,227 | 3,678 | 37,625 | 976,789 |
| **Depreciation** | | | | | | | | |
| January 1, 2020 | - | - | 8,800 | 39,151 | 33,869 | 3,678 | - | 85,498 |
| Charge for year (Note 23) | - | 8,775 | 1,246 | 7,952 | 7,262 | - | - | 25,235 |
| Revaluation adjustment | - | (8,775) | - | - | - | - | - | (8,775) |
| December 31, 2020 | - | - | 10,046 | 47,103 | 41,131 | 3,678 | - | 101,958 |
| Charge for year (Note 23) | - | 10,325 | 1,241 | 7,933 | 8,378 | - | - | 27,877 |
| Revaluation adjustment | - | (10,325) | - | - | - | - | - | (10,325) |
| December 31, 2021 | - | - | 11,287 | 55,036 | 49,509 | 3,678 | - | 119,510 |
| **Carrying amounts** | | | | | | | | |
| December 31, 2021 | 205,600 | 566,600 | 8,956 | 20,780 | 17,718 | - | 37,625 | 857,279 |
| December 31, 2020 | 178,500 | 413,000 | 8,577 | 17,282 | 14,506 | - | 27,995 | 659,860 |

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

The Group's policy is to record its land and building at fair value. Consequently freehold land and buildings are included at valuation based on fair market value (See Note 3(d)) as expressed by external professional valuators, Easton Douglas Consultants Limited in December 2021.

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

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

| | **2021 $'000** | **2020 $'000** |
|---|---|---|
| Freehold land | 43,997 | 43,997 |
| Freehold buildings | 238,287 | 185,671 |

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

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

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

Property revaluation reserve

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

| | **The Group and the Company** | |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Balance at January 1 | 290,867 | 237,377 |
| Net gain arising on revaluation of land and buildings | 138,409 | 73,485 |
| Deferred tax adjustments on buildings | (37,103) | (19,995) |
| Balance at December 31 | 392,173 | 290,867 |

5. **Intangible assets**

| | The Group | | | The Company | | |
|---|---|---|---|---|---|---|
| | Computer Software $'000 | Computer Software Development Project $'000 | Total $'000 | Computer Software $'000 | Computer Software Development Projects $'000 | Total $'000 |
| **Cost** | | | | | | |
| January 1, 2020 | 205,733 | 23,444 | 229,177 | 159,115 | 10,997 | 170,112 |
| Additions | 9,347 | 16,544 | 25,891 | 7,938 | 6,772 | 14,710 |
| December 31, 2020 | 215,080 | 39,988 | 255,068 | 167,053 | 17,769 | 184,822 |
| Additions | 12,291 | 58,162 | 70,453 | 12,291 | 52,389 | 64,680 |
| December 31, 2021 | 227,371 | 98,150 | 325,521 | 179,344 | 70,158 | 249,502 |
| **Amortisation** | | | | | | |
| January 1, 2020 | 86,881 | - | 86,881 | 54,615 | - | 54,615 |
| Charge for the year | 32,497 | - | 32,497 | 24,391 | - | 24,391 |
| December 31, 2020 | 119,378 | - | 119,378 | 79,006 | - | 79,006 |
| Charge for the year | 34,101 | - | 34,101 | 27,605 | - | 27,605 |
| December 31, 2021 | 153,479 | - | 153,479 | 106,611 | - | 106,611 |
| **Carrying amounts** | | | | | | |
| December 31, 2021 | 73,892 | 98,150 | 172,042 | 72,733 | 70,158 | 142,891 |
| December 31, 2020 | 95,702 | 39,988 | 135,690 | 88,047 | 17,769 | 105,816 |

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**

| | The Company | |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| Shares at cost in Jamaica Central Securities Depository Limited | 61,000 | 61,000 |

7. **Employee benefits**

The Group operates a defined benefit pension plan for its employees. The plan is open to all permanent employees and is administered by Victoria Mutual Pensions Management Limited. The plan is funded by employee contributions of 5% of pensionable salary, with an option for additional voluntary contributions of up to 8.4% of pensionable salary. The companies in the Group contribute to the plan at rates determined periodically by external actuarial valuations (currently 15.7% of pensionable salary) (2020: 15.7%) 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.

(Expressed in Jamaican Dollars)

7. **Employee benefits (Continued)**

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 funding 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. In addition, an IAS 19 valuation was carried out as at December 31, 2021.

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

**Financial Assumptions**

| | **2021** | **2020** |
|---|---|---|
| Discount rate | 8.0% | 9.0% |
| Expected rate of future salary increases | 6.0% | 7.0% |
| Administrative expenses | 1.6% | 1.6% |

The weighted average duration of the defined benefit obligation as at December 31, 2021 is 16 years (2019: 15.6 years) for the Group and 14.9 years (2020: 14.6 years) for the Company.

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

**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.

7. **Employee benefits (Continued)**

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Fair value of plan assets | 791,758 | 677,232 | 550,820 | 483,939 |
| Present value of defined benefit obligations | (729,370) | (574,803) | (507,417) | (410,745) |
| Net asset in the statement of financial position | 62,388 | 102,429 | 43,403 | 73,194 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Items in profit or loss: | | | | |
| Current service costs | 23,433 | 17,792 | 15,691 | 10,303 |
| Interest costs | 55,333 | 42,210 | 39,232 | 30,403 |
| Return on plan assets | (63,921) | (51,693) | (45,268) | (37,384) |
| Net expense for year recognised in profit or loss | 14,845 | 8,309 | 9,655 | 3,322 |
| Items in other comprehensive income (OCI): | | | | |
| Re-measurements loss on obligation for OCI | 55,203 | (33,468) | 30,096 | (27,139) |
| Re-measurements loss (gain) on assets for OCI | 15,384 | 92,190 | 16,459 | 69,563 |
| Total re-measurements for OCI | 70,587 | 58,722 | 46,555 | 42,424 |
| | 85,432 | 67,031 | 56,210 | 45,746 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Net asset at start of year | 102,429 | 130,110 | 73,194 | 94,674 |
| Net loss from profit or loss and OCI | (85,432) | (67,031) | (56,210) | (45,746) |
| Contributions by Company | 45,391 | 39,350 | 26,419 | 24,266 |
| Net asset at end of year | 62,388 | 102,429 | 43,403 | 73,194 |

