



STANLEY MOTTA LIMITED

**Financial Statements
31 December 2021**

Stanley Motta Limited

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Independent auditor's report

To the Members of Stanley Motta Limited

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

Our opinion

In our opinion, the consolidated financial statements and the stand-alone financial statements give a true and fair view of the consolidated financial position of Stanley Motta Limited (the Company) and its subsidiary (together 'the Group') and the stand-alone financial position of the Company as at 31 December 2021, and of their consolidated and stand-alone financial performance and their consolidated and stand-alone cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and with the requirements of the Jamaican Companies Act.

What we have audited

The Group's consolidated and stand-alone financial statements comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the Company statement of financial position as at 31 December 2021;
- the Company statement of comprehensive income for the year then ended;
- the Company statement of changes in equity for the year then ended;
- the Company statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information

Basis for opinion

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

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

Independence

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

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



Our audit approach

Audit scope

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

How we tailored our group audit scope

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

The Group is comprised of the parent, Stanley Motta Limited, and a subsidiary, Unity Capital Incorporated, which are incorporated in Jamaica and St. Lucia respectively. A full scope audit was performed for both entities as they were determined to be individually financially significant. Unity Capital Incorporated is audited by a non-PwC firm. In establishing the overall Group audit strategy and plan, the Group engagement team determined the type of work needed to be performed at the subsidiary level which included a review of the component team's audit working papers of Unity Capital Incorporated by the Group engagement team.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of Investment Properties</p> <p><i>Refer to notes 2 (h), 4 and 15 to the consolidated and stand-alone financial statements for disclosures of related accounting policies, judgments, estimates and balances.</i></p> <p>Investment properties represented \$6,169 million or 94.7% of total assets for the Group and \$5,207 million or 91.7% of total assets for the Company as at 31 December 2021.</p> <p>The determination of the fair value of investment properties requires significant judgement and is inherently subjective due to, among other factors, the individual nature of each property, their location and the expected future rental for each property.</p>	<p>Our approach to addressing the matter, with the assistance of our valuation expert, involved the following procedures, amongst others:</p> <ul style="list-style-type: none">• Evaluated the competence and objectivity of management's experts. This included confirming that they are appropriately qualified and not affiliated to the Group.



Key audit matter	How our audit addressed the key audit matter
<p>This combined with the fact that a small percentage difference in individual property valuation assumptions, when aggregated, could result in a material misstatement, is why we focused on this area.</p> <p>Management, with the assistance of independent valuation experts, used the income capitalisation approach, which consists of a discounted cash flow forecast to value the investment properties. The income capitalisation approach considers the following key assumptions, and changes to these may have a significant impact on the carrying value of the investment properties:</p> <ul style="list-style-type: none">• capitalisation rate;• discount rate; and• estimation of rental income.	<ul style="list-style-type: none">• Obtained an understanding of the valuation methods used by management along with significant developments within the industry. This included evaluating the appropriateness of the valuation methodology used and its suitability for determining market value in accordance with the financial reporting framework.• Agreed rental income to signed rental agreements and other supporting documents including renewal terms for a sample of contracts.• Compared management's discount and capitalisation rates to those of comparable companies taking into account entity and industry risk factors as well as historical financial information. <p>Based on the procedures performed, management's assumptions and judgements relating to the valuation of investment properties were not unreasonable.</p>

Other information

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

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

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

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

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

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



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

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

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

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

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

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



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

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

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

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

Report on other legal and regulatory requirements

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

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

The engagement partner on the audit resulting in this independent auditor's report is Tricia-Ann Smith DaSilva.

A handwritten signature in black ink that reads 'PricewaterhouseCoopers' in a cursive script.

Chartered Accountants
Kingston, Jamaica
27 April 2022

Stanley Motta Limited

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

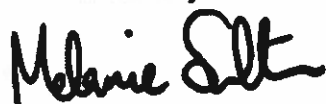
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
Revenue	6	492,620	458,177
Other operating income	7	40,132	800
Administrative expenses	8	(179,610)	(146,822)
Net impairment losses on financial assets	8	(966)	(2,202)
Operating Profit		<u>352,176</u>	<u>309,953</u>
Finance cost	10	(102,917)	(84,400)
Fair value gain on investment properties	15	553,986	626,061
Profit before Taxation		<u>803,245</u>	<u>851,614</u>
Taxation	11	(4,945)	(3,367)
Net Profit		<u>798,300</u>	<u>848,247</u>
Other Comprehensive Income			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation difference on net asset of foreign subsidiary		<u>78,992</u>	<u>37,712</u>
Total Comprehensive Income		<u><u>877,292</u></u>	<u><u>885,959</u></u>
Earning per stock unit for profit attributable to the equity holders of the Company during the year	12	<u>1.05</u>	<u>1.12</u>

Stanley Motta Limited**Consolidated Statement of Financial Position****31 December 2021****(expressed in Jamaican dollars unless otherwise indicated)**

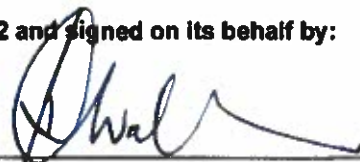
	Note	2021 \$'000	2020 \$'000
Non-Current Assets			
Property, plant and equipment	14	17,896	26,601
Investment properties	15	6,169,094	5,480,126
Right-of-use asset	16	209,819	102,779
		<u>6,396,809</u>	<u>5,609,506</u>
Current Assets			
Receivables	18	37,190	49,404
Taxation Recoverable		528	-
Cash and cash equivalents	19	81,696	54,221
		<u>119,414</u>	<u>103,625</u>
Current Liabilities			
Payables	20	16,037	46,784
Taxation payable		1,745	2,269
Current portion of borrowings	26	40,499	16,198
Current portion lease liabilities	16	21,948	2,107
		<u>80,229</u>	<u>67,358</u>
Net Current Assets		<u>39,185</u>	<u>36,267</u>
		<u>6,435,994</u>	<u>5,645,773</u>
Shareholders' Equity			
Share capital	21	811,933	811,933
Capital reserve	22	238,379	238,379
Cumulative translation reserve	23	130,097	51,105
Retained earnings	13	4,251,683	3,642,840
		<u>5,432,092</u>	<u>4,744,257</u>
Non-Current Liabilities			
Borrowings	26	776,607	762,789
Lease liabilities	16	192,637	104,317
Long term payable	27	34,658	34,410
		<u>1,003,902</u>	<u>901,516</u>
		<u>6,435,994</u>	<u>5,645,773</u>

Approved for issue by the Board of Directors on 27 April 2022 and signed on its behalf by:



Melanie Subratie

Director



Blondell Walker

Director

Stanley Motta Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Number of shares	Share Capital	Fair Value Reserve	Capital Reserve	Cumulative Translation Reserve	Retained Earnings	Total
Note	'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2019	757,828	811,933	762	238,379	13,393	2,937,818	4,002,285
Net Profit for the year	-	-	-	-	-	848,247	848,247
Currency translation difference on net asset of foreign subsidiary	-	-	-	-	37,712	-	37,712
Total comprehensive income	-	-	-	-	37,712	848,247	885,959
Transfer of gain on disposal of investment securities at fair value through other comprehensive income to retained earnings	-	-	(762)	-	-	762	-
Transactions with owners of the company:							
Dividends paid	28	-	-	-	-	(143,987)	(143,987)
Balance at 31 December 2020	757,828	811,933	-	238,379	51,105	3,642,840	4,744,257
Net profit for the year	-	-	-	-	-	798,300	798,300
Currency translation difference on net asset of foreign subsidiary	-	-	-	-	78,992	-	78,992
Total comprehensive income	-	-	-	-	78,992	798,300	877,292
Transactions with owners of the company:							
Dividends paid	28	-	-	-	-	(189,457)	(189,457)
Balance at 31 December 2021	757,828	811,933	-	238,379	130,097	4,251,683	5,432,092

