



**MAYBERRY JAMAICAN
EQUITIES**

2020

Audited Accounts

Financial Year ended 31 December 2020

Management Discussion & Analysis

YEAR ENDED 31 DECEMBER 2020

(represented in US\$)

INVESTMENT ENVIRONMENT

For the period October to December 2020, Mayberry Jamaican Equities Limited (MJE) volumes traded on the JSE was 16.14 million units versus 5.84 million units when compared to October to December 2019. For Q3 July to September 2020, 1.69 million units were traded.

The Jamaica economy contracted 10.7% for the July to September 2020 quarter compared to the same quarter of 2019, largely due to the negative impact of the continued spread of the novel Coronavirus (COVID-19) and measures to limit its spread. Consequently, the performance stemmed from declines in the Services Industry and Goods Producing Industries by 13.1% and 3.5% respectively. The inflation rate for the October 2020 was 1.3%, primarily attributed to the 2.4% increase in the index for 'Food and Non-Alcoholic Beverages' division. The inflation rate for the calendar year was 6.4%, while the fiscal year-to-date was 5.1%. The exchange rate during the calendar year 2020 devalued by 7.6% or \$10.08 to \$142.65 as at December 31, 2020.

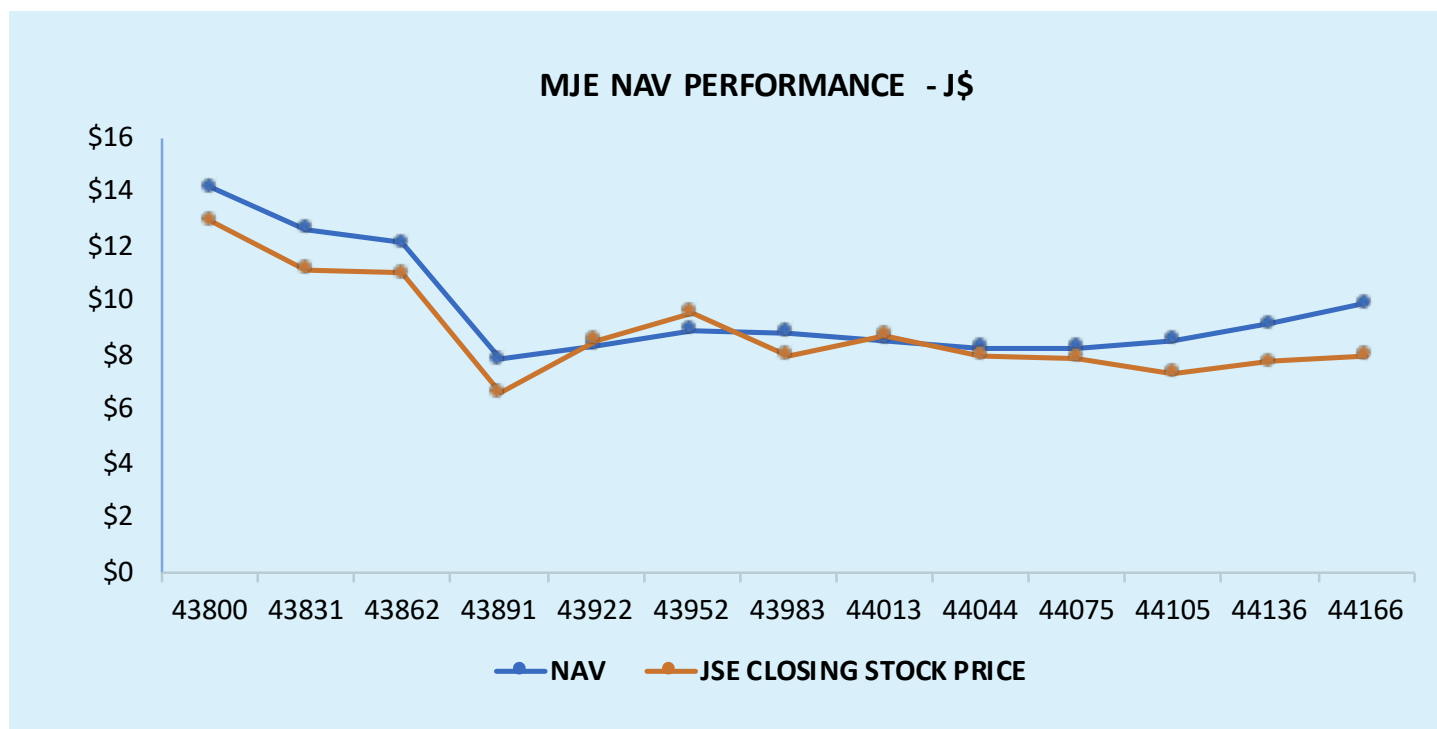
For the period January to December 2020, the JSE Main Market Index declined by 114,301.51 points or 22.4% from 509,916.44 to 395,614.93 points. Local and global stock markets continued to be impacted negatively by the outbreak of the Novel Coronavirus (COVID-19), which was declared a global pandemic by the World Health Organization on March 9, 2020. The JSE Junior Market reported a similar downward trend and closed December 2020 at 2,643.38 points when compared to 3,348.97 points as at December 31, 2019, a 21.1% decline over the twelve-month period.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2020, Total Comprehensive Loss amounted to US\$37 million, compared to Total Comprehensive Income of US\$33.6 million for the corresponding period of 2019; a decrease of US\$70.5 million. This was due mainly to lower revaluation gains, resulting from adverse price movements for stocks held in the equity portfolio.