7. **Employee benefits (Continued)**

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Opening defined benefit obligations | 574,803 | 530,632 | 410,745 | 386,115 |
| Service cost | 37,889 | 30,324 | 24,105 | 18,031 |
| Interest cost | 55,333 | 42,210 | 39,232 | 30,403 |
| Members' contributions | 13,187 | 10,783 | 8,071 | 6,544 |
| Benefits paid/deferred benefits (net) | (7,045) | (5,678) | (4,832) | (3,209) |
| Re-measurement (gain)/ loss | 55,203 | (33,468) | 30,096 | (27,139) |
| Closing defined benefit obligations | 729,370 | 574,803 | 507,417 | 410,745 |

(f) Changes in fair value of plan assets:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Opening fair value of plan assets | 677,232 | 660,742 | 483,939 | 480,789 |
| Members' contributions | 27,643 | 23,315 | 16,485 | 14,272 |
| Employer's contributions | 45,391 | 39,350 | 26,419 | 24,266 |
| Interest income on plan assets | 63,921 | 51,693 | 45,268 | 37,384 |
| Benefits paid/deferred benefits (net) | (7,045) | (5,678) | (4,832) | (3,209) |
| Re-measurement gain on asset for OCI | (15,384) | (92,190) | (16,459) | (69,563) |
| Closing fair value of plan assets | 791,758 | 677,232 | 550,820 | 483,939 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Corporate bonds | 211,662 | 124,591 | 147,252 | 89,033 |
| Equity investments | 311,434 | 270,021 | 216,663 | 192,957 |
| Foreign currency bonds | 85,495 | 55,105 | 59,478 | 39,335 |
| Government of Jamaica securities | 14,933 | 14,140 | 10,389 | 10,147 |
| Repurchase agreements | 18,981 | 83,198 | 13,205 | 59,453 |
| Unit trust | 92,303 | 9,263 | 64,215 | 6,619 |
| Certificate of deposit | 26,145 | 24,636 | 18,189 | 17,605 |
| Others | 30,805 | 96,278 | 21,429 | 68,790 |
| Fair value of plan assets | 791,758 | 677,232 | 550,820 | 483,939 |

7. **Employee benefits (Continued)**

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

| | The Group Defined Benefit Pension Plan | | | | |
|---|---|---|---|---|---|
| | **2021** | **2020** | **2019** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Present value of defined benefit obligation | (729,370) | (574,803) | (530,632) | (435,344) | (338,474) |
| Fair value of plan assets | 791,758 | 677,232 | 660,742 | 525,157 | 465,036 |
| Surplus in the plan | 62,388 | 102,429 | 130,110 | 89,813 | 126,562 |
| Re-measurement loss on obligation for OCI | 55,203 | (33,468) | 42,816 | 36,162 | 31,154 |
| Re-measurement gain/(loss) on assets for OCI | 15,384 | 92,190 | (81,487) | 8,240 | (16,722) |

| | The Company Defined Benefit Pension Plan | | | | |
|---|---|---|---|---|---|
| | **2021** | **2020** | **2019** | **2018** | **2017** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Present value of defined benefit obligation | (507,417) | (410,745) | (386,115) | (308,137) | (243,520) |
| Fair value of plan assets | 550,820 | 483,939 | 480,789 | 371,707 | 334,577 |
| Surplus in the plan | 43,403 | 73,194 | 94,674 | 63,570 | 91,057 |
| Re-measurement loss on obligation for OCI | 30,096 | (27,139) | 31,354 | 34,528 | 31,589 |
| Re-measurement gain/(loss) on assets for OCI | 16,459 | 69,563 | (62,673) | (3,446) | (24,428) |

(i) Sensitivity analyses

1. Discount rate

| | 2021 | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | **1/2% decrease in Discount rate Assumption $'000** | **1/2% increase in Discount rate Assumption $'000** | **1/2% decrease in Discount rate Assumption $'000** | **1/2% increase in Discount rate Assumption $'000** |
| Defined benefit obligation | 784,939 | (683,973) | 542,994 | (478,072) |

7. **Employee benefits (Continued)**

(i) Sensitivity analyses (continued)

1. Discount rate (continued)

| | 2020 | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 1/2% decrease in Discount rate Assumption $'000 | 1/2% increase in Discount rate Assumption $'000 | 1/2% decrease in Discount rate Assumption $'000 | 1/2% increase in Discount rate Assumption $'000 |
| Defined benefit obligation | (613,642) | 540,371 | (436,394) | 387,888 |

2. Salary Assumption

| | 2021 | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 1/2% decrease in Salary Assumption $'000 | 1/2% increase in Salary Assumption $'000 | 1/2% decrease in Salary Assumption $'000 | 1/2% increase in Salary Assumption $'000 |
| Defined benefit obligation | (706,643) | 753,345 | (493,825) | 521,647 |

| | 2020 | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 1/2% decrease in Salary Assumption $'000 | 1/2% increase in Salary Assumption $'000 | 1/2% decrease in Salary Assumption $'000 | 1/2% increase in Salary Assumption $'000 |
| Defined benefit obligation | (557,210) | 594,310 | (399,802) | 422,846 |

3. Actuarial losses on defined benefit obligation arising from:

| | Group | | Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Financial assumptions | (46,208) | 45,300 | (31,885) | 33,194 |
| Experience adjustments | (8,995) | (11,832) | 1,789 | (6,055) |
| Total actuarial (losses)/gain | (55,203) | 33,468 | (30,096) | 27,139 |

7. **Employee benefits (Continued)**

The Group and the Company expect to make contributions of $63.60 million and $31.40 million, respectively, (2020: $57.80 million and $27.10 million, respectively) 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.

