Mayberry Jamaican Equities Limited

(Formerly Mayberry West Indies Limited)

Financial Statements

Year Ended December 31, 2018

(Expressed in United States Dollars)

Contents

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mayberry Jamaican Equities Limited
(Formerly Mayberry West Indies Limited)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mayberry Jamaican Equities Limited (formerly Mayberry West Indies Limited) (the company) set out on pages 4 to 32, which comprise the statement of financial position as at December 31, 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at December 31, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined that there are no key audit matters to communicate in our report.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

Other Information (Cont'd)

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

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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

INDEPENDENT AUDITORS' REPORT (CONT'D)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (cont'd):

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

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

BDO

Chartered Accountants
Castries, St. Lucia
February 27, 2019

(Expressed in United States Dollars)

	Note	2018 $	2017 $
ASSETS			
Cash and cash equivalents	5	1,882,299	1,559,221
Investment securities	6	110,029,951	74,334,068
Interest receivable		-	28,986
Other receivables		744,045	1,392,408
Due from related company	7 (b)	-	98,380
Due from parent company	7 (b)	5,717,656	-
Taxation recoverable		19,770	33,293
Intangible asset	8	273,997	-
TOTAL ASSETS		118,667,718	77,446,356
LIABILITIES			
Interest payable		32,259	6,494
Accounts payable	9	2,509,799	2,008,763
Deferred taxation	10	491,289	327,716
Debt security in issue	11	17,215,491	-
Due to parent company	7(b)	-	3,991,799
Total Liabilities		20,248,838	6,334,772
EQUITY			
Share capital	12	20,556,260	20,555,260
Fair value reserve	13	46,966,443	23,486,660
Retained earnings		30,896,177	27,069,664
Total Equity		98,418,880	71,111,584
TOTAL LIABILITIES AND EQUITY		118,667,718	77,446,356

		2018 $	2017 $
NET BOOK VALUE PER STOCK UNIT	18(a)	0.09	0.06

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

APPROVED ON BEHALF OF THE BOARD:-

Director

Director

(Expressed in United States Dollars)

	No. of shares	Share Capital $	Fair Value Reserve $	Retained Earnings $	Total $
Balance at December 31, 2016	20,555,260	20,555,260	16,408,355	14,613,894	51,577,509
Total comprehensive income for the year	-	-	15,063,173	3,119,625	18,182,798
Realised gain transferred to retained earnings	-	-	(8,414,749)	8,414,749	-
Translation adjustment	-	-	429,881	921,396	1,351,277
Balance at December 31, 2017	20,555,260	20,555,260	23,486,660	27,069,664	71,111,584
Total comprehensive income for the year	-		27,661,912	816,328	28,478,240
Realised gain transferred to retained earnings	-	-	(3,795,040)	3,795,040	-
Translation adjustment	-	-	(387,089)	(784,855)	(1,171,944)
TRANSACTIONS WITH OWNERS					
Subdivision of shares (note 12)	2,034,970,740	-	-	-	-
Surrender of shares (note 12)	(854,376,709)	-	-	-	-
Preference shares issued (note 12)	1	1,000	-	-	1,000
Balance as at December 31, 2018	1,201,149,292	20,556,260	46,966,443	30,896,177	98,418,880

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

(Expressed in United States Dollars)

	Note	2018 $	2017 $
INCOME			
Dividend income		2,754,537	1,184,514
Net unrealized gains on financial instruments - FVPL		2,910,488	9,132,775
Interest income	14	21,805	193,273
Net trading loss		(199,603)	(421,243)
Net foreign exchange (loss)/gains		(453,201)	121,726
Fees and commissions		-	49,583
Other income		-	31,029
Total operating income		5,034,026	10,291,657
INTEREST EXPENSE	14	(727,566)	(158,748)
Net operating income		4,306,460	10,132,909
EXPENSES			
Provision for impairment of investments		-	(6,438,891)
Audit fees		(14,000)	(10,023)
Other expenses		(3,534,538)	(2,111,450)
	15	(3,548,538)	(8,560,364)
OPERATING PROFIT		757,922	1,572,545
Share of results of former associates up to the date of derecognition	16	-	1,078,229
Gain on disposal of former associate holdings	16	-	561,447
PROFIT BEFORE TAXATION		757,922	3,212,221
Taxation	17	58,406	(92,596)
NET PROFIT FOR THE YEAR		816,328	3,119,625
Other Comprehensive Income Net of Taxation:			
Item that will not be reclassified to profit or loss			
Net unrealized gains on financial instruments - FVOCI		27,661,912	15,063,173
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		28,478,240	18,182,798
Profit Attributable to Stockholders		816,328	3,119,625