NET ASSET VALUE (NAV)



As at December 31, 2020, Net Book Value per share moved to US\$0.07, a US\$0.04 decline over the corresponding period in 2019. This resulted from a reduction in Investment Securities of US\$47.5 million versus 2019. MJE's stock price closed at J\$7.99 on December 31, 2020.

Total assets reported for year ended December 31, 2020 was US\$99.8 million compared to US\$150.7 million for the comparative 2019 period. This represents US\$51 million or a 34% decrease in our asset base due mainly to reduced values of quoted equities, particularly, Lasco Financial Services Limited, Blue Power Group Limited, Caribbean Producers Jamaica Limited and other equities that are valued at FVOCI.

Mayberry Jamaican Equities' capital base remained resilient despite the negative shocks on the global and local financial markets to close the year at US\$83.8 million when compared to US\$130.2 million for December 2019. Retained Earnings moved to US\$29.9 million from US\$41 million, and Fair Value Reserves closed 2020 at US\$33.4 million versus US\$68.9 million for 2019.



Portfolio Information

TEN LARGEST HOLDINGS (VALUE OF SHARES) AS AT DECEMBER 31, 2020

STOCK	% OF TOTAL VALUE OF INVESTMENTS
SUPREME VENTURES LIMITED	51.9%
DERRIMON TRADING COMPANY LIMITED	7.5%
CARIBBEAN CEMENT COMPANY LIMITED	6.2%
WIGTON WINDFARM LIMITED	5.8%
LASCO FINANCIAL SERVICES LIMITED	5.1%
CARIBBEAN PRODUCERS JAMAICA LIMITED	4.5%
JAMAICA BROILERS GROUP LIMITED	3.3%
GRACEKENNEDY LIMITED	2.3%
BLUE POWER GROUP LIMITED	2.3%
LUMBER DEPOT LIMITED	2.0%

Mayberry Jamaican Equities (MJE) was a net purchaser of stocks for the financial period ended 31 December 2020 with 308.7 million units. During the year, MJE continued to enhance its composition of equities resulting in the addition of new securities to the portfolio, namely GraceKennedy Ltd, Caribbean Assurance Brokers Ltd and Carreras Group Ltd. MJE also acquired additional shares in Wigton Windfarm Limited and closed this position for 2020 with 1.06 billion stock units in hand.

The company currently holds stock in 31 companies listed on the Main and Junior Markets of the Jamaica Stock Exchange (JSE). All stock prices for the stocks in the portfolio's Top Ten reflected the impact of Covid-19 resulting from the reduction in asset prices, globally driven by uncertainty in the market.