8. **Investment in securities**

(a) Non-current:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Investment in securities at FVOCI: | | | | |
| GOJ Variable Rates Benchmark Investment Notes 1.43% (2023) 2.03% (2020: 2023) | 4,013 | 4,012 | - | - |
| Victoria Mutual Building Society FR 7% Note 2024 | 49,771 | 50,956 | - | - |
| GOJ US$ 8% Global Bond 2039 (nominal value US$190,000) | 173,575 | 166,496 | 45,197 | 127,266 |
| | 227,359 | 221,464 | 45,197 | 127,266 |

Included in the investment balances above is interest receivable in the amount of $3.48 million for the Group and $0.68 million for the Company (2020: $2.67 million for the Group and $1.78 million for the Company).

(b) Current:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Investment in securities at FVPL: | | | | |
| Investment in Unit Trust | 15,114 | 12,197 | 12,075 | 9,377 |
| | 15,114 | 12,197 | 12,075 | 9,377 |

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

(c) Movement in investment in securities:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| The movement for the year in debt instrument financial assets is as follows: | | | | |
| Balance at January 1 | 233,661 | 229,065 | 136,643 | 122,814 |
| Additions | 61,523 | - | - | - |
| Foreign exchange gain | 11,945 | 8,653 | 7,101 | 7,528 |
| Investment premium/discount | (842) | (768) | (679) | (601) |
| Fair value gains/losses through profit and loss | 1,917 | 851 | 1,923 | 777 |
| Movement in fair value of debt instrument financial assets | (4,208) | 10,138 | (26,193) | 10,520 |
| Disposal of investments | (61,523) | (14,278) | (61,523) | (4,395) |
| Balance at December 31 | 242,473 | 233,661 | 57,272 | 136,643 |

9. **Long-term receivables**

These represent loans granted to employees predominantly for motor vehicle purchases. The loans are repayable by monthly installments and are for a period of 5 years. These loans carry an interest rate of 10% per annum. The current portion of these loans, due within twelve months from the end of the reporting period, amounting to $12.34 million (2020: $8.22 million) for the Group and $9.88 million (2020: $6.03 million) for the Company is included in other receivables (Note 11). Management has determined that any ECL on these loans would be immaterial to the consolidated financial statements.

Set out below is the movement in the loans receivables:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Loans receivable | 33,163 | 24,169 | 28,331 | 19,231 |
| Less: Current portion included in receivables (Note 11) | (12,339) | (8,220) | (9,875) | (6,031) |
| Net long-term portion | 20,824 | 15,949 | 18,456 | 13,200 |

10. **Related party transactions/balances**

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Subsidiary | | | | |
| Jamaica Central Securities Depository Limited | | | | |
| Lease payments | - | - | 4,109 | 4,109 |
| Professional fees | - | - | 2,957 | 3,216 |
| Related party | | | | |
| JSE Compensation Fund | | | | |
| Administrative fee | 25,597 | 24,958 | 25,597 | 24,958 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Amount due to related party: | | | | |
| Jamaica Central Securities Depository Limited | - | - | (102,837) | (167,902) |
| JSE Compensation Fund | (5) | (21) | (5) | (21) |

(c) Dividend received during the year

During the year, dividend of $191.40 million (2020: $284.00 million) was received from the Company's subsidiary (Note 20).

(d) Compensation of key management personnel

The remuneration of management during the year were as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Short-term benefits | 112,630 | 93,646 | 56,766 | 49,242 |
| Post employment benefits | 12,127 | 6,622 | 5,636 | 3,400 |
| | 124,757 | 100,268 | 62,402 | 52,642 |

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

(e) Loans to related parties

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Loans to key management personnel | 8,268 | 9,093 | 7,890 | 8,378 |

## 11. Trade and other receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Cess receivable | 62,464 | 59,161 | 58,572 | 51,762 |
| Fees receivable | 157,018 | 133,761 | - | - |
| E-campus | 7,934 | 10,704 | 7,934 | 10,704 |
| Registrar service fee | 49,392 | 46,942 | - | - |
| Other | 51,314 | 41,225 | 38,817 | 35,279 |
| | 328,122 | 291,793 | 105,323 | 97,745 |
| Less: Loss allowance (Note 29(d)) | (78,307) | (78,887) | (17,683) | (18,108) |
| | 249,815 | 212,906 | 87,640 | 79,637 |
| Prepayments | 50,641 | 49,104 | 20,689 | 13,925 |
| | 300,456 | 262,010 | 108,329 | 93,562 |

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

## 12. Government securities purchased under resale agreements

The Group entered into repurchase agreements collaterised by the Government of Jamaica securities. These agreements may result in credit exposure in the event that the counterparties of these transactions are unable to fulfill their contractual obligations.The fair value of collateral pursuant to repurchase agreements is $488.06 million for the Group and $48.67 million for the Company (2020: $300.87 million for the Group and $67.42 million for the Company).

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Jamaican dollar denominated | 394,679 | 198,005 | 48,672 | 47,937 |
| United States dollar denominated Group US$611,297 and $ NIL Company (2020: $727,801 Group and US$135,468 Company) | 93,377 | 102,452 | - | 19,070 |
| Interest receivable | 2,315 | 2,192 | 423 | 440 |
| Less: loss allowances (Note 29(d)) | (2,601) | (2,512) | (362) | (356) |
| | 487,770 | 300,137 | 48,733 | 67,091 |

12. **Government securities purchased under resale agreements (Continued)**

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | % | % | % | % |
| Jamaican dollar denominated | 2.42 | 1.52 | 2.07 | 1.99 |
| United States dollar denominated | 2.93 | 1.38 | - | 1.38 |

13. **Cash and cash equivalents**

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash on hand and in banks | 77,431 | 140,508 | 12,456 | 17,320 |

Cash at bank earns interest at floating rates based on daily bank deposit rates. Of the $77.43 million (2020: $140.51 million) for the Group and $12.46 million (2020: $17.32 million) for the Company, $6.14 million for the Group (2020: $21.98 million ) and $0.84 million for the Company (2020: $0.56 million) are held in USD, with an interest rate of 0.05% (2020: 0.10%) for the Group and 0.05% (2020: 0.10%) for the Company, while $71.29 million (2020: $126.64 million) for the Group and $11.62 million (2020: $16.76 million) for the Company are held in JMD, and are non-interest bearing.

A Letter of Guarantee was established on December 25, 2002 in the amount of $10.00 million to be expired on December 25, 2025 in favour of Bank of Jamaica.