	Note	2018 $	2017 $
EARNINGS PER STOCK UNIT	18(b)	0.001	0.003

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

(Formerly Mayberry West Indies Limited)
Statement of Cash Flow
For the Year Ended December 31, 2018
(Expressed in United States Dollars)

	Note	2018 $	2017 $
Cash Flows from Operating Activities			
Profit before taxation		757,922	3,212,221
Adjustments for:			
Interest income	14	(21,805)	(193,273)
Interest expense	14	727,566	158,748
Realised fair value gains transferred to retained earnings		3,795,040	8,414,749
Unrealised foreign exchange loss		892,207	70,362
Share of results of former associates	16	-	(1,078,229)
Gain on disposal of associate holdings	16	-	(561,447)
Impairment loss on unquoted investment		-	6,438,891
Unrealised fair value gain on financial instruments - FVPL		(2,910,488)	(9,132,775)
		3,240,422	7,329,247
Increase in investment securities		(10,227,075)	(1,394,923)
Decrease/(increase) in other receivables		608,400	(1,167,787)
Increase in accounts payable		501,746	524,713
(Decrease)/increase in related companies		(9,712,443)	676,626
		(15,588,930)	5,967,876
Interest received		34,276	389,153
Interest paid		(701,801)	(171,374)
Taxation paid		-	(43,712)
Cash (used in)/generated from Operating Activities		(16,256,455)	6,141,943
Cash Flows from Investing Activities			
Purchase of intangible asset	8	(273,997)	-
Proceeds from disposal of former associates		-	1,100,621
Dividend received from former associates		-	99,670
Cash (used in)/generated from Investing Activities		(273,997)	1,200,291
Cash Flows from Financing Activities			
Repayment of debt security		-	(6,182,660)
Preference share capital issued		1,000	-
Proceeds from issue of debt security	5(b)	16,845,502	-
Cash generated from/(used in) Financing Activities		16,846,502	(6,182,660)
Increase in Cash and Cash Equivalents		316,050	1,159,574
Exchange gain/(loss) on foreign Cash and Cash Equivalents		7,028	(45,022)
Cash and Cash Equivalents - Beginning of Year		1,559,221	444,669
CASH AND CASH EQUIVALENTS - END OF YEAR	5	1,882,299	1,559,221

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

Index to Notes to the Financial Statements

1. Introduction

Mayberry Jamaican Equities Limited (formerly Mayberry West Indies Limited) is incorporated in St. Lucia under the International Business Companies Act and its registered office is located at Bourbon House, Bourbon Street, Castries, St. Lucia. On January 5, 2018, the company changed its name from Mayberry West Indies limited to Mayberry Jamaican Equities Limited under the International Business Companies Act, Cap 12.14.

As at December 31, 2017 the company was a wholly owned subsidiary of Mayberry Investments Limited, a company incorporated and domiciled in Jamaica. On February 28, 2018, 10% of the company's ordinary shares were issued to the shareholders of the parent company, Mayberry Investments Limited, as a dividend in specie. Further, on July 31, 2018, 10% of the company's ordinary shares were listed on the Main Market of the Jamaica Stock Exchange through an Initial Public Offering (IPO). On September 28, 2018, the parent company also transferred an additional 5% of its ordinary shares to a related entity. This resulted in Mayberry Investments Limited's ownership being reduced to 75%.

The principal activities of the company are the investing and trading of key Jamaican equity securities.

2. Date of Authorisation of Issue

These financial statements were authorised for issue by the Board of Directors on February 27, 2019.

3. Significant Accounting Policies

The principal accounting policies adopted are stated in order to assist in the general understanding of the financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

(a) Basis of Preparation

These financial statements have been prepared in accordance and comply with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention as modified by the revaluation of investment securities at fair value through other comprehensive income, and investment securities at fair value through profit or loss.

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

New, revised and amended standards and interpretations that became effective during the year

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretation and amendments and has concluded that there are no new standards, interpretations and amendments which are immediately relevant to its operations.

3. Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New, revised and amended standards and interpretations that became effective during the year (cont'd)

IFRS 9, 'Financial Instruments', (effective for accounting periods beginning on or after 1 January 2018). In 2009 the company adopted the 2009 version of IFRS 9 "Financial instruments" which was issued in November 2009. The final version of IFRS 9 was issued in 2014. The classification categories for financial assets under IFRS 9 reflect the measurement, namely amortised cost, fair value through profit or loss (FVPL) and fair value through other comprehensive income (FVOCI). The decision regarding classification is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instruments. IFRS 9 also includes guidance on hedge accounting requirements, the measurement of financial liabilities, derecognition of financial instruments and an expected credit loss (ECL) model for calculating impairment of financial assets.

The expected credit loss model means that a loss event no longer needs to occur before an impairment allowance is recognized. The expected credit loss model includes a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the rules mean that entities have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

There was no impact on the company's accounting for financial liabilities, as the requirements of IFRS 9 only impacted financial liabilities that are designated at fair value through profit or loss, and the company does not currently have any such liabilities.