The company continues to monitor the impact of COVID-19 on the business and has implemented measures to aid in the continuity of its operations through the continuous monitoring and assessing of the impact on the entity's financial position, to determine the necessary action required by the company.



Despite the challenges faced by the company due to the deterioration of market conditions management remains confident that the company is well poised for recovery and growth in the medium to long term. However, management is aware that a long duration of the pandemic and the associated containment measures could have a material adverse effect on the company.

For the year ended December 31, 2020, MJE reported Dividend Income of US\$2.3 million, compared to US\$2.8 million representing a 18% decline over the corresponding period in 2019. The most solid contributor to the portfolio's dividend revenue line was Supreme Ventures Limited with dividends of US\$2M.

On April 29, 2020, a dividend of US\$516k was paid following the Board's approval of an ordinary dividend payment of US\$0.06 per share. Payment was made to shareholders on record as at May 12, 2020.

Mayberry Jamaican Equities Limited takes this opportunity to thank all our shareholders and Board of Directors for your continued support.



Top Ten Shareholders and Connected Persons

As at December 31, 2020

Names	Shareholdings
MAYBERRY INVESTMENT LIMITED	833,251,236
PWL BAMBOO HOLDINGS LIMITED	57,408,836
MAYBERRY MANAGED ACCOUNT	51,154,946
MAYBERRY ASSET MANAGERS LIMITED	41,122,865
MANWEI INTERNATIONAL LIMITED	40,251,196
K. MARK BERRY	39,205,594
VICTORY ISLAND LIMITED	10,000,000
VDWSD LIMITED	8,499,000
KMB HOLDINGS INC	6,957,740
SAGICOR SELECT FUNDS LIMITED - CLASS B - FINANCIAL	6,482,385

CONNECTED PARTIES

A+ MEDICAL CENTRE	641,141
MAYBERRY FOUNDATION	554,868



Shareholdings of Directors and Senior Management

As at December 31, 2020

<u>Directors</u>	<u>Shareholdings</u>	<u>Connected Persons</u>
Christopher Berry	-	70,866,993
Konrad Berry	39,205,594	7,362,345
Natalie Augustin	253,300	0



Financial Statements

Financial Year ended 31 December 2020
(Expressed in United States Dollars)

**MAYBERRY JAMAICAN
EQUITIES**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Mayberry Jamaican Equities Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Mayberry Jamaican Equities Limited (the company) set out on pages 4 to 29, which comprise the statement of financial position as at December 31, 2020, 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, 2020, 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 International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the 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.

Assessment of influence within Investees

As at December 31, 2020, the company held investments in other companies in the form of quoted shares, these shareholdings range between 15 to 25% valuing \$73.9 million. This represented 76% of the total investments of \$ 96.8 million of the company.

In accordance with IAS 28, an investment is recognized as associate when the investor has significant influence. Significant influence is having the power to participate in financial and operating policy decisions of the investee.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of
Mayberry Jamaican Equities Limited

Report on the Audit of the Financial Statements (Cont'd)

Assessment of influence within Investees

Our approach to addressing the matter of significant influence involved the following procedures:

- Establishing an understanding of management's approach to performing the assessment of the company's influence within the investees, through our review and analysis of management representation.
- Evaluating management assessment of the significance influence of the company in the investees and the reasonableness of the assumptions and judgement used. We tested the reliability of the information used in management's assessment.
- Obtaining and reviewing management calculation of the percentage of ownership in these investees, by using the most recent publicly available information of the shareholdings of the company within the investees.
- Assessing and confirming management's position on the voting rights of the directors of the company arising from the directorship over the investees.

The results of our procedures indicated that the assumptions used by management for assessing the influence over the investees are reasonable and considered appropriate.

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.

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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of
Mayberry Jamaican Equities Limited

Report on the Audit of the Financial Statements (Cont'd)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view 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.
- 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Shareholders of
Mayberry Jamaican Equities Limited

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 overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.