Stanley Motta Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
Cash Flows from Operating Activities			
Net profit for the year		798,300	848,247
Adjusted for:			
Taxation	11	4,945	3,367
Depreciation	8	23,880	14,491
Loss on disposal of investment securities	7	-	765
Impairment of financial assets	8	966	2,202
Interest income	7	(131)	(74)
Interest expense	10	56,389	52,397
Fair value gain on investment properties	15	(553,986)	(626,061)
Exchange loss on foreign currency balances		13,725	29,078
		<u>344,088</u>	<u>324,412</u>
Changes in operating assets and liabilities			
Inventories		-	630
Receivables		11,249	(41,459)
Long term payable		248	(30)
Payables		<u>(24,454)</u>	<u>(36,638)</u>
Cash generated from operations		331,131	246,915
Taxation paid		<u>(3,355)</u>	<u>(4,904)</u>
Cash provided by operating activities		<u>327,776</u>	<u>242,011</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	14	-	(162)
Additions to investment properties	15	(45,818)	(14,692)
Interest received		130	74
Cash used in investing activities		<u>(45,688)</u>	<u>(14,780)</u>
Cash Flows from Financing Activities			
Repayment of long-term loan	26	(20,625)	(21,005)
Dividend paid	28	(189,457)	(143,987)
Interest paid		<u>(56,389)</u>	<u>(44,847)</u>
Cash used in financing activities		<u>(266,471)</u>	<u>(209,839)</u>
Effect of exchange rate changes on cash and cash equivalents		11,858	3,124
Increase in cash and cash equivalents		15,617	17,392
Cash and cash equivalents at beginning of year		<u>54,221</u>	<u>33,705</u>
Cash and Cash Equivalents at End of Year	19	<u>81,696</u>	<u>54,221</u>

Non-cash investing activities include the acquisition of a right-of-use asset (refer to note 16)

Stanley Motta Limited

Company Statement of Comprehensive Income

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
Revenue	6	416,859	390,390
Other operating income	7	45,232	376
Administrative expenses	8	(152,876)	(123,359)
Net impairment losses on financial assets	8	(966)	(2,202)
Operating Profit		<u>308,249</u>	<u>265,205</u>
Finance cost	10	(88,026)	(90,255)
Fair value gains on investment properties	15	553,986	569,342
Profit before Taxation		<u>774,209</u>	<u>744,292</u>
Taxation	11	(1,589)	(15)
Net Profit, being Total Comprehensive Income		<u><u>772,620</u></u>	<u><u>744,277</u></u>

Stanley Motta Limited**Company Statement of Financial Position****31 December 2021****(expressed in Jamaican dollars unless otherwise indicated)**

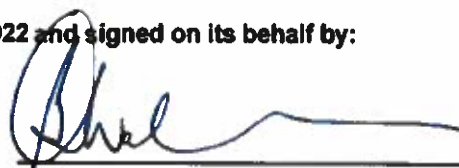
	Note	2021 \$'000	2020 \$'000
Non-Current Assets			
Property, plant and equipment	14	14,550	20,421
Investment properties	15	5,207,164	4,607,360
Right-of-use assets	16	209,819	102,779
Investment in subsidiary	17	151,765	151,765
		<u>5,583,298</u>	<u>4,882,325</u>
Current Assets			
Receivables	18	36,989	47,133
Taxation recoverable		528	-
Cash and cash equivalents	19	59,238	35,271
		<u>96,755</u>	<u>82,404</u>
Current Liabilities			
Payables	20	16,393	44,533
Due to related party	24	17,347	8,473
Taxation payable		1,747	157
Current portion of borrowings	26	33,030	9,500
Current portion of lease liabilities	16	21,948	2,107
		<u>90,465</u>	<u>64,770</u>
Net Current Assets		<u>6,290</u>	<u>17,634</u>
		<u>5,589,588</u>	<u>4,899,959</u>
Shareholders' Equity			
Share capital	21	811,933	811,933
Retained earnings		3,912,440	3,329,277
		<u>4,724,373</u>	<u>4,141,210</u>
Non-Current Liabilities			
Borrowings	26	641,002	622,855
Lease liabilities	16	192,637	104,317
Long term payable	27	31,576	31,577
		<u>865,215</u>	<u>758,749</u>
		<u>5,589,588</u>	<u>4,899,959</u>

Approved for issue by the Board of Directors on 27 April 2022 and signed on its behalf by:



Melanie Subratie

Director



Blondell Walker

Director

Stanley Motta Limited

Company Statement of Changes in Equity

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Number of shares	Share Capital	Fair Value Reserve	Retained Earnings	Total
Note	'000	\$'000	\$'000	\$'000	\$'000
Balance at 31 December 2019	757,828	811,933	762	2,728,225	3,540,920
Net Profit, being Total Comprehensive Income for the Year	-	-	-	744,277	744,277
Transfer of gain on disposal of investment securities at fair value through other comprehensive income to retained earnings	-	-	(762)	762	-
Transactions with owners of the company:					
Dividends paid	28	-	-	(143,987)	(143,987)
Balance at 31 December 2020	757,828	811,933	-	3,329,277	4,141,210
Net Profit, being Total Comprehensive Income for the Year	-	-	-	772,620	772,620
Transactions with owners of the company:					
Dividends paid	28	-	-	(189,457)	(189,457)
Balance at 31 December 2021	757,828	811,933	-	3,912,440	4,724,373

Stanley Motta Limited

Company Statement of Cash Flows

Year ended 31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2021 \$'000	2020 \$'000
Cash Flows from Operating Activities			
Net profit for the year		772,620	744,277
Adjusted for:			
Taxation	11	1,589	15
Depreciation	8	20,414	11,323
Loss on disposal of investment securities	7	-	765
Impairment of financial assets	8	966	2,202
Interest income	7	(105)	(62)
Interest expense	10	41,802	37,907
Fair value gain on investment properties	15	(553,986)	(569,342)
Exchange losses on foreign currency balances		23,346	56,659
		<u>306,646</u>	<u>283,744</u>
Changes in operating assets and liabilities			
Inventories		-	630
Receivables		13,425	(39,188)
Due from related party		-	116
Due to related part	24	8,874	
Long term payable		-	(240)
Payables		<u>(24,554)</u>	<u>(32,610)</u>
Cash generated from operations		304,391	212,452
Tax paid		-	(3,694)
Cash provided by operating activities		<u>304,391</u>	<u>208,758</u>
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	14	-	(162)
Additions to investment properties	15	(45,818)	(14,692)
Interest received		104	62
Cash used in investing activities		<u>(45,714)</u>	<u>(14,792)</u>
Cash Flows from Financing Activities			
Repayment of long-term loan	26	(13,848)	(16,352)
Dividend paid	28	(189,457)	(143,987)
Interest paid		<u>(41,802)</u>	<u>(33,339)</u>
Cash used in by financing activities		<u>(245,107)</u>	<u>(193,678)</u>
Effect of exchange rate changes on cash and cash equivalents		10,397	3,114
Increase in cash and cash equivalents		13,570	288
Cash and cash equivalents at beginning of year		<u>35,271</u>	<u>31,869</u>
Cash and Cash Equivalents at End of Year	19	<u><u>59,238</u></u>	<u><u>35,271</u></u>

Non-cash investing activities include the acquisition of a right-of-use asset (refer to note 16)

Stanley Motta Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activity

Stanley Motta Limited, (the Company) is a company limited by shares incorporated and domiciled in Jamaica. The Company is publicly listed on the Jamaica Stock Exchange and its registered office is located at 58 Halfway Tree Road, Kingston 10, Jamaica.

These financial statements present the results of operations and financial position of the Company and its subsidiary, which are collectively referred to as "the Group". The principal activity of the Group is property rental.