The company assessed its operations and concluded that the classification and measurement categories of financial assets under the 2009 version of IFRS 9 as well as other guidance relevant to its operations are similar to the 2014 version which became effective during the year and, therefore, there were no material transitional effects on its financial statements.

IFRS 15, 'Revenue from Contracts with Customers', (effective for accounting periods beginning on or after 1 January 2018). The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The company expects no significant impact on adoption of the standard.

3. Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New, revised and amended standards and interpretations that became effective during the year (cont'd)

IFRIC 22, 'Foreign currency transactions and advance consideration', (effective for accounting periods beginning on or after 1 January 2018). The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date if initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. The company is currently assessing the impact of future adoption of the amendments on its financial statements.

New standards, amendments and interpretation not yet effective and not early adopted

IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019). The new standard eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Leases are now recorded in the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognized lease assets and financial liabilities. An optional exemption exists for short term and low-value leases. The accounting by lessors will not significantly change. The company expects no impact on the adoption of the standard as the company does not currently have leases.

IFRIC 23, 'Uncertainty over income tax treatments', (effective for annual periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes', are applied where there is uncertainty over income tax treatments. The IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, contingent liabilities and contingent assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The adoption of this standard is not expected to have a significant impact on the company.

(b) Foreign Currencies

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ("the functional currency"). The financial statements are presented in United States dollars, which is the company's functional and presentation currency.

3. Significant Accounting Policies (cont'd)

(b) Foreign Currencies (cont'd)

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the year-end date, monetary assets and liabilities denominated in foreign currency are translated using the closing exchange rate at the date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit or loss.

Exchange differences on non-monetary financial assets are a component of the change in their value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognised in the profit or loss (applicable for financial assets fair value through profit or loss), or within other comprehensive income if non-monetary financial assets are equity instruments which are designated as fair value through other comprehensive income.

(c) Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

(d) Intangible Assets

Computer software is deemed to have a finite useful life of five years and is measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

(e) Financial Instruments: Financial Assets and Liabilities

Date of recognition

Financial assets and liabilities are initially recognised on the settlement date, which is the date that an asset is delivered to or by the company. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

3. Significant Accounting Policies (cont'd)

(e) Financial Instruments: Financial Assets and Liabilities (cont'd)

Measurement categories of financial assets and liabilities

Financial assets

The company classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms and they are measured at either fair value through other comprehensive income (FVOCI), fair value through profit or loss (FVPL) amortised cost.

(i) Fair value through other comprehensive income (FVOCI)

The company has a number of strategic investments in listed entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the company has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the company considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

The company's financial assets measured at FVOCI are some equity securities in the statement of financial position.

(ii) Fair value through profit or loss (FVPL)

This category comprises financial instruments which are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the "financial instruments – FVPL" line. The company has equity instruments held for trading for which it has voluntarily classified these financial assets as being at fair value through profit or loss.

The company's financial assets measured at FVPL are all other equity securities not measured at FVOCI in the statement of financial position.

(iii) Amortised cost

These assets arise principally from the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

3. Significant Accounting Policies (cont'd)

(e) Financial Instruments: Financial Assets and Liabilities (cont'd)

Measurement categories of financial assets and liabilities (cont'd)

Financial assets (cont'd)

(iii) Amortised cost (cont'd)

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The company's financial assets measured at amortised cost comprise cash and cash equivalents, other receivables, interest receivable and amounts due from related companies in the statement of financial position.

Cash and cash equivalents includes cash in hand and in bank and other short term highly liquid investments with original maturities of three months or less.

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: interest payable, accounts payable, debt security in issue and amount due to related company.

(f) Investment Securities

Equity Instruments

The fair values of quoted instruments are based on the spread between the bid and ask prices at valuation date. Upon initial recognition, the company elects to value its equity instruments at fair value through profit or loss (FVPL). Occasionally the company elects to irrevocably classify some of its equity investments as equity instruments at fair value through other comprehensive income (FVOCI) when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis.

Gains and losses on these equity instruments are never recycled to profit. Equity instruments at FVOCI are not subject to an impairment assessment.

3. Significant Accounting Policies (cont'd)

(f) Investment Securities (cont'd)

Debt instruments

The company early adopted IFRS 9 "Financial Instruments" (2009). Investment securities are classified into the following categories: those to be measured subsequently at fair value and those to be measured subsequently at amortised cost. Management determines the appropriate classification of investments at the time of purchase based on the objectives of the company's business model for managing financial instruments and the contractual cash flow characteristics of the instruments.