14. **Share capital**

| | 2021 | 2020 |
|---|---|---|
| | $'000 | $'000 |
| Authorised: | | |
| 2,400,000,000 ordinary shares of no par value (2020: 2,400,000,000) | | |
| 100,000,000 preference shares of no par value (2020: 100,000,000) | | |
| Issued capital: | | |
| 701,250,000 ordinary stocks of no par value (2020: 701,250,000) | | |
| Nil preference shares of no par value | | |
| Issued capital: | | |
| At January 1 and December 31 - ordinary stocks | 238,146 | 238,146 |

## 15. Fair value reserve

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Balance at January 1 | 37,321 | 29,838 | 26,057 | 19,058 |
| Net (loss)/gain arising on revaluation of FVOCI | (4,208) | 10,484 | (26,193) | 10,520 |
| Deferred tax adjustments on FVOCI: financial assets (Note 18) | 1,402 | (3,495) | 8,731 | (3,507) |
| Net impairment investments (Note 29(d)) | 80 | 494 | (214) | (14) |
| | (2,726) | 7,483 | (17,676) | 6,999 |
| Balance at December 31 | 34,595 | 37,321 | 8,381 | 26,057 |

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

## 16. Revenue reserve – Non Distributable

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

## 17. Revenue reserve

Reflected in the consolidated financial statements of the Group:

| | **2021** | **2020** |
|---|---|---|
| | **$'000** | **$'000** |
| Parent company | 361,196 | 296,778 |
| Subsidiaries | 816,648 | 622,886 |
| Intercompany lease elimination | 635 | - |
| | 1,178,479 | 919,664 |

## 18. Deferred tax

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Deferred tax assets | 48,401 | 26,875 | 34,683 | 16,154 |
| Deferred tax liabilities | (155,305) | (132,589) | (135,182) | (117,115) |
| Net position at the end of the year | (106,904) | (105,714) | (100,499) | (100,961) |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| At January 1 | (105,714) | (103,874) | (100,961) | (83,188) |
| Credited/(Charged) to income for the year (Note 24) | 10,982 | 2,075 | 13,316 | (8,413) |
| Charged to equity | (13,574) | (420) | (21,585) | (5,853) |
| Charged to fair value reserve for the year (Note 15) | 1,402 | (3,495) | 8,731 | (3,507) |
| At December 31 | (106,904) | (105,714) | (100,499) | (100,961) |

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

**Deferred tax assets**

| | The Group | | |
|---|---|---|---|
| | Accrued Vacation $'000 | Capital Allowance in excess of Depreciation | Total $'000 |
| At January 1, 2020 | 3,969 | 10,662 | 14,631 |
| Credited/(Charged) to income for the year | 3,443 | 8,801 | 12,244 |
| At December 31, 2020 | 7,412 | 19,463 | 26,875 |
| Credited to income for the year | 3,155 | 18,371 | 21,526 |
| At December 31, 2021 | 10,567 | 37,834 | 48,401 |

18. **Deferred tax (Continued)**

**Deferred tax assets (continued)**

| | The Company | | |
|---|---|---|---|
| | Accrued Vacation $'000 | Capital Allowance in excess of Depreciation | Total $'000 |
| At January 1, 2020 | 2,999 | 14,510 | 17,509 |
| Credited to income for the year | 2,325 | (3,680) | (1,355) |
| At December 31, 2020 | 5,324 | 10,830 | 16,154 |
| Credited/(Charged) to income for the year | 1,663 | 16,866 | 18,529 |
| At December 31, 2021 | 6,987 | 27,696 | 34,683 |

**Deferred tax liabilities**

| | The Group | | | | |
|---|---|---|---|---|---|
| | Interest receivable $'000 | Unrealised gains in investment in securities $'000 | Retirement Benefit Asset $'000 | Property Revaluation Reserve $'000 | Total $'000 |
| January 1, 2020 | (1,743) | (15,201) | (43,372) | (58,189) | (118,505) |
| Charged to income for the year | 178 | - | (10,348) | - | (10,170) |
| Charged to equity for the year | - | - | 19,575 | (19,995) | (420) |
| Charged to fair value reserve (Note 15) | - | (3,494) | - | - | (3,494) |
| December 31, 2020 | (1,565) | (18,695) | (34,145) | (78,184) | (132,589) |
| Credited/(Charged) to income for the year | (362) | - | (10,182) | - | (10,544) |
| Credited/(Charged) to equity for the year | - | - | 23,529 | (37,103) | (13,574) |
| Charged to fair value reserve (Note 15) | - | 1,402 | - | - | 1,402 |
| December 31, 2021 | (1,927) | (17,293) | (20,798) | (115,287) | (155,305) |

## 18. Deferred tax (Continued)

### Deferred tax liabilities (continued)

| | The Company | | | | |
|---|---|---|---|---|---|
| | Interest receivable $'000 | Unrealised gains in investment in securities $'000 | Retirement Benefit Asset $'000 | Property Revaluation Surplus $'000 | Total $'000 |
| January 1, 2020 | (665) | (10,284) | (31,560) | (58,189) | (100,698) |
| Credited/(Charged) to income for the year | (77) | - | (6,981) | - | (7,058) |
| Credited/(Charged) to equity for the year | - | - | 14,143 | (19,995) | (5,852) |
| Credited to fair value reserve (Note 15) | - | (3,507) | - | - | (3,507) |
| December 31, 2020 | (742) | (13,791) | (24,398) | (78,184) | (117,115) |
| Credited/(Charged) to income for the year | 375 | - | (5,588) | - | (5,213) |
| Credited/(Charged) to equity for the year | - | - | 15,518 | (37,103) | (21,585) |
| Credited to fair value reserve (Note 15) | - | 8,731 | - | - | 8,731 |
| December 31, 2021 | (367) | (5,060) | (14,468) | (115,287) | (135,182) |

## 19. Payables and accruals

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Trade payables | 98,605 | 113,355 | 51,466 | 61,842 |
| Accruals | 70,926 | 62,125 | 48,516 | 49,738 |
| Other payables | 10,901 | 9,031 | - | - |
| Payables and accruals | 180,432 | 184,511 | 99,982 | 111,580 |

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

## 20. Other operating income

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Regional conference | 24,367 | 37,179 | 24,367 | 37,179 |
| Administrative fee | 25,597 | 24,957 | 25,597 | 24,957 |
| Dividend income | - | - | 191,400 | 284,000 |
| Other | 33,551 | 22,477 | 33,364 | 22,422 |
| | 83,515 | 84,613 | 274,728 | 368,558 |

Included in other income of the Company in an amount of $191.40 million (2020: $284 million) representing dividend income received from its subsidiary during the year.