2. Significant Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of IFRS Interpretations Committee (IFRIC IC) applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain items of Investment Properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

Standards, interpretations and amendments to existing standards effective in the current year

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

- **Amendment to IFRS 16, 'Leases' – COVID-19 related rent recession**, (effective for annual periods beginning on or after 1 June 2020). As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral or lease payments. On 28 May 2020, the IASB published an amendment to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event of condition that triggers the reduced payment occurs. There was no impact to the Group on adoption of this amendment.

Stanley Motta Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

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

The Group has concluded that the following standards which are published but not yet effective, are relevant to its operations and will impact the Group's accounting policies and financial disclosures as discussed below. These standards and amendments to existing standards are mandatory for the Group's accounting periods beginning after 1 January 2022, but the Group has not early adopted them:

- **Amendment to IAS 1 –Presentation of Financial Statements, classification of liabilities as current or non-current** (effective for annual periods beginning on or after 1 January 2022). This amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date. The amendment also clarify what IAS 1 means when it refers to the settlement of a liability. The adoption of this standard is not expected to have a significant impact on the Group.
- **Amendment to IAS 16 Property, Plant and Equipment (PP&E)** (effective for annual periods beginning on or after 1 January 2022). This amendment prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not and output of the entity's ordinary activities. The adoption of this standard is not expected to have a significant impact on the Group.
- **Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction**, (effective for annual periods beginning on or after 1 January 2023). These amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The Group is currently assessing the impact of future adoption of the amendment on its financial statements.
- **Amendment to IAS 37- Onerous Contracts, cost of fulfilling a contract** (effective for annual periods beginning on or after 1 January 2022) – This amendment clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling a contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract. The adoption of this standard is not expected to have a significant impact on the Group.

There are no other new or amended standards and interpretations that are published but not yet effective that would be expected to have an impact on the accounting policies or financial disclosures of the Group.

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(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Consolidation

Subsidiaries

Subsidiaries are all entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable, or exercisable after conversion of convertible instruments, are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The acquisition method of accounting is used to account for business combinations involving third parties by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred, and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

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

Inter-Group transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses and gains are also eliminated.

Acquisitions between companies under common control are accounted for using the capital reorganisation accounting method. Under the capital reorganisation accounting method, the company in acquiring a fellow subsidiary incorporates the assets and liabilities of the acquired fellow subsidiary at their pre-combination carrying amounts without fair value uplift. Any excess or deficiency of purchase consideration over or below net assets acquired results in an adjustment to equity by the creation of a capital reserve.

The Group's subsidiary, country of incorporation, and the Group's percentage interest are as follows:

	Country of incorporation	Group's Percentage Interest	
		2021	2020
Unity Capital Incorporated	St. Lucia	100%	100%

Stanley Motta Limited

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2. Significant Accounting Policies (Continued)

(c) Income recognition

(i) Rental income

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

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

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

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

(ii) Interest income

Interest income is recorded on the accrual basis using the effective interest method. Interest income on financial assets at amortised cost is recognised in the income statement for all interest-bearing instruments on an accrual basis using the effective yield method.

(d) Foreign currency translations

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Jamaican dollars, which is the Company's functional and presentation currency.

Transactions and balances

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

At the year end, monetary assets and liabilities denominated in foreign currency are translated using the buying and selling rate of exchange rate of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the statement of comprehensive income.

Stanley Motta Limited

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2. Significant Accounting Policies (Continued)

(e) Income taxes

Taxation expense in the statement of comprehensive income comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items 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 at tax rates that have been enacted at the year end.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax is charged or credited to the statement of comprehensive income, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The assets residual values and useful lives are revisited and adjusted if appropriate, at the end of each reporting period.

Depreciation is calculated on the straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives.

The annual rates of depreciation are as follows:

Machinery and equipment	10% - 33 1/3%
Leasehold improvement	Shorter of the life of the lease or the useful life

Gains or losses on disposal of property, plant and equipment are determined by comparing proceeds with the carrying amount and are included in operating profit.

Repairs and maintenance expenditure is charged to profit or loss during the financial period in which it is incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group.

Stanley Motta Limited

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2. Significant Accounting Policies (Continued)

(g) Impairment of non – current assets

Property, plant and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(h) Investment properties

Investment properties principally comprise buildings. Investment properties are carried at fair value, representing the open market value determined annually by external valuers. These valuations are done annually by independent valuers. Changes in fair values are recorded in the statement of comprehensive income.

(i) Borrowings and borrowings costs

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective yield method.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Inventories

Finished goods are stated at the lower of cost and net realisable value. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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2. Significant Accounting Policies (Continued)

(k) Financial instruments

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

Financial instruments carried on the Statement of Financial Position include cash and cash equivalents, receivables, payables and borrowings. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the company's financial instruments is discussed in Note 3(d).

Financial Assets

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, in which case they are recognised at fair value. The group holds the trade receivables with the objective to collect the contractual cash flows. The cash flows of the company's trade receivables are solely payments of principal and interest (SPPI). After initial recognition at fair value, the company measures trade receivables at amortised cost using the effective interest method.

Other Financial Assets at Amortised Cost

The Group classifies its other financial assets as at amortised cost only if both the asset is held within a business model the objective of which is to collect the contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Other financial assets at amortised cost include cash and bank balances, balances dues from related parties and other receivables.

Impairment

The Group's trade receivables and other financial assets at amortised cost are subject to the expected credit loss model in the determination of impairment. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles for services provided over a period of 36 months respectively and the corresponding historical credit losses experienced within this period. The Group has identified the GDP and the inflation rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Stanley Motta Limited

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2. Significant Accounting Policies (Continued)

(k) Financial instruments (continued)

Financial liabilities

The Group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, payables and bank overdraft were classified as financial liabilities.

(l) Receivables

Receivables are carried at original invoice amount less provision made for expected credit losses of these receivables. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the income statement. Details about the Group's impairment policies and the calculation of the loss allowance are provided in Note 3(k).

(m) Cash and cash equivalent

Cash and cash equivalents are carried in the statement of financial position at amortised cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash and bank balances.

(n) Payables

Payables are stated at invoice cost.

(o) Share capital

Ordinary shares and non-redeemable cumulative preference shares where the declaration of dividends is discretionary are classified as equity instruments.

(p) Dividends

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

(q) Related parties

A party is related to the Group, if

- (i) Directly, or indirectly through one or more intermediaries, the party:
 - (a) is controlled by, or is under common control with the Group;
 - (b) has a direct or indirect interest in the Group that gives influence; or
 - (c) has joint control over the Group;
- (ii) the party is an associate of the Group;
- (iii) the party is a joint venture of the Group;
- (iv) the party is a member of the key management personnel of the Group;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv)
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

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Notes to the Financial Statements

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2. Significant Accounting Policies (Continued)

(r) Investment subsidiary

Investment in subsidiary is stated at cost.

(s) Leases

Lessee

The Group leases commercial land and building. Rental contracts are typically made for fixed periods of 1 to 20 years but may have extension options as described below.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the Group entities use that rate as a starting point to determine the incremental borrowing rate.

Stanley Motta Limited

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2. Significant Accounting Policies (Continued)

(s) Leases (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Stanley Motta Limited

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3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Group's risk management activities set risk limits and controls and monitor the risks and adherence to limits.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

There has been no significant change to the Group's exposure to financial risks or the way it manages and measures risk.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that a party to a financial instrument will fail to discharge their contractual obligation and cause the other party to incur a loss. Credit exposures arise principally from receivables and cash at bank.

The company assesses its credit losses, using the expected credit loss model, discussed in Note 2 (k).

(i) Trade and other receivables

The Group and the Company's exposure to credit risk is low.