Debt instrument securities subsequently measured at fair value are either designated fair value through profit or loss or fair value through other comprehensive income. Investment securities at fair value through profit or loss are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. They are initially recognised at cost, which includes transaction costs, and subsequently re-measured at fair value. All related realised and unrealised gains and losses are included in net trading income.

Debt instrument securities subsequently measured at fair value through other comprehensive income are all other equity investments, designated at purchase to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is no recycling of fair value gains and losses to profit or loss. They are initially recognised at cost, which includes transaction costs, and subsequently re-measured at fair value.

Debt instrument securities are subsequently measured at amortised cost where management determines that the objective is to hold the instruments to collect the contractual cash flows, that is, solely for the payment of principal and interest (SPPI). All other debt instruments are measured at fair value through profit or loss.

(g) Borrowings

Borrowings are recognized initially at cost, being their issue proceeds, net of transaction costs incurred. Subsequently, borrowings are stated at amortised cost and any difference between net proceeds and the redemption value is recognized in the statement of income over the period of the borrowings using the effective yield method.

(h) Provisions

Provisions are recognised when the company has a legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

3. Significant Accounting Policies (cont'd)

(i) Revenue Recognition

(i) Dividend Income

Dividend income from equity instruments is recorded in the profit or loss when the stockholder's right to receive payment is established.

(ii) Interest Income

Interest income is recognised in the statement of profit or loss and other comprehensive income for all interest bearing instruments on the accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed investments and discount or premium on financial instruments.

(j) Interest Expense

Interest expense is recognised in the statement of profit or loss and other comprehensive income for all interest-bearing instruments on an accruals basis using the effective yield method based on the actual purchase price.

(k) Taxation

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

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

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 and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realized or the liability will be settled based on enacted rates.

Current and deferred tax assets and liabilities are offset when they arise from the same taxable entity and relate to the same Tax Authority and when the legal right of offset exists. Deferred tax is charged or credited in the statement of income except where it relates to items charged or credited to equity, in which case deferred tax is also accounted for in equity. The principal temporary differences arise from depreciation of property, plant and equipment, revaluation of certain financial assets and tax losses carried forward.

(l) Share capital

Ordinary shares are classified as equity when there is no obligation to transfer cash or other assets.

Preference share capital is classified as equity except where it is redeemable on a specific or determinable date or at the option of the shareholders and/or if dividend payments are not discretionary, in which case it is classified as a liability. Dividend payments on preference shares classified as a liability are recognized in the statement of income as interest expense.

3. Significant Accounting Policies (cont'd)

(m) Dividend Distribution

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

4. Critical Accounting Judgements and Estimates

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 Company's Accounting Policies

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) Key Sources of Estimation Uncertainty

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

Fair Value Estimation

A number of assets and liabilities included in the company's financial statements require measurement at, and/or disclosure of fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value of a financial instrument. For financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at the end of the reporting period.

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

(i) Investment securities classified as fair value through profit or loss and fair value through other comprehensive income are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models or discounted cash flows or other recognized valuation techniques.

(Expressed in United States Dollars)

4. Critical Accounting Judgements and Estimates (cont'd)

(b) Key Sources of Estimation Uncertainty (cont'd)

Fair Value Estimation (cont'd)

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

(iii) The fair values of variable rate financial instruments are assumed to approximate their carrying amounts.

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

The company uses the following hierarchy in determining and disclosing the fair value of financial instruments by valuation technique:

Level 1 quoted prices in active markets for identical assets or liabilities

Level 2 other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3 techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Transfers of items between levels are recognised in the period they occur.

The company measures investment securities at fair value.

5. Cash and Cash Equivalents

	2018 $	2017 $
Current account – Foreign currency	327,153	80
Current accounts – US dollar	1,555,146	1,559,141
	1,882,299	1,559,221

(a) Significant non-cash transactions are as follows:

	2018 $	2017 $
Investing activities -		
Retained interest in former associated companies transferred to investment securities	-	10,813,111

(Expressed in United States Dollars)

5. Cash and Cash Equivalents (cont'd)

(b) Reconciliation of movement of liabilities to cash flows arising from financing activities:

Amounts represent debt security in issue and other loans.

	2018 $	2017 $
At January 1	-	6,182,660
Cash –		
Debt security issued	16,845,502	-
Loan repaid	-	(6,182,660)
Non-cash –		
Unrealised foreign exchange loss	369,989	-
At December 31	17,215,491	-

6. Investment Securities

	2018 $	2017 $
Equity securities at fair value through other comprehensive income	87,223,098	52,791,590
Equity securities at fair value though profit or loss	22,806,853	19,945,887
Financial instruments at amortised cost		
Debt securities – Corporate	-	1,596,591
	110,029,951	74,334,068

On October 3, 2018, the company entered into an irrevocable call option agreement to sell 1,000,000 units of its Supreme Ventures Limited shares to an agreed party at a strike price of $16 on or before October 2020.