## 21. Staff costs

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Salaries and other employee benefits | 511,454 | 434,552 | 239,658 | 221,468 |
| Statutory contributions | 39,998 | 34,463 | 16,358 | 16,611 |
| Charge on pension plan (Note 7(c)) | 14,845 | 8,309 | 9,655 | 3,322 |
| | 566,297 | 477,324 | 265,671 | 241,401 |

## 22. Investment income

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| (a) Investment income includes: | | | | |
| Interest income | 24,657 | 19,016 | 7,550 | 7,476 |
| Foreign exchange gain | 23,052 | 24,868 | 10,792 | 10,474 |
| Investment premium/discount | (842) | (768) | (679) | (601) |
| Fair value gain through profit and loss | 1,917 | 851 | 1,923 | 777 |
| | 48,784 | 43,967 | 19,586 | 18,126 |
| (b) Investment income earned, analysed by category of financial asset is as follows: | | | | |
| Receivables at amortised cost (Loans and receivables) | 28,310 | 11,145 | 5,761 | 1,254 |
| Debt instruments at FVOCI | 20,474 | 32,822 | 13,825 | 16,872 |
| | 48,784 | 43,967 | 19,586 | 18,126 |

## 23. Profit before taxation

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Income: | | | | |
| Interest | 24,657 | 19,016 | 7,550 | 7,476 |
| Expenses: | | | | |
| Directors' fees | 24,457 | 17,886 | 20,504 | 14,947 |
| Management emoluments | 31,617 | 25,367 | 28,885 | 22,979 |
| Audit fees | 6,350 | 5,380 | 3,700 | 3,250 |
| Depreciation of property and equipment | 36,100 | 34,672 | 27,877 | 25,232 |
| Amortisation of intangible assets | 34,101 | 32,497 | 27,605 | 24,391 |

24. **Taxation**

Recognised in profit or loss

(i) The charge for the year represents

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Current tax | | | | |
| - Current tax charge | 254,700 | 208,712 | 59,155 | 9,928 |
| - Prior year (over)/understatement | (54) | 4,894 | (54) | 4,894 |
| Deferred tax (Note 18) | (10,982) | (2,075) | (13,316) | 8,413 |
| | 243,664 | 211,531 | 45,785 | 23,235 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Profit before tax | 740,977 | 618,467 | 332,681 | 317,239 |
| Tax at the domestic income tax rate of 33⅓% | 246,992 | 206,156 | 110,893 | 105,747 |
| Tax effect of items that are not deductible in determining taxable profits | 5,330 | 3,314 | 8,407 | 3,131 |
| Prior year (over)/understatement | (54) | 4,894 | (54) | 4,894 |
| Effect of income not taxable | - | - | (63,800) | (94,667) |
| Other | (8,604) | (2,833) | (9,661) | 4,130 |
| | 243,664 | 211,531 | 45,785 | 23,235 |

25. **Profit of the Group for the year**

Reflected in the financial statements of the:

| | The Group | |
|---|---|---|
| | **2021** | **2020** |
| | **$'000** | **$'000** |
| Parent company | 286,985 | 294,004 |
| Subsidiaries | 401,272 | 396,932 |
| Less Dividend paid to parent company | (191,400) | (284,000) |
| Lease elimination | 636 | - |
| | 497,313 | 406,936 |

26. **Earnings per stock unit**

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

| | The Group 2021 | 2020 |
|---|---|---|
| Profit ($'000) | 497,313 | 406,936 |
| Weighted average number of ordinary stock units | 701,250,000 | 701,250,000 |
| Basic earnings per stock unit | $0.71 | $0.58 |

27. **Segment reporting**

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

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

The Group's operations are located solely in Jamaica.

| | 2021 | | | | | |
|---|---|---|---|---|---|---|
| | Exchange operations $'000 | JCSD Services $'000 | Investment other $'000 | Trustees Services $'000 | Eliminations $'000 | Group $'000 |
| Over time | 253,079 | 73,480 | - | 192,548 | - | 519,107 |
| Point in time | 744,871 | 554,817 | 48,784 | 472,014 | (411,919) | 1,408,567 |
| Revenue - external | 997,950 | 628,297 | 48,784 | 664,562 | (411,919) | 1,927,674 |
| Segment result/ Profit before taxation | 332,680 | 333,534 | | 399,718 | (324,955) | 740,977 |
| Taxation | | | | | | (243,664) |
| Profit for the year | | | | | | 497,313 |
| Other information Depreciation and amortisation | 55,482 | 11,429 | | 3,290 | - | 70,201 |
| Assets Segment assets | 1,349,819 | 549,881 | | 599,855 | (266,195) | 2,233,360 |
| Liabilities Segment liabilities | 349,923 | 132,520 | | 63,566 | (204,409) | 341,600 |
| Capital expenditure | 151,567 | 5,393 | | 1,639 | | 158,599 |

27. **Segment reporting (Continued)**

| | 2020 | | | | | |
|---|---|---|---|---|---|---|
| | Exchange operations $'000 | JCSD Services $'000 | Investment other $'000 | Trustees Services $'000 | Eliminations $'000 | Group $'000 |
| Over time | 230,904 | 51,692 | - | 174,543 | - | 457,139 |
| Point in time | 713,046 | 614,548 | 43,967 | 422,104 | (539,415) | 1,254,250 |
| Revenue - external | 943,950 | 666,240 | 43,967 | 596,647 | (539,415) | 1,711,389 |
| Segment result/ Profit before taxation | 317,239 | 401,443 | - | 360,785 | (461,000) | 618,467 |
| Taxation | | | | | | (211,531) |
| Profit for the year | | | | | | 406,936 |
| Other information | | | | | | |
| Depreciation and amortisation | 49,626 | 12,685 | - | 4,858 | | 67,169 |
| Assets | | | | | | |
| Segment assets | 1,242,898 | 459,225 | * | 459,874 | (292,092) | 1,869,905 |
| Liabilities | | | | | | |
| Segment liabilities | 391,050 | 115,784 | | 58,167 | (209,461) | 355,540 |
| Capital expenditure | 59,446 | 14,205 | | 1,949 | | 75,600 |

28. **Commitments**

Capital commitments:

Capital commitments which were authorized and contracted for as at December 31, 2021, amounted to $45.49 million for the Group and 40 million for the Company in relation to document management system and solar system. (2020: $5.71 million for the Group and Company enterprise content management and data commercialization framework).