The Group and the Company's policy are not to give credit. There were no breaches in the prior year. During the year, the Group provided a moratorium to several customers which provided allowed for deferred rental payments. The moratorium arrangement was honoured by the customers.

(ii) Cash at bank

Cash is held with high credit quality financial institutions.

Maximum exposure to credit risk

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Receivables	12,294	43,539	11,644	41,411
Cash and cash equivalents	81,696	54,221	59,238	35,271
	<u>93,990</u>	<u>97,760</u>	<u>70,882</u>	<u>76,682</u>

Stanley Motta Limited

Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance

Over the term of the financial asset, the Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of financial assets and adjusts for forward looking macroeconomic data.

Historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the subsidiary to settle the receivables. The Company has identified indicators such as trends, concentration risk and macroeconomic fundamentals, and accordingly adjusts the historical loss rates based on expected changes in these factors.

		The Group				
		2021		2020		
	Gross Carrying Amount \$'000	Loss Allowance \$'000	Expected loss rate	Gross Carrying Amount \$'000	Loss Allowance \$'000	Expected loss rate
90 days or more	13,506	3,890	28.81%	45,491	2,924	6.43%
	13,506	3,890		45,491	2,924	

		The Company				
		2021		2020		
	Gross Carrying Amount \$'000	Loss Allowance \$'000	Expected loss rate	Gross Carrying Amount \$'000	Loss Allowance \$'000	Expected loss rate
90 days or more	12,856	3,890	30.26%	42,690	2,924	6.85%
	12,856	3,890		42,690	2,924	

Stanley Motta Limited

Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(a) Credit risk (continued)

Loss allowance (continued)

Movements on the provision for impairment of trade receivables are as follows:

	<u>The Group and Company</u>	
	2021	2020
	\$'000	\$'000
At 1 January	2,924	723
Increase in expected credit loss	966	2,201
At 31 December	<u>3,890</u>	<u>2,924</u>

Exposure to credit risk for trade receivables

The following table summarises the Group's and the Company's credit exposure for trade receivables at their carrying amounts, as categorised by its main customer sectors

	<u>The Group</u>		<u>The Company</u>	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Business process outsourcing	-	39,534	-	39,534
Other	13,506	5,957	12,856	3,156
	<u>13,506</u>	<u>45,491</u>	<u>12,856</u>	<u>42,690</u>
Provision for credit losses	(3,890)	(2,924)	(3,890)	(2,924)
	<u>9,616</u>	<u>42,567</u>	<u>8,966</u>	<u>39,766</u>

Assets written off

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company. The company categorises receivables for write off when a debtor fails to make contractual payments, even after several attempts at enforcement and/or recovery efforts. Where receivables have been written off, the company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

Stanley Motta Limited

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3. Financial Risk Management (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. The Group manages its liquidity risk through monitoring outstanding balances and accessing funding, if necessary, from its former parent company, in advance of amounts becoming due.

Liquidity risk management process

The Group's and Company's liquidity management process includes:

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

Undiscounted cash flows of financial liabilities

The maturity profile of the Group's and the Company's financial liabilities at year end based on contractual undiscounted payments was as follows:

	The Group					Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	
	2021					
Liabilities						
Payables	6,523	9,514	-	-	-	16,037
Borrowings	6,871	13,742	68,838	270,478	655,140	1,015,069
Lease liability	3,111	6,221	31,441	155,623	156,992	353,388
Long-term payable	-	-	-	31,576	3,082	34,658
Total financial liabilities	16,505	29,477	100,279	457,677	815,214	1,419,152

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities (continued)

	The Group					Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	
	2020					
Liabilities						
Payables	3,437	39,801	-	-	-	43,238
Borrowings	4,008	8,015	40,885	240,460	840,937	1,134,305
Lease liability	1,000	2,000	9,000	60,000	157,000	229,000
Long-term payable	-	-	-	34,410	-	34,410
Total financial liabilities	8,445	49,816	49,885	334,870	997,937	1,440,953

	The Company					Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	
	2021					
Liabilities						
Payables	5,120	11,273	-	-	-	16,393
Due to related party	-	17,347	-	-	-	17,347
Borrowings	6,871	13,742	61,838	183,582	607,886	873,919
Lease liability	3,111	6,221	31,441	155,623	156,992	353,388
Long-term payable	-	-	-	31,577	-	31,577
Total financial liabilities	15,102	48,583	93,279	370,782	764,878	1,292,624

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Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities (continued)

	The Company					Total
	Within 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000	
	2020					
Liabilities						
Payables	3,437	37,550	-	-	-	40,987
Due to related party	-	8,473	-	-	-	8,473
Borrowings	2,342	4,684	25,894	140,521	724,342	897,783
Lease liability	1,000	2,000	9,000	60,000	157,000	229,000
Long-term payable	-	-	-	31,577	-	31,577
Total financial liabilities	6,779	52,707	34,894	232,098	881,342	1,207,820

Stanley Motta Limited

Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(c) Market risk

The Company takes on exposure to market risks, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk exposures are measured using sensitivity analysis. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

(i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The group is exposed to foreign exchange risk primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities.

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

Stanley Motta Limited

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3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk

	The Group		
	Jamaican\$	US\$	Total
	J\$'000	J\$'000	J\$'000
	2021		
Financial Assets			
Receivables	5,156	7,138	12,294
Cash and cash equivalents	4,473	77,223	81,696
Total financial assets	9,629	84,361	93,990
Financial Liabilities			
Payables	11,469	4,568	16,037
Long term payable	-	34,658	34,658
Borrowings	143,074	674,032	817,106
Lease liability	214,585	-	214,585
Total financial liabilities	369,128	713,258	1,082,386
Net financial position	(359,499)	(628,897)	(988,396)

	The Group		
	Jamaican\$	US\$	Total
	J\$'000	J\$'000	J\$'000
	2020		
Financial Assets			
Receivables	2,165	41,374	43,539
Cash and cash equivalents	-	54,221	54,221
Total financial assets	2,165	95,595	97,760
Financial Liabilities			
Payables	21,419	21,819	43,238
Long term payable	-	34,410	34,410
Borrowings	146,632	632,355	778,987
Lease liability	106,424	-	106,424
Total financial liabilities	274,475	688,584	963,059
Net financial position	(272,310)	(592,989)	(865,299)

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk (continued)

	The Company		
	Jamaican\$	US\$	Total
	J\$'000	J\$'000	J\$'000
	2021		
Financial Assets			
Receivables	4,506	7,138	11,644
Cash and cash equivalents	5,687	53,551	59,238
Total financial assets	10,193	60,689	70,882
Financial Liabilities			
Payables	11,825	4,568	16,393
Due to related party	-	17,347	17,347
Long term payable	-	31,577	31,577
Borrowings	-	674,032	674,032
Lease	214,585	-	214,585
Total financial liabilities	226,410	727,524	953,934
Net financial position	(216,217)	(666,835)	(883,052)
	2020		
Financial Assets			
Receivables	2,165	39,246	41,411
Cash and cash equivalents	(82)	35,353	35,271
Total financial assets	2,083	74,599	76,682
Financial Liabilities			
Payables	21,419	19,568	40,987
Due to related party	-	8,473	8,473
Long term payable	-	31,577	31,577
Borrowings	-	632,355	632,355
Lease	106,424	-	106,424
Total financial liabilities	127,843	691,973	819,816
Net financial position	(125,760)	(617,374)	(743,134)

Stanley Motta Limited

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

The following table indicates the currencies to which the Company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for the percentage change in foreign exchange rates as noted below. The sensitivity of the profit was mainly as a result of foreign exchange gains on translation of foreign currency-denominated trade receivables, cash, short-term deposits, trade payables and borrowings. The percentage change in the currency rate will impact each financial asset/liability included in the sensitivity analysis differently. Consequently, individual sensitivity analyses were performed.