In 2017 equity securities owned by the company were hypothecated in accordance with the terms and conditions of the agreement for a credit facility which was obtained by the parent company, Mayberry Investments Limited, from JMMB Merchant Bank Limited. The loan was repaid during the year. (note 7(c)(iii)).

7. Related Party Transactions and Balances

	2018 $	2017 $
(a) Transactions between the company and its related companies		
Purchase and sale of equities	6,966,806	6,563,447
Purchase and sale of investment securities	22,863,645	(3,007,764)
Interest expense	386,400	119,428
Investment management fee and incentive fee	3,019,146	1,958,745
Operating expense	367,767	4,830,463

(Expressed in United States Dollars)

7. Related Party Transactions and Balances (cont'd)

(b) Year end balances arising from transactions with related companies

Due from –		
Mayberry Asset Managers Limited	-	98,380
Parent Company – Mayberry Investments Limited	5,717,656	-
Due to –		
Parent company – Mayberry Investments Limited	-	3,991,799
Mayberry Asset Managers Limited (included in accounts payable (note 9))	2,476,154	1,958,745

(i) The amount due from the parent company, Mayberry Investments Limited, represents the net of transactions done on behalf of the company and a promissory note dated December 6, 2018 of USD$8,000,000 at an interest rate of 3% per annum for a period of three months. Interest receivable on the promissory note of $16,516 is also included.

An interest rate of 10% per annum is charged on the intercompany balance. There are no fixed terms of repayment in respect of the transactions done on behalf of the company.

(ii) On 15 February 2017, the company entered into an agreement with Mayberry Asset Managers Limited, a company incorporated in St. Lucia that is controlled by Christopher Berry and K. Mark Berry. The said agreement ratifies and confirms a course of conduct that had been entered into by Mayberry West Indies Limited whereby the principals of Mayberry Asset Managers Limited had previously performed investment management services. The new agreement provides for the following fees to be paid to Mayberry Asset Managers Limited as compensation for the services rendered, and expenses borne by it, calculated as follows:

(i) A management fee calculated as 0.50% of the net asset value; and

(ii) An incentive fee calculated as 8.00% of the increase in the comprehensive income.

The Management Fee is accrued and charged with effect from 1 January 2017, quarterly in arrears.

The Incentive Fee is calculated on the last day of each calendar year with reference to the comprehensive income earned for the calendar year in question. The incentive fee is accrued and charged with effect from 1 January 2016, on 31 December of each year.

The amount of $3,019,146 (2017 - $1,958,745) in 7(a) above represents the investment management fee of $547,856 (2017 - $378,830) and incentive fees of $2,471,290 (2017 - $1,579,915) charged for the period 1 January 2018 to 31 December 2018 (note 15).

(Expressed in United States Dollars)

7. Related Party Transactions and Balances (cont'd)

(c) Year end balances arising from transactions with related companies (cont'd)

(iii) The parent company, Mayberry Investments Limited, received a revolving loan on 1 November 2017 of J$900,000,000 from the JMMB Merchant Bank Limited (JMMBMB). The loan attracted interest at 9.75% per annum and was repayable over eighteen months. Interest payments were due monthly with principal due prior to the expiry date.

The loan was secured by hypothecation of equity securities owned by Mayberry West Indies Limited and a full liability corporate guarantee from them to the extent of the facility. In the event of a default pursuant to the provisions of the loan agreement, the dividends with respect to the full aggregate of assigned equities pledged as security were to be paid over to JMMBMB.

As outlined in the agreement, should the aggregate loan to value ratio of assigned equity securities rise above 60% at any time within the life of the loan, the full value of the collateral held by JMMBMB were to be transferred to its ownership in return for extinguishing the amounts due on the loan.

During the year the loan was repaid and the parent company no longer maintained a credit facility with JMMBMB. Therefore, the company held no pledged equity securities at the reporting date.

	2018 $	2017 $
Pledged investment securities (note 6)	-	16,543,949

8. Intangible Asset

This represent software development which was not yet completed at the reporting date and as such no amortisation charge was incurred. The estimated balance committed to be expended is $236,215.