29. **Financial instruments**

(a) Capital risk management:

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

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

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

The Group's overall strategy remains unchanged from 2020.

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

29. **Financial instruments (Continued)**

(b) Financial risk management objectives

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

(c) Market risk

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

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

Foreign currency risk management

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Investment in securities | 173,575 | 166,496 | 45,197 | 127,266 |
| Government securities purchased under resale agreements | 93,377 | 102,452 | - | 19,070 |
| Cash and cash equivalents | 6,144 | 21,979 | 840 | 558 |
| | 273,096 | 290,927 | 46,037 | 146,894 |

Sensitivity analysis

The Group's investment portfolio is exposed to the United States dollar. The Group's sensitivity to a 8% 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.

29. **Financial instruments (Continued)**

(c) Market risk (Continued)

Sensitivity analysis (continued)

The sensitivity of the 2% (2020: 2%) appreciation or 8% (2020: 6%) depreciation in the Jamaican dollar against the United States dollar exposure would be a decrease in profit of the Group by $5.46 million (2020: $5.82 million) or an increase of $21.85 million (2020: $17.46 million) respectively; and for the Company, $0.92 million (2020: J$2.94 million) decrease or $3.68 million (2020: $8.82 million) increase.

The analysis is done on the same basis as 2020 and assumes that all other variables, in particular interest rate, remain constant.

Interest rate risk management

The Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note. Interest rate sensitivity analysis has been determined based on the exposure to interest rates for the Group's investment in securities at the end of reporting period as these are substantially the interest sensitive instrument impacting financial results. For floating rate financial assets and financial liabilities, the analysis assumes the amount outstanding at year end was outstanding for the whole year. A 100 (2020: 100) basis points increase or 100 (2020: 100) basis points decrease for local currency and 100 (2020: 100) basis points increase or 100 (2020: 100) basis points decrease for United States currency represents management's assessment of the reasonable possible change in interest rates.

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

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2021 $'000** | **2020 $'000** | **2021 $'000** | **2020 $'000** |
| Effect on profit increase 100 (2020: 100) basis points (J$) | 1,976 | 2,393 | 483 | 476 |
| Effect on profit decrease 100 (2020: 100) basis points (J$) | (1,976) | (2,393) | (483) | (476) |
| Effect on profit increase 100 (2020: 100) basis points (US$) | 1,614 | 2,161 | 321 | 1,060 |
| Effect on profit decrease 100 (2020: 100) basis points (US$) | (1,614) | (2,161) | (321) | (1,060) |

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

29. **Financial instruments (Continued)**

(d) Credit risk management

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

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

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Financial assets | | | | |
| Debt investment financial assets | 243,473 | 233,661 | 57,272 | 136,643 |
| Long-term receivables | 20,824 | 15,949 | 18,456 | 13,200 |
| Trade and other receivables | 249,814 | 212,906 | 87,640 | 79,637 |
| Due from related parties | | - | - | 682 |
| Government securities purchased under resale agreements | 487,771 | 300,137 | 48,733 | 67,091 |
| Cash and bank balances | 77,431 | 140,508 | 12,456 | 17,320 |
| | 1,079,313 | 903,161 | 224,557 | 313,891 |

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

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

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

*Trade receivables*

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

29. **Financial instruments (Continued)**

(d) Credit risk management (Continued)

*Trade receivables (continued)*

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

On this basis, the loss allowance as at December 31, 2021 and December 31, 2020 was determined as follows for trade receivables:

| | The Group | | The Company | |
|---|---|---|---|---|
| **December 31, 2021** | **Average Expected Credit Loss Rate** | **Adjusted Gross Carrying Amount $'000** | **Average Expected Credit Loss Rate** | **Adjusted Gross Carrying Amount $'000** |
| Current | 0.07 | 164,471 | 0.04 | 67,806 |
| 30 - 60 days past due | 0.11 | 38,216 | 0.13 | 5,568 |
| 61 - 90 days past due | 0.23 | 16,334 | 0.25 | 2,410 |
| 91 – 180 days past due | 0.39 | 36,547 | 0.45 | 2,255 |
| More than 180 days past due | 1.00 | 72,554 | 1.00 | 27,284 |
| **Total** | | 328,122 | | 105,323 |
| **Loss allowance (Note 11)** | | 78,307 | | 17,683 |

| | 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 | 0.04 | 159,277 | 0.02 | 76,513 |
| 30 - 60 days past due | 0.06 | 24,511 | 0.05 | 1,132 |
| 61 - 90 days past due | 0.15 | 13,066 | 0.13 | 1,136 |
| 91 – 180 days past due | 0.31 | 36,049 | 0.33 | 3,593 |
| More than 180 days past due | 1.00 | 58,890 | 1.00 | 15,371 |
| **Total** | | 291,793 | | 97,745 |
| **Loss allowance (Note 11)** | | 78,887 | | 18,108 |

29. **Financial instruments (Continued)**

(d) Credit risk management (Continued)

The closing loss allowances for trade receivables as at December 31, 2021 reconcile to the opening loss allowance as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Opening loss allowance as at 1 January | 78,887 | 43,037 | 18,108 | 10,320 |
| Decrease in loss allowance recognised in statement of profit or loss | (580) | 35,850 | (425) | 7,788 |
| **At 31 December 2021 (Note 11)** | 78,307 | 78,887 | 17,683 | 18,108 |