The Group				
	% Change in Currency Rate	Effect on profit before tax 2021 \$'000	% Change in Currency Rate	Effect on profit before tax 2020 \$'000
Currency:				
USD – Revaluation	2	12,578	2	11,860
USD – Devaluation	(8)	(50,312)	(6)	(35,579)
The Company				
	% Change in Currency Rate	Effect on profit before tax 2021 \$'000	% Change in Currency Rate	Effect on profit before tax 2020 \$'000
Currency:				
USD – Revaluation	2	13,337	2	12,347
USD – Devaluation	(8)	(53,347)	(6)	(37,042)

Stanley Motta Limited

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk

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

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

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

The following tables summarises the exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non – Interest Bearing \$'000	
	2021						
Financial Assets							
Receivables	-	-	-	-	-	12,294	12,294
Cash and cash equivalent	81,676	-	-	-	-	20	81,696
Total financial assets	81,676					12,314	93,990
Financial Liabilities							
Payables	-	-	-	-	-	16,037	16,037
Long term payable	-	-	-	-	-	34,658	34,658
Borrowings	-	-	8,924	119,926	688,256	-	817,106
Leases	-	-	-	21,948	192,637	-	214,585
Total financial liabilities	-	-	8,924	141,874	880,893	50,695	1,082,386
Total interest repricing gap	81,676	-	(8,924)	(141,874)	(880,893)	(38,381)	(988,396)

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(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non – Interest Bearing \$'000	
	2020						
Financial Assets							
Receivables	-	-	-	-	-	43,539	43,539
Cash and cash equivalent	54,201	-	-	-	-	20	54,221
Total financial assets	54,201	-	-	-	-	43,559	97,760
Financial Liabilities							
Payables	-	-	-	-	-	43,238	43,238
Long term payable	-	-	-	-	-	34,410	34,410
Borrowings	-	-	-	-	778,987	-	778,987
Lease liability	-	-	-	-	106,424	-	106,424
Total financial liabilities	-	-	-	-	885,411	77,648	963,059
Total interest repricing gap	54,201	-	-	-	(885,411)	(34,089)	(865,299)

	The Company						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non – Interest Bearing \$'000	
	2021						
Financial Assets							
Receivables	-	-	-	-	-	11,644	11,644
Cash and cash equivalent	59,218	-	-	-	-	20	59,238
Total financial assets	59,218	-	-	-	-	11,664	70,882
Financial Liabilities							
Payables	-	-	-	-	-	16,393	16,393
Due to related party	-	-	-	-	-	17,347	17,347
Long term payable	-	-	-	-	-	31,577	31,577
Borrowings	-	-	-	33,030	641,002	-	674,032
Lease liability	-	-	-	21,948	192,637	-	214,585
Total financial liabilities	-	-	-	54,978	833,639	65,317	953,934
Total interest repricing gap	59,218	-	-	(54,978)	(833,639)	(53,653)	(883,052)

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Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non – Interest Bearing \$'000	
	2020						
Financial Assets							
Receivables	-	-	-	-	-	41,411	41,411
Cash and cash equivalent	35,251	-	-	-	-	20	35,271
Total financial assets	35,251	-	-	-	-	41,431	76,682
Financial Liabilities							
Payables	-	-	-	-	-	40,987	40,987
Due to related party	-	-	-	-	-	8,473	8,473
Long term payable	-	-	-	-	-	31,577	31,577
Borrowings	-	-	-	-	632,355	-	632,355
Lease liability	-	-	-	-	106,424	-	106,424
Total financial liabilities	-	-	-	-	738,779	81,037	819,816
Total interest repricing gap	35,251	-	-	-	(738,779)	(39,606)	(743,134)

Interest rate sensitivity

The group and company have no significant sensitivity to interest rate risk as all borrowings are at fixed rates.

Stanley Motta Limited

Notes to the Financial Statements

31 December 2021

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market.

The company was exposed to equity price risk in the prior year because of investments held by the company classified on the statement of financial position as fair value through other comprehensive income. There are no investment securities at the end of the year.

(d) Fair values of investments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following tables provide an analysis of financial assets held as at the year-end that, subsequent to initial recognition, are measured at fair value. The financial assets are grouped into levels 1 to 3 based on the degree to which the fair value is observable, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical instruments.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, 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 instrument that are not based on observable market data (unobservable inputs).

The amounts included in the financial statements for cash and cash equivalents, receivables, payables, and due to related party reflect their approximate fair values because of the short-term maturity of these instruments.

The investment securities were derecognised during 2020.

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3. Financial Risk Management (Continued)

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus net debt.

	The Group		The Company	
	2021	2020	2021	2020
Gearing ratio	15%	15%	15%	14%

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4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

(a) Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has not made any judgements that would have a significant impact on the amounts recognised in the financial statements.

(b) Key Sources of estimation uncertainty

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

i. Valuation of investment properties

Investment properties are carried in the statement of financial position at market value. The Group used independent qualified property appraisers to value its investment properties annually, generally using the income capitalisation approach. This approach takes into consideration various assumptions and factors that require estimation and judgement. Assumptions are made about key factors, in particular rental income, capitalisation rate and discount rate. A change in any of these assumptions and factors could have a significant impact on the carrying value of the investment properties.

ii. Determination of the classification of right-of-use asset

The Company leases commercial property from its former parent company. As a condition of its license under the Special Economic Zone Act, it was required that the leased commercial property be included in the designated special economic zone based upon the landholdings and its previous inclusion as part of the Free Zone. In order to satisfy this requirement, the Company entered into a leasing arrangement for the full square footage of the commercial property and all existing leases in relation to the commercial property were assigned to the Company. The effect of this arrangement is that the Company holds a building under a lease and sub-lets square footage under operating leases.

The right-of-use asset that is recognised in relation to the head lease is not held for the intention of earning rent or holding for capital appreciation. The right-of-use asset is held for administrative purposes to satisfy the requirements of its business as a multi-purpose developer within the real estate management and development sector. As a result of this, the right-of-use asset is classified a property, plant and equipment.

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5. Segment Financial Reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The main activities of the Group comprise the rental of properties in Kingston, Jamaica. These activities are organised and reported on as one main business segment.

Geographical

The Group operates mainly via two (2) geographical segments; Jamaica and St. Lucia. It operates in the provision of rental properties to the BPO sector. The Jamaica segments represents 84.6% (2020 - 85.2%) and the St. Lucia location represents 15.4% (2020 – 14.8%). The majority of the revenue earned by the Group is obtained from one main tenant which accounts for approximately 75% (2020 – 76%) of the total revenue for the Group and 88% (2020-89%) of the total revenue for the company.

	Revenue		Non-Current Assets	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Jamaica	416,859	390,390	5,583,298	4,882,325
St. Lucia	75,761	67,787	813,511	727,181
	<u>492,620</u>	<u>458,177</u>	<u>6,396,809</u>	<u>5,609,506</u>

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6. Revenue

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Business process outsourcing sector	367,837	345,989	367,837	345,989
Other	124,783	112,188	49,022	44,401
	<u>492,620</u>	<u>458,177</u>	<u>416,859</u>	<u>390,390</u>

7. Other Operating Income

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Interest income	131	74	105	62
Foreign exchange gain/(loss)	27,475	(4,151)	18,159	(4,310)
Loss on disposal of investment securities	-	(765)	-	(765)
Special economic zone fees	5,644	5,642	5,644	5,389
Dividend Income	-	-	14,164	-
Recovered Taxes	6,165	-	6,165	-
Other Income	717	-	995	-
	<u>40,132</u>	<u>800</u>	<u>42,232</u>	<u>376</u>

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Notes to the Financial Statements

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8. Expenses by Nature

Total direct, administration, other operating expenses and net impairment losses on financial assets:

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Administration fees	4,418	3,401	3,919	3,143
Advertisement	4	208	4	208
Auditors' remuneration	5,660	5,568	4,108	4,150
Depreciation (Notes 14 and 16)	23,880	14,491	20,414	11,323
Directors Expenses	75	2,100	75	2,100
Electricity	3,075	2,009	3,075	2,009
Insurance	11,527	10,548	6,238	6,390
Legal and professional fees	1,181	4,547	1,181	4,345
Other	2,306	2,587	2,292	2,088
Property Management Fees	51,732	44,392	44,079	38,169
Rates and taxes	8,467	8,534	7,739	7,744
Registration and subscription fees	3,619	3,897	3,619	3,897
Rental Expenses	11,883	8,719	11,883	8,719
Repair and maintenance	25,167	12,156	25,037	11,139
Salaries and related costs (Note 9)	1,420	1,925	1,420	1,925
Security	24,531	20,859	17,128	15,129
Telephone	664	866	664	866
Travelling and entertainment	-	15	-	15
Total Administration Expenses	179,610	146,822	152,876	123,359
Net impairment losses on financial Assets	966	2,202	966	2,202
	<u>180,576</u>	<u>149,024</u>	<u>153,842</u>	<u>125,561</u>

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9. Salaries and Related Costs

	<u>The Group and The Company</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
Salaries	1,275	1,720
Payroll taxes – employer portion	145	205
	<u>1,420</u>	<u>1,925</u>

10. Finance Costs

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Exchange losses	46,528	32,003	46,223	52,348
Interest on lease liability (Note 16d)	11,860	9,235	11,860	9,235
Loan interest	44,529	43,162	29,943	28,672
	<u>102,917</u>	<u>84,400</u>	<u>88,026</u>	<u>90,255</u>

11. Taxation

(a) Taxation comprises income tax at 25% on the profit for the year, adjusted for tax purposes:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current income tax	4,945	3,367	1,589	15

(b) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the statutory tax rate as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before tax	803,245	851,614	774,209	744,292
Tax calculated at 25%	200,811	212,904	193,552	186,073
Income not subject to tax	(149,991)	(159,265)	(147,162)	(145,085)
Amount not deemed taxable under the Special Economic Zone Act	(43,358)	(52,282)	(43,358)	(52,282)
Deferred tax asset not recognised	(728)	17,925	407	15,588
Expenses not deductible for tax	3,600	2,864	3,600	2,864
Income taxed at another rate	-	129	-	-
Utilisation of tax losses	(3,534)	(12,893)	-	-
Other	(1,855)	(6,015)	(5,450)	(7,143)
	<u>4,945</u>	<u>3,367</u>	<u>1,589</u>	<u>15</u>

Stanley Motta Limited

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11. Taxation (Continued)

The company was granted special economic zone status under the Special Economic Zone Act of Jamaica effective on 1 January 2020, resulting in income tax being charged on applicable profits at zero. Based on the company's tax status resulting in uncertainty of its ability to utilise tax losses in the foreseeable future, deferred taxes resulting therefrom are not recognised.

12. Earnings per Stock Unit

	2021 \$'000	2020 \$'000
Profit for the year attributable to ordinary shareholders	<u>798,300</u>	<u>848,247</u>
Weighted average number of shares	<u>757,828</u>	<u>757,828</u>
Total basic and diluted earnings per share attributable to ordinary share holders	<u>1.05</u>	<u>1.12</u>

13. Net Profit and Retained Earnings

The net profit and retained earnings attributable to the shareholders of the Group are reflected in the accounts of the Company and its subsidiaries as follows:

	2021 \$'000	2020 \$'000
Net Profit		
The Company	772,620	744,277
Subsidiary	<u>25,680</u>	<u>103,970</u>
	<u>798,300</u>	<u>848,247</u>
	2021 \$'000	2020 \$'000
Retained Earnings		
The Company	3,912,440	3,329,277
Subsidiary	<u>339,243</u>	<u>313,563</u>
	<u>4,251,683</u>	<u>3,642,840</u>

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14. Property, Plant and Equipment

	The Group		
	Leasehold Improvements \$'000	Machinery and Equipment \$'000	Total \$'000
Cost -			
1 January 2020	316	59,466	59,782
Additions	-	162	162
Exchange rate adjustment	-	1,081	1,081
31 December 2020	316	60,709	61,025
Exchange rate adjustment	-	1,878	1,878
31 December 2021	316	62,587	62,903
Accumulated Depreciation -			
1 January 2020	316	24,505	24,821
Charge for the year	-	9,081	9,081
Exchange rate adjustment	-	522	522
31 December 2020	316	34,108	34,424
Charge for the year	-	9,337	9,337
Exchange rate adjustment	-	1,246	1,246
31 December 2021	316	44,691	45,007
Net Book Value -			
31 December 2021	-	17,896	17,896
31 December 2020	-	26,601	26,601

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14. Property, Plant and Equipment (Continued)

	The Company		
	Leasehold Improvements \$'000	Machinery and Equipment \$'000	Total \$'000
Cost -			
1 January 2020	316	44,781	45,097
Additions	-	162	162
31 December 2020 and 31 December 2021	316	44,943	45,259
Accumulated Depreciation -			
1 January 2020	316	18,609	18,925
Charge for the year	-	5,913	5,913
31 December 2020	316	24,522	24,838
Charge for the year	-	5,871	5,871
31 December 2021	316	30,393	30,709
Net Book Value -			
31 December 2021	-	14,550	14,550
31 December 2020	-	20,421	20,421

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15. Investment Properties

	The Group		
	Land	Building	Total
	\$'000	\$'000	\$'000
Fair value -			
1 January 2020	956,877	3,827,275	4,784,152
Capitalised subsequent expenditure	-	14,692	14,692
Net gain from fair value adjustment	484,807	141,254	626,061
Exchange differences	(10,067)	65,288	55,221
31 December 2020	1,431,617	4,048,509	5,480,126
Capitalised subsequent expenditure	-	45,818	45,818
Net gain from fair value adjustment	90,623	463,363	553,986
Exchange differences	40,267	48,897	89,164
31 December 2021	1,562,507	4,606,587	6,169,094

	The Company		
	Land	Building	Total
	\$'000	\$'000	\$'000
Fair value -			
1 January 2020	623,042	3,400,284	4,023,326
Capitalised subsequent expenditure	-	14,692	14,692
Net gain from fair value adjustment	414,424	154,918	569,342
31 December 2020	1,037,466	3,569,894	4,607,360
Capitalised subsequent expenditure	-	45,818	45,818
Net gain from fair value adjustment	90,623	463,363	553,986
31 December 2021	1,128,089	4,079,075	5,207,164

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15. Investment Properties (Continued)

i. Amounts recognised in profit or loss for investment properties

	The Group		The Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Rental income from operating lease	492,620	458,177	416,859	390,390
Direct operating expenses from property that generated rental income	76,263	65,251	61,207	53,298
Direct operating expenses from property that did not generate rental income	31,453	22,704	31,323	17,529
Fair value gain recognised	553,986	626,061	553,986	569,342

ii. Measuring investment properties at fair value

Investment properties were valued at current market value as at 31 December 2021 by NAI Jamaica Langford and Brown, independent qualified property appraisers and valuers. The values of the properties have been established using the income capitalisation approach, which uses as key inputs rental income from existing contracts, discount rate and a capitalisation rate, reflective of a rate of return.

The fair values on the investment properties are at level 3 in the fair value hierarchy, as, consistent with the requirements of IFRS 13, certain of the inputs into the valuation process are deemed to be unobservable; those being the discount rate and capitalisation rate. Management considers the rental rates used in the calculations to be observable as they represent actual rentals which are unadjusted. An explanation of each level is provided in note 3(d).

The valuations are done in United States dollars which means the exchange rate for the Jamaican dollar against the United States dollar will affect the valuation proportionately. Any percentage change in the exchange rate will affect the valuations proportionately.