9. Accounts Payable

	2018 $	2017 $
Audit fee payable	15,773	4,881
Other payables	17,872	45,137
Investment incentive fee (note 7(ii))	2,471,290	1,579,915
Investment management fee (note 7(ii))	4,864	378,830
	2,509,799	2,008,763

(Expressed in United States Dollars)

10. Deferred Taxation

Movement on the company's deferred tax liability is as follows:-

	2018 $	2017 $
Balance – beginning of year	327,716	172,793
Deferred tax (credit)/charge (note 17)	(71,381)	82,377
Deferred tax charge to other comprehensive income on investment securities	234,954	72,546
Balance – end of year	491,289	327,716
Deferred tax assets:		
Non-deductible penalties and interest	-	(1,587)
Tax losses carried forward	(12,224)	-
	(12,224)	(1,587)
Deferred tax liabilities:		
Investment securities – profit or loss	29,105	91,328
Investment securities – other comprehensive income	474,408	237,975
	503,513	329,303
	491,289	327,716

11. Debt Security in Issue

	2018 $	2017 $
Corporate Bond Holders	17,215,491	-

On September 24, 2018 the company completed a secured corporate bond issue amounting to $17,349,489 (J$2.2 billion). The above amount is shown net of transaction costs which are being amortised over the life of the bond. The bond matures in 2023 and is at a fixed interest rate of 7.25% per annum which is paid quarterly. The bond was arranged by Sagicor Investments Jamaica Limited and is registered with JCSD Trustee Services Limited.

The bond is secured by some of the company's quoted equity investments in various entities that are being traded on the Jamaica Stock Exchange. These shares are required to have a fair value coverage of 1.75 times the principal amount and a maintenance margin of 1.5 times. At the reporting date the company's quoted equities used as security were valued at $86,329,226 with a coverage of 4.98 times the loan balance.

(Expressed in United States Dollars)

12. Share Capital

	No. of Shares	2018 $	No. of Shares	2017 $
Authorised:				
1 special rights preference share of $1,000 par value (2017 – Nil)				
4,000,000,000 ordinary shares of $0.01 par value (2017 – 40,000,000)				
Issued and Fully Paid				
Preference share	1	1,000	-	-
Ordinary shares	1,201,149,291	20,555,260	20,555,260	20,555,260
	1,201,149,292	20,556,260	20,555,260	20,555,260

On January 19, 2018 a resolution was passed by the Board that each of the issued ordinary shares of the company be sub-divided into 100 ordinary shares of $0.01 each and also creating a single special rights preference share of $1,000 per value. After the subdivision of shares, the parent company, Mayberry Investments Limited (MIL), surrendered 854,376,709 units of its shareholdings to the company.

On February 28, 2018, MIL issued a dividend in specie to its shareholders by transferring 10% or 120,114,929 units of Mayberry Jamaican Equities Limited's issued share capital to all MIL shareholders on record as at February 16, 2018.

On July 31, 2018, 120,114,929 of MIL's shares in the company were issued through an IPO for a value of $908,292,799 and an additional 60,057,465 shares at a value of $81,077,577 were transferred by MIL to Mayberry Assets Managers Limited on September 28, 2018, to be placed in Mayberry Investments Limited Employee Share Incentive Plan.

The rights of the Special Share are set out in section 10A of the amended Articles of Association of the company and require the consent in writing of the holder of the Special Share to vary some provisions of the Articles.

13. Fair Value Reserve

This represents net unrealized gain on the revaluation of equity securities. The securities are not impaired and the recorded gain is based on short term fluctuations in market prices.

(Expressed in United States Dollars)

14. Interest Income and Interest Expense

	2018 $	2017 $
Interest income -		
Investment securities	5,289	193,273
Loan to parent company	16,516	-
	21,805	193,273
Interest expense -		
Repurchase agreements	-	(39,316)
Inter-company finance charges	(386,400)	(119,432)
Debt security in issue	(341,166)	-
	(727,566)	(158,748)

15. Expenses by Nature

	2018 $	2017 $
Foreign travel	2,461	15,269
Audit fees	14,000	10,023
Legal and professional fees	428,634	114,768
Other operating expenses	15,985	22,668
Investment incentive fee	2,471,290	1,579,915
Investment management fee	547,856	378,830
Regulatory fees	11,155	-
Marketing & public relations	49,553	-
Amortised cost	7,604	-
Provision for impairment of investments	-	6,438,891
	3,548,538	8,560,364

16. Former Associates

In 2017, portions of the holdings in the various entities were disposed of. This disposal along with other considerations rendered the continuing holdings no longer being classified as associates, resulting in a derecognition of the investments in associates.

17. Taxation

The taxation charge on net income for the year consists of the following:-

	2018 $	2017 $
Current tax	-	10,219
Under provision of prior year tax	12,975	-
Deferred tax (note 10)	(71,381)	82,377
	(58,406)	92,596

(Expressed in United States Dollars)

17. Taxation (cont'd)

The tax on the company's net income before taxation differs from the theoretical amount that would arise using the applicable tax rates to profits as follows:-

	2018 $	2017 $
Profit before taxation	757,922	3,212,221
Tax at 1%	7,579	32,122
Under provision of prior year tax	12,975	-
Non- taxable income	(27,545)	(11,845)
Share of results in former associates shown net of tax	-	(10,782)
Other adjustments	(51,415)	83,101
	(58,406)	92,596

The company has tax losses of approximately $1,222,397 available for set off against future taxable profits. A deferred tax asset has been recognized in relation to these tax losses carried forward.