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 | |
|---|---|---|---|---|
| | 2021 $'000 | 2020 $'000 | 2021 $'000 | 2020 $'000 |
| Government of Jamaica | 546,295 | 170,508 | 45,197 | 127,266 |
| Corporate | 183,948 | 363,290 | 60,808 | 76,468 |
| | 730,243 | 533,798 | 106,005 | 203,734 |

29. **Financial instruments (Continued)**

(d) Credit risk management (Continued)

The closing loss allowances for debt investment at amortised cost as at 31 December 2021 is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Opening loss allowance as at 1 January | 2,512 | 1,371 | 356 | 52 |
| Increase in loss allowance recognised in statement of profit or loss (Note 12) | 89 | 1,141 | 6 | 304 |
| **At 31 December 2021** | 2,601 | 2,512 | 362 | 356 |

*Debt investments carried at FVOCI*

The closing loss allowances for fair value through OCI as at December 31, 2021 is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Opening loss allowance as at January 1 | 1,797 | 1,303 | 347 | 361 |
| Increase/(decrease) in loss allowance recognized in other comprehensive income (Note 15) | 80 | 494 | (214) | (14) |
| | 1,877 | 1,797 | 133 | 347 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Trade receivables | (580) | 35,850 | (425) | 7,788 |
| Debt securities at amortised cost | 89 | 1,141 | 6 | 304 |
| Debt securities at FVOCI | 80 | 494 | (214) | (14) |
| | (411) | 37,485 | (633) | 8,078 |

29. **Financial instruments (Continued)**

(e) Liquidity risk management

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

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

| | The Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Weighted average effective interest rate %** | **Less than 1 month $'000** | **1 to 3 months $'000** | **3 months to 1 year $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
| **2021** | | | | | | | |
| **Financial assets** | | | | | | | |
| Non-interest bearing | | 83,259 | 303,052 | - | - | - | 386,311 |
| Interest bearing | 3.6 | 2,082 | 698 | 9,222 | 26,625 | | 38,627 |
| Variable interest rate Instruments | 1.52 | 9,072 | 165,743 | 26,947 | 29,238 | - | 231,000 |
| Fixed interest rate Instruments | 5.29 | 25,521 | 4,963 | 38,195 | 45,974 | 112,407 | 227,060 |
| | | 119,934 | 474,456 | 74,364 | 101,837 | 112,407 | 882,998 |
| **Financial liabilities** | | | | | | | |
| Non-interest bearing | | 161,763 | 44,520 | - | - | - | 206,283 |

| | The Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Weighted Average effective Interest rate %** | **Less than 1 month $'000** | **1 to 3 months $'000** | **3 months to 1 year $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
| **2020** | | | | | | | |
| **Financial assets** | | | | | | | |
| Non-interest bearing | | 130,512 | 277,268 | - | - | - | 407,780 |
| Interest bearing | 5.05 | 66,227 | 526 | 8,482 | 50,128 | - | 125,363 |
| Variable interest rate Instruments | 2.09 | 2 | 149,164 | 29,808 | 4,135 | - | 183,109 |
| Fixed interest rate Instruments | 5.67 | 30,957 | 9,424 | 46,966 | 61,753 | 212,535 | 361,635 |
| | | 227,698 | 436,382 | 85,256 | 116,016 | 212,535 | 1,077,887 |
| **Financial liabilities** | | | | | | | |
| Non-interest bearing | | 171,982 | 29,973 | - | - | - | 201,955 |

29. **Financial instruments (Continued)**

(e) Liquidity risk management (Continued)

| | The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Weighted Average effective Interest rate %** | **Less than 1 month $'000** | **1 to 3 months $'000** | **3 months to 1 year $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
| **2021** | | | | | | | |
| **Financial assets** | | | | | | | |
| Non-interest bearing | | | | | | | |
| Interest bearing | 5.05 | 23,589 | 105,116 | - | - | - | 128,705 |
| Variable interest rate | | 1,082 | 698 | 6,671 | 23,547 | - | 31,998 |
| Fixed interest rate instruments | 3.84 | 14,552 | 3,350 | 33,729 | 9,287 | 59,703 | 120,621 |
| | | 39,223 | 109,164 | 40,400 | 32,834 | 59,703 | 281,324 |
| **Financial liabilities** | | | | | | | |
| Non-interest bearing | | 99,976 | 13,616 | - | - | - | 113,592 |

| | The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Weighted Average effective Interest rate %** | **Less than 1 month $'000** | **1 to 3 months $'000** | **3 months to 1 year $'000** | **1 to 5 years $'000** | **Over 5 years $'000** | **Total $'000** |
| **2020** | | | | | | | |
| **Financial assets** | | | | | | | |
| Non-interest bearing | | 26,032 | 97,746 | - | - | - | 123,778 |
| Interest bearing | 5.05 | 740 | 526 | 6,203 | 16,539 | - | 24,008 |
| Variable interest rate | | | | | | | |
| Fixed interest rate instruments | 3.33% | 20,435 | 8,630 | 44,814 | 24,325 | 156,370 | 254,574 |
| | | 47,207 | 106,328 | 51,017 | 40,864 | 156,370 | 428,730 |
| **Financial liabilities** | | | | | | | |
| Non-interest bearing | | 112,371 | 10,856 | - | - | - | 123,227 |

(f) Fair value of financial instruments

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

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

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

29. **Financial instruments (Continued)**

(f) Fair value of financial instruments (Continued)

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

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

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

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

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

| | The Group | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| Property and equipment (land and building) | - | - | 772,200 | 772,200 |
| Debt securities at fair value through profit or loss | - | 15,114 | - | 15,114 |
| Debt securities at fair value through other comprehensive income | - | 227,359 | - | 227,359 |
| | - | 242,473 | 772,200 | 1,014,673 |

| | The Group | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
| Property and equipment (land and building) | - | - | 591,500 | 591,500 |
| Debt securities at fair value through profit or loss | - | 12,197 | - | 12,197 |
| Debt securities at fair value through other comprehensive income | - | 221,464 | - | 221,464 |
| | - | 233,661 | 591,500 | 825,161 |