The exchange rate used was 153.0648 (2020: 140.7687)

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15. Investment Properties (Continued)

ii. Measuring investment properties at fair value (continued)

	The Group			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
	2021			
Investment properties	-	-	6,169,094	6,169,094

	The Group			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
	2020			
Investment properties	-	-	5,480,126	5,480,126

	The Company			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
	2021			
Investment properties	-	-	5,207,164	5,207,164

	The Company			
	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
	2020			
Investment properties	-	-	4,607,360	4,607,360

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. There were no transfers into and out of level 3 measurements.

The movement analysis table included above shows the changes in Level 3 investment properties for the years ended 31 December 2021 and 31 December 2020.

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15. Investment Properties (Continued)

iii. Significant estimate – fair value of investment property

The assumptions to which the fair values are most sensitive to are the capitalisation rate and the discount rate

The Group							
Fair value at December 2021 \$'000	Fair value at December 2020 \$'000	Valuation Technique	Unobservable Inputs \$'000	Value of unobservable inputs 2021	Value of unobservable inputs 2020	Relationship of unobservable inputs to fair values \$'000	
6,169,094	5,480,126	Investment Approach		7%	7%	If the capitalisation rate increases/ (decreases), the fair value will decrease /increase	
				Discount rates	8%	8%	If the discount rate decreases/ increases, the fair value will decrease/increase
The Company							
Fair value at December 2021 \$'000	Fair value at December 2020 \$'000	Valuation Technique	Unobservable Inputs \$'000	Value of unobservable inputs 2021	Value of unobservable inputs 2020	Relationship of unobservable inputs to fair value \$'000	
5,207,164	4,607,360	Investment Approach		7%	7%	If the capitalisation rate increases/ (decreases), the fair value will decrease /increase	
				Discount rates	8%	8%	If the discount rate decreases/ increases, the fair value will decrease/increase

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15. Investment Properties (Continued)

iii. Significant estimate – fair value of investment property (continued)

The increase or decrease in the key assumptions would have an effect on the fair value of investment properties as reflected below:

	The Group			
	2021	2021	2020	2020
	Increase	Decrease	Increase	Decrease
	0.50%	0.50%	0.50%	-0.50%
	\$'000	\$'000	\$'000	\$'000
Capitalisation rate	(214,831)	247,882	(194,736)	224,977
Discount rate	(211,730)	221,720	(191,139)	200,182

	The Company			
	2021	2021	2020	2020
	Increase	Decrease	Increase	Decrease
			0.5%	-0.50%
	\$'000	\$'000	\$'000	\$'000
Capitalisation rate	(181,487)	209,574	(163,683)	189,146
Discount rate	(178,856)	187,456	(160,571)	168,162

iv. Non – current assets pledged as security

Refer to note 26 for information on non-current assets pledged as security by the Group.

v. Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Lease payments for some contracts include an annual increase.

Although the Group is exposed to changes in the residual value at the end of the current leases, the Group typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties.

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15. Investment Properties (Continued)

vi. Leasing arrangements (continued)

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

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Within 1 year	453,718	476,940	396,127	422,556
Between 1 year and 2 years	446,112	426,171	394,725	390,830
Between 2 years and 3 years	440,301	332,061	392,344	301,942
Between 3 years and 4 years	435,971	69,175	388,014	69,175
Between 4 years and 5 years	432,500	-	384,543	-
	<u>2,208,602</u>	<u>1,304,347</u>	<u>1,955,753</u>	<u>1,184,503</u>

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16. Leases

This note provides information for leases where the Group and Company are lessees.

(a) Amounts recognised in the statement of financial position

	<u>The Group and Company</u>	
	2021	2020
	\$'000	\$'000
Right-of-use asset		
Property, plant and equipment	209,819	102,779

The right-of-use asset in the statement of financial position relate to leased commercial property.

	<u>The Group and Company</u>	
	2021	2020
	\$'000	\$'000
Lease liability		
Current	21,948	2,107
Non-current	192,637	104,317
	<u>214,585</u>	<u>106,424</u>

Stanley Motta Limited

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16. Leases (Continued)

(b) Right-of-use asset

	The Group and Company \$'000
Cost-	
At 1 January 2020	-
Addition	108,189
At 31 December 2020	<u>108,189</u>
At 1 January 2021	108,189
Addition	121,583
At 31 December 2021	<u>229,772</u>
Accumulated Depreciation-	
At 1 January 2020	-
Charge for the year	5,410
At 31 December 2020	<u>5,410</u>
At 1 January 2021	5,410
Charge for the year	14,543
At 31 December 2021	<u>19,953</u>
Carrying Amount	
31 December 2021	<u>209,819</u>
31 December 2020	<u>102,779</u>

Stanley Motta Limited

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16. Leases (Continued)

(c) Lease liability

	The Group and Company \$'000
At 1 January 2020	-
Addition	108,189
Lease payments	(11,000)
Interest	9,235
At 31 December 2020	<u>106,424</u>
At 1 January 2021	106,424
Addition	116,798
Lease payments	(20,497)
Interest	11,860
At 31 December 2021	<u><u>214,585</u></u>

The incremental borrowing rate applied to the lease liability is 9.28% (2020 – 9.65%).

(d) Amounts recognised in the statement of profit or loss

	The Group and Company	
	2021	2020
	\$'000	\$'000
Depreciation charge – right-of-use assets	14,543	5,410
Interest expense	11,860	9,235
Expense relating to short – term leases	8,060	8,719
Income from subleasing right-of-use assets	<u>12,422</u>	<u>11,685</u>

(e) Amounts recognised in statement of cash flows

	The Group and Company	
	2021	2020
	\$'000	\$'000
The total cash outflow for leases	<u>20,497</u>	<u>11,000</u>

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17. Investment in Subsidiary

	<u>The Company</u>	
	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>
Unity Capital Incorporated		
Shares, at cost	<u>151,765</u>	<u>151,765</u>

18. Receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	13,506	45,491	12,856	42,690
Less: provision for credit losses	<u>(3,890)</u>	<u>(2,924)</u>	<u>(3,890)</u>	<u>(2,924)</u>
Trade receivables, net	9,616	42,567	8,966	39,766
Other	2,677	972	2,679	1,645
General consumption tax	-	143	-	-
Prepayments	<u>24,897</u>	<u>5,722</u>	<u>25,344</u>	<u>5,722</u>
	<u>37,190</u>	<u>49,404</u>	<u>36,989</u>	<u>47,133</u>

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19. Cash and Cash Equivalents

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash at bank	81,676	54,201	59,218	35,251
Cash in hand	20	20	20	20
	<u>81,696</u>	<u>54,221</u>	<u>59,238</u>	<u>35,271</u>

Cash at bank includes United States dollar savings account. Interest is currently 0.012% (2020 - 0.012%) per annum for the Group and the Company.

20. Payables

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Accruals	2,773	2,182	2,773	1,530
Accrued construction expense	-	15,000	-	15,000
Audit fees	5,022	4,772	3,620	3,437
General consumption taxes	-	3,536	-	3,536
Interest payable (a)	4,568	4,568	4,568	4,568
Other Payables	2,174	994	3,932	730
Withholding Taxes	1,500		1,500	-
Statutory	-	10	-	10
Unamortised general insurance from tenants	-	15,722	-	15,722
	<u>16,037</u>	<u>46,784</u>	<u>16,393</u>	<u>44,533</u>

(a) This relates to interest payable to the Development Bank of Jamaica in respect of borrowings.