18. Financial Ratios

(a) Net Book Value Per Stock Unit

Net book value is calculated by dividing the value of the total assets less its total liabilities by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Net book value end of year ($)	98,418,880	71,111,584
Weighted average number of ordinary shares (units)	1,145,268,974	1,145,268,974
Net book value per stock unit ($)	0.09	0.06

(b) Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of shares in issue during the year.

	2018	2017
Net profit attributable to stockholders ($)	816,328	3,119,625
Weighted average number of ordinary shares (units)	1,145,268,974	1,145,268,974
Basic earnings per stock unit ($)	0.001	0.003
Fully diluted earnings per stock unit ($)	0.001	0.003

(Expressed in United States Dollars)

18. Financial Ratios (cont'd)

(c) Market Value of Ordinary Stock

Market value of ordinary stock units is calculated by multiplying the closing bid price per share as quoted on the Jamaica Stock Exchange by the number of ordinary stock share units in issue during the year.

	2018	2017
Closing bid price per unit as at 31 December ($)	0.08	-
Number of ordinary shares in issue (units)	1,201,149,291	-
Market value of ordinary shares ($)	96,091,943	-

The issued number of ordinary stock units in the prior period has been restated for comparison purposes due to a subdivision which was effected by resolution dated January 19, 2018 (see note 12).

19. Financial Risk Management

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price
- Liquidity risk, and
- Equity price risk

In common with all other businesses, the company is exposed to risks that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Principal Financial Instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Interest receivable
- Cash and cash equivalents
- Investments securities
- Interest payable
- Due to/from related companies
- Loans
- Accounts payable

(Expressed in United States Dollars)

19. Financial Risk Management (cont'd)

(b) Financial Instruments by Category

Financial Assets

	At amortised cost		Fair Value Through Other Comprehensive Income		Fair Value Through Profit or Loss	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
	$	**$**	**$**	**$**	**$**	**$**
Cash and cash equivalents	1,568,702	1,559,221	-	-	-	-
Interest receivable	-	28,986	-	-	-	-
Due from related company	-	98,380	-	-	-	-
Investment securities	-	1,596,591	87,223,098	52,791,590	22,806,852	19,945,887
Total Financial Assets	1,568,702	3,283,178	87,223,098	52,791,590	22,806,852	19,945,887

Financial Liabilities

	Financial Liabilities at amortised cost	
	2018	**2017**
	$	**$**
Debt security in issue	17,215,491	-
Interest payable	32,259	6,494
Accounts payable	2,491,926	1,963,626
Due to parent company	-	3,991,799
	19,739,676	5,961,919

(c) Financial Instruments not Measured at Fair Value

Financial instruments not measured at fair value includes cash and cash equivalents, interest receivable, interest payable, due from related companies, loans and due to parent company.

Due to their short-term nature, the carrying value of cash and cash equivalents, interest receivable, interest payable, due from related companies and due to parent company approximates their fair value.

(Expressed in United States Dollars)

19. Financial Risk Management (cont'd)

(d) Financial Instruments Measured at Fair Value

The fair value hierarchy of financial instruments measured at fair value is provided below:

	Level 1	Level 2	Level 3	Total
	$	$	$	$
31 December 2018				
Financial assets -				
Quoted equity securities	110,029,951	-	-	110,029,951
	110,029,951	-	-	110,029,951
31 December 2017				
Financial assets -				
Quoted equity securities	72,737,477	-	-	72,737,477
	72,737,477	-	-	72,737,477

As at December 31, the fair value of the financial instruments valued at amortized cost is detailed below:

	Carrying Value 2018	Fair Value 2018	Carrying Value 2017	Fair Value 2017
	$	$	$	$
Fair value of financial instruments				
At amortised cost	-	-	1,596,591	1,416,555

(e) Financial Risk Factors

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. 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 investments of excess liquidity.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) Market Risk

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(Expressed in United States Dollars)

19. Financial Risk Management (cont'd)

(e) Financial Risk Factors (cont'd)

(i) Market Risk (cont'd)

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from investment securities, investment in associates, other receivables, interest payable, accounts payable, due to/from related companies and cash and cash equivalents. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

Concentration of Currency Risk

The company is exposed to foreign currency risk in respect of JMD dollars as follows:

	2018 $	2017 $
Assets:		
Cash and cash equivalents	327,153	80
Due from related company	-	98,380
Other receivable	744,045	1,399,575
Investment securities	110,029,951	72,737,477
Total Assets	111,101,149	74,235,512
Liabilities:		
Interest payable	32,259	5,343
Due to parent company	2,282,343	3,991,799
Loan payable	17,215,491	-
Accounts payable	2,509,799	2,008,763
Total Assets	22,039,892	6,005,905
Net position	89,061,257	68,229,607