29. **Financial instruments (Continued)**

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

| | The Company | | | |
|---|---|---|---|---|
| | 2021 | | | |
| | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
| Property and equipment (land and building) | - | - | 772,200 | 772,200 |
| Debt securities at fair value through profit or loss | - | 12,075 | - | 12,075 |
| Debt securities at fair value through other comprehensive income | - | 45,197 | - | 45,197 |
| | - | 57,272 | 772,200 | 829,472 |

| | The Company | | | |
|---|---|---|---|---|
| | 2020 | | | |
| | **Level 1 $'000** | **Level 2 $'000** | **Level 3 $'000** | **Total $'000** |
| Property and equipment (land and building) | - | - | 591,500 | 591,500 |
| Debt securities at fair value through profit or loss | - | 9,377 | - | 9,377 |
| Debt securities at fair value through other comprehensive income | - | 127,266 | - | 127,266 |
| | - | 136,643 | 591,500 | 728,143 |

30. **Dividends**

During the year ended December 31, 2021, two dividend payments were declared by the Board of Directors.

- On April 15, 2021 a dividend of $0.16 per ordinary share was paid to shareholders. The total dividend paid was $112.20 million. (2020: On March 31, 2020, a dividend of $0.37 per ordinary share was paid to shareholders. The total dividend paid was $259.46 million.)

- On August 23, 2021 a dividend of $0.11 per ordinary share was paid to shareholders. The total dividend paid was $79.20 million. (2020: On August 31, 2020, a dividend of $0.15 per ordinary share was paid to shareholders. The total dividend paid was $105.19 million.)

31. **Compensation Fund**

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

31. **Compensation Fund (Continued)**

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

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

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

(a) Compensation Fund financial position

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

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

At December 31, 2021, the Fund had total assets of $927.03 million (2020: $897.71 million) and net equity of $891.84 million (2020: $861.29 million).

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

***Disaggregation of revenue***

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Cess fee | 469,473 | 380,019 | 441,030 | 332,516 |
| Fee income | 1,339,724 | 1,215,106 | 247,230 | 211,225 |
| E-campus | 34,962 | 31,651 | 34,962 | 31,651 |
| Other operating income | 83,515 | 84,613 | 274,728 | 368,558 |
| | 1,927,674 | 1,711,389 | 997,950 | 943,950 |

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

**Reconciliation of contract liabilities**

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | $'000 | $'000 | $'000 | $'000 |
| Opening balance | 29,973 | 24,217 | 10,586 | 14,429 |
| Additions during the year | 522,289 | 462,895 | 256,109 | 227,061 |
| Amount recognized as revenue | (519,458) | (457,139) | (253,079) | (230,904) |
| Ending balance | 32,804 | 29,973 | 13,616 | 10,586 |

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | $'000 | $'000 | $'000 | $'000 |
| Revenue recognized that was included in the contract liability balance | | | | |
| Fee income | 510,547 | 434,881 | 244,168 | 208,646 |
| E-campus | 8,911 | 22,032 | 8,911 | 22,032 |
| Other operating income | - | 226 | - | 226 |
| | 519,458 | 457,139 | 253,079 | 230,904 |

**Balance – Contract liabilities**

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | $'000 | $'000 | $'000 | $'000 |
| | 32,804 | 29,973 | 13,616 | 10,586 |

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

**Reconciliation of contract liabilities (Continued)**

**Timing of revenue recognition:**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| At a point in time | 1,408,568 | 1,254,250 | 744,871 | 713,046 |
| Over time | 519,106 | 457,139 | 253,079 | 230,904 |
| | 1,927,674 | 1,711,389 | 997,950 | 943,950 |

***Unsatisfied performance obligation***
The following table shows unsatisfied performance obligations resulting from 126 contracts for the Group 20 for the Company (2020: 134 contracts for the Group, 24 for the Company).

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Aggregate amount of the transaction price allocated to 205 (2020:146) contracts that are partially or fully unsatisfied as at Dec 31 | 64,068 | 58,431 | 25,753 | 16,112 |

Management expects that 100% of the transaction price allocated to the unsatisfied contracts as of December 31, 2021 will be recognised as revenue during the next reporting period $64.07 million for the Group and $20 million for the Company (2020: $58.43 million for the Group and $16.11 million for the Company). The Group/Company amount disclosed above does not include variable consideration which is constrained.

33. **COVID 19 Update**

The World Health Organization declared the novel Coronavirus (COVID-19) outbreak a pandemic on 11 March 2020 and the Government of Jamaica declared the island a disaster area on 13 March 2020. The pandemic and the measures to control its human impact have resulted in significant disruptions to economic activities, business operations and asset prices. Considering the heightened concerns and in accordance with the directives of the various governments, the JSE Group activated its Business Continuity Plan (BCP) and developed and implemented its Work from Home Policy to minimize the potential exposure to staff and clients, whilst ensuring that any disruption to the business is kept at a minimum.

As understanding of the disease and its effects has increased, the Company has revised its response and its BCP accordingly. As at 31 December 2021, work from home measures continues to be in place and staff continue to be equipped with the tools to effectively function at home whilst continuing its business operations. In-office staff are equipped with hand sanitizers, masks and face shields and staff and visitors are required to comply with social distancing rules mandated by the government.

33. **COVID 19 Update (Continued)**

The Group continues to closely monitor the impact of COVID-19 on investment markets, asset prices, and consequently its revenue sources by taking proactive measures to protect the Group's balance sheet. Under IFRS 9, businesses are expected to include the impact of forward-looking macroeconomic indicators in their Expected Credit Loss (ECL) computation, and the group has considered the impact of COVID-19 in selecting its indicators.

Management continues to review the effect of developments arising from the pandemic on the risks faced by the Group. Management believes the Group is in a sufficiently strong position to deal with the possible significant economic downturn. However, management is aware that a long duration of the pandemic, the changing severity of mutations and the associated containment could have a material adverse effect on the Group, and its customers, employees, and suppliers.

Having regard to measures taken, the Group maintain that the conclusion as to the going concern assumption remains appropriate and is not expected to be significantly impacted due to the COVID-19 pandemic.