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21. Share Capital

	2021 \$'000	2020 \$'000
Authorised -		
11,000 (2020 -11,000) 6% Cumulative Preference shares		
757,870,478 (2020 - 757,870,478) Ordinary shares		
Issued and fully paid -		
10,830 (2020 -10,830) 6% Cumulative Preference shares	22	22
757,828,490 (2020 – 757,828,490) Ordinary shares	811,911	811,911
	<u>811,933</u>	<u>811,933</u>

22. Capital Reserve

This represent capital reserve on the acquisition of former fellow subsidiary Unity Capital Incorporated.

23. Cumulative Translation Reserve

The cumulative translation reserve comprises currency translation differences from the unrealised gains and losses on the translation of the net assets of the subsidiary which has a different functional currency from the Company.

Stanley Motta Limited

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24. Related Party Transactions and Balances

(a) Related party transactions

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Revenue				
Felton Property Services Limited	<u>2,991</u>	<u>3,879</u>	<u>2,991</u>	<u>3,879</u>
Property Management Fees				
Felton Property Services Limited	<u>51,732</u>	<u>44,392</u>	<u>44,079</u>	<u>38,169</u>

(b) Year-end balances arising from transactions with related parties:

Payable to related parties

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Unity Capital Incorporated	<u>-</u>	<u>-</u>	<u>17,347</u>	<u>8,473</u>

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24. Related Party Transactions and Balances (Continued)

(c) Key management compensation

	<u>The Group and Company</u>	
	2021 \$'000	2020 \$'000
Directors emoluments:		
Fees	2,100	2,100

(d) Dividends declared

	2021 \$'000	2020 \$'000
	Dividends paid	-

25. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%. Due to the fact that the Company was granted special economic zone status, the Group has not recognised deferred taxes. The attributed deferred tax asset that have not been recognised in the statement of financial position is \$2,017,000 (2020: \$17,925,000) for the Group and \$407,000 (2020: \$15,588,000) for the Company.

Deferred income tax assets and liabilities that would have been recognised in the statement of financial position are attributable to the following items:

	<u>The Group</u>		<u>The Company</u>	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Investment properties	1,610	2,293	-	-
Interest payable	1,142	1,142	1,142	1,142
Property, plant and equipment	618	152	618	152
Tax Losses	-	249	-	-
Unrealised foreign exchange (loss)/gain	(1,353)	14,089	(1,353)	14,294
	<u>2,017</u>	<u>17,925</u>	<u>407</u>	<u>15,588</u>

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26. Borrowings

	The Group		The Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Development Bank of Jamaica Limited (a)	674,032	632,355	674,032	632,355
Jamaica National Building Society (b)	143,074	146,632	-	-
	<u>817,106</u>	<u>778,987</u>	<u>674,032</u>	<u>632,355</u>
Current portion	(40,499)	(16,198)	(33,030)	(9,500)
	<u>776,607</u>	<u>762,789</u>	<u>641,002</u>	<u>622,855</u>

(a) Development Bank of Jamaica Limited

The loan amount disbursed was US\$5,187,468. This loan is repayable over 12 years and is amortised over 10 years and 6 months with a moratorium of 18 months on interest, (which shall be accrued during the moratorium period and is capitalised at the end of the same period). The interest rate on this loan is 4.5%. During 2020, the Company was granted a seventeen-month moratorium on principal payments to October 2021. This was not determined as a modification of the financial liability. The moratorium period is expected to align the Company with the payment schedule included in the loan agreement.

The loan is secured by the following:

- (i) A first registered mortgage over Lot B1, Lot 6A, Lot 8A of land part of volume 313 and folio 49, situated at 58 Half Way Tree Road;
- (ii) First legal mortgage over Lot 2, Lot 4, Lot 6 and Lot 8 situated at 58 Half Way Tree Road;
- (iii) Assignment of all risk insurance over the Company's buildings and equipment with Development Bank of Jamaica Limited's interest noted as loss payee;
- (iv) Establishment of a Debt Service Reserve Account (DSRA) in which shall be deposited over a period of six (6) months from the date of commencement of the lease an amount equivalent to three (3) month's principal payments and six (6) months interest payments totaling USD 209,026 such (DSRA) to be assigned to Development Bank of Jamaica Limited;
- (v) Assignment of lease agreements concerning those properties owned by the Company;
- (vi) Debenture in favour of Development Bank of Jamaica Limited over real property and other fixed assets belonging to the borrower; and
- (vii) Security interest in and over equipment and any other personal property purchased with the loan, such interest to be registered under the Security Interest in Personal Property Act by Development Bank of Jamaica Limited.

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26. Borrowings (Continued)

(b) Jamaica National Building Society

This is secured by a first registered mortgage over Volume 1128 and folio 126, situated at 58 Half Way Tree Road. These land and buildings are owned by Unity Capital Incorporated. The original loan amount is J\$170,000,000 and is repayable over 202 months and at an interest rate of 9.75%. The loan matures in December 2032.

(c) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	The Group			The Company		
	Borrowings \$'000	Lease \$'000	Total \$'000	Borrowing \$'000	Lease \$'000	Total \$'000
Net debt as at 1 January 2020	747,831	-	747,831	590,025	-	590,025
Loans received (non-cash)	-	108,189	108,189	-	108,189	108,189
Loans repaid	(19,240)	(1,765)	(21,005)	(14,587)	(1,765)	(16,352)
Interest expense	43,162	9,235	52,397	28,672	9,235	37,907
Interest paid	(35,612)	(9,235)	(44,847)	(24,104)	(9,235)	(33,339)
Foreign exchange adjustment (non-cash)	42,846	-	42,846	52,349	-	52,349
Net debt as at 31 December 2020	778,987	106,424	885,411	632,355	106,424	738,779
Loans received (non-cash)	-	116,798	116,798	-	116,798	116,798
Loans repaid	(11,988)	(8,637)	(20,625)	(5,210)	(8,637)	(13,847)
Interest expense	44,529	11,860	56,389	29,943	11,860	41,803
Interest paid	(44,529)	(11,860)	(56,389)	(29,943)	(11,860)	(41,803)
Foreign exchange adjustment (non-cash)	50,107	-	50,107	46,887	-	46,887
Net debt as at 31 December 2021	817,106	214,585	1,031,691	674,032	214,585	888,617

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26. Borrowings (Continued)

(d) Fair value of Non-current borrowings

The fair values of non-current borrowings are based on discounted cash flows using the current borrowing rate of 6.54% (2020 – 6.96%) for the Development Bank of Jamaica Limited loan and 9.28% (2020 - 9.65%) for the Jamaica National Building Society loan. They are classified as level 2 fair values in the fair value hierarchy.

	Group			
	Carrying amount		Fair value	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Development Bank of Jamaica Limited	641,002	622,855	503,748	432,825
Jamaica National Building Society	135,605	139,934	142,061	145,221
	<u>776,607</u>	<u>762,789</u>	<u>645,809</u>	<u>578,046</u>

	Company			
	Carrying amount		Fair value	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Development Bank of Jamaica Limited	641,002	622,855	503,748	432,825

27. Long Term Payables

This represents rent deposit payable for leased property rented by the Company. The rent deposit payable becomes due upon the lessee terminating the lease. The lease period attributed with the lease properties is five (5) years with an option to terminate in the fourth year.

28. Dividends

	2021 \$'000	2020 \$'000
First interim dividend for 2021 declared 12 March 2021 - 9.2¢	69,720	-
Second interim dividend for 2021 declared 09 August 2021 - 9.2¢	69,720	-
Third interim dividend for 2021 declared 08 November 2021 - 6.6¢	50,017	-
First interim dividend for 2020 declared 11 August 2020 - 6¢	-	45,470
Second interim dividend for 2020 declared 9 November 2020 - 13¢	-	98,517
	<u>189,457</u>	<u>143,987</u>

29. Subsequent Events

Declaration of dividends

The Board of Directors passed a resolution on 31 March 2022, approving an ordinary dividend of 11.2 cents per stock unit payable to stockholders on record as at 14 April 2022.