(Expressed in United States Dollars)

19. Financial Risk Management (cont'd)

(e) Financial Risk Factors (cont'd)

(i) Market Risk (cont'd)

Foreign Currency Sensitivity

The following table indicates the sensitivity of income before taxation to changes in foreign exchange rates. 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 investment securities, investment in associates, other receivables, interest payable, accounts payable, due to/from related companies and cash and cash equivalents, and adjusts their translation at the year-end for 4% (2017 – 4%) depreciation and a 2% (2017 – 2%) appreciation of the Jamaican dollar against the United States dollar.

The changes below would have no impact on other components of equity.

	% Change in Currency Rate 2018	Effect on Profit before Tax 31 December 2018	% Change in Currency Rate 2017	Effect on Profit before Tax 31 December 2017
		$		$
Currency:				
USD	-4	3,562,450	-4	2,729,184
USD	+2	1,781,225	+2	1,364,592

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 is not exposed to investment securities price risk as the amounts are stated at amortised cost.

Cash Flow and Fair Value Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

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

The company is primarily exposed to cash flow interest rate risk on its cash and cash equivalents and investment securities.

(Expressed in United States Dollars)

19. Financial Risk Management (cont'd)

(e) Financial Risk Factors (cont'd)

(i) Market Risk (cont'd)

Cash Flow and Fair Value Interest Rate Risk (cont'd)

The management of interest rate risk is supplemented by monitoring the sensitivity of the company's financial assets to various standard and non-standard interest rate scenarios. Standard scenarios that are considered include a 100 basis point (bp) parallel rise and a 100 basis point (bp) parallel fall in the yield curve applicable to Government of Jamaica local instruments and a 50 basis point (bp) parallel rise and a 50 basis point (bp) parallel fall in the yield curves applicable to Government of Jamaica global bonds and other sovereign bonds. At year end the company did not hold any Government of Jamaica local instruments.

An analysis of the company's sensitivity to an increase or decrease in market interest rates and the likely impact on equity and profit or loss (fair value through profit or loss account instruments), assuming no asymmetrical movement in the zero coupon yield curves, is as follows:

	2018	
	50 bp parallel increase $	**50 bp parallel decrease $**
At 31 December 2018		
Equity – Amortised		
Global	-	-

	2017	
	50 bp parallel increase $	**50 bp parallel decrease $**
At 31 December 2017		
Equity – Amortised		
Global	7,983	7,983

(ii) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from other receivables, interest receivable, due from related companies and cash and cash equivalents.

19. Financial Risk Management (cont'd)

(e) Financial Risk Factors (cont'd)

(ii) Credit Risk (cont'd)

Cash and Cash Equivalents

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

Maximum Exposure to Credit Risk

The maximum exposure to credit risk is equal to the carrying amount of interest receivable, other receivables, due from related companies and cash and cash equivalents in the statement of financial position.

(iii) Liquidity Risk

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

Liquidity risk management process

The company's liquidity risk management process, as carried out within the company and monitored by the finance department includes:

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

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

(iii) Optimising cash returns on investments.

(Expressed in United States Dollars)

19. Financial Risk Management (cont'd)

(e) Financial Risk Factors (cont'd)

(iii) Liquidity Risk (cont'd)

The table below presents the undiscounted cash flows (both interest and principal cash flows) to settle financial liabilities, based on contractual repayment obligation.

	Within 1 Months $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
Financial Liabilities 2018						
Accounts payable	15,772	2,476,154	-	-	-	2,491,926
Debt security in issue	-	-	1,301,211	23,855,545	-	25,156,756
Interest payable	32,259	-	-	-	-	32,259
Total financial liabilities (contractual maturity dates)	48,031	2,476,154	1,301,211	23,855,545	-	27,680,941

	Within 1 Months $	1 to 3 Months $	3 to 12 Months $	1 to 5 Years $	Over 5 Years $	Total $
Financial Liabilities 2017						
Accounts payable	4,881	1,958,745	-	-	-	1,963,626
Interest payable	6,494	-	-	-	-	6,494
Due to parent company	3,991,799	-	-	-	-	3,991,799
Total financial liabilities (contractual maturity dates)	4,003,174	1,958,745	-	-	-	5,961,919

(iv) Equity Price Risk

Equity price risk arises out of price fluctuations in the equity prices. The risk arises out of holding positions in either individual stocks or in the market as a whole.

The goal of the company is to earn dividend income and realise capital gains sufficient to offset interest foregone in holding such long-term positions.

The Board of Directors sets limits on the level of exposure. Diversification is used as a strategy to reduce the impact on the portfolio of non-performing assets.

(v) Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.