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 auditors' report is Brenda Duncan.



Chartered Accountants
Castries, St. Lucia
March 1, 2021

Mayberry Jamaican Equities Limited

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Statement of Financial Position


As at December 31, 2020


(Expressed in United States Dollars)

	Note	2020 \$	2019 \$
ASSETS			
Cash and cash equivalents	5	2,334,921	4,084,268
Investment securities	6	96,863,990	144,394,722
Other receivables		236,368	146,985
Due from parent company	7 (b)	-	1,610,519
Taxation recoverable		18,417	-
Intangible asset	8	380,664	442,933
TOTAL ASSETS		99,834,360	150,679,427
LIABILITIES			
Due to parent company	7 (b)	113,656	-
Interest payable		29,253	27,744
Accounts payable	9	275,964	3,085,994
Deferred taxation	10	124,089	699,889
Debt security in issue	11	15,455,355	16,668,991
Taxation payable		-	37,813
Total Liabilities		15,998,317	20,520,431
EQUITY			
Share capital	12	20,556,260	20,556,260
Fair value reserve	13	33,389,769	68,892,906
Retained earnings		29,890,014	40,709,830
Total Equity		83,836,043	130,158,996
TOTAL LIABILITIES AND EQUITY		99,834,360	150,679,427
		2020 \$	2019 \$
NET BOOK VALUE PER STOCK UNIT	17(a)	0.07	0.11

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

APPROVED ON BEHALF OF THE BOARD:-

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 Director

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 Director

Mayberry Jamaican Equities Limited

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Statement of Changes in Equity
For the Year Ended December 31, 2020
(Expressed in United States Dollars)

	No. of shares	Share Capital \$	Fair Value Reserve \$	Retained Earnings \$	Total \$
Balance at December 31, 2018	1,201,149,292	20,556,260	46,966,443	30,896,177	98,418,880
Total comprehensive income for the year	-	-	35,061,425	(1,472,925)	33,588,500
Realised gain transferred to retained earnings	-	-	(11,569,633)	11,569,633	-
Translation adjustment	-	-	(1,565,329)	307,293	(1,258,036)
TRANSACTIONS WITH OWNERS					
Dividend paid (note 18)	-	-	-	(590,348)	(590,348)
Balance as at December 31, 2019	1,201,149,292	20,556,260	68,892,906	40,709,830	130,158,996
Total comprehensive loss for the year	-	-	(28,884,690)	(8,076,417)	(36,961,107)
Realised gain transferred to retained earnings	-	-	(1,498,161)	1,498,161	-
Translation adjustment	-	-	(5,120,286)	(3,725,135)	(8,845,421)
TRANSACTIONS WITH OWNERS					
Dividend paid (note 18)	-	-	-	(516,425)	(516,425)
Balance as at December 31, 2020	<u>1,201,149,292</u>	<u>20,556,260</u>	<u>33,389,769</u>	<u>29,890,014</u>	<u>83,836,043</u>

Mayberry Jamaican Equities Limited

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Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended December 31, 2020
(Expressed in United States Dollars)

	<u>Note</u>	<u>2020</u> <u>\$</u>	<u>2019</u> <u>\$</u>
INCOME			
Dividend income		2,263,237	2,759,178
Net unrealized (loss)/gain on financial instruments - FVPL		(8,519,141)	400,097
Interest income	14	12,358	166,136
Net trading gains		439,923	333,853
Net foreign exchange (loss)/gains		(82,078)	224,636
Total operating (loss)/income		(5,885,701)	3,883,900
INTEREST EXPENSE			
Net operating (loss)/income	14	(1,277,212)	(1,344,813)
		(7,162,913)	2,539,087
EXPENSES			
Audit fees		(20,276)	(19,278)
Other expenses		(1,077,021)	(3,948,128)
	15	(1,097,297)	(3,967,406)
LOSS BEFORE TAXATION			
Taxation	16	(8,260,210)	(1,428,319)
		183,793	(44,606)
NET LOSS FOR THE YEAR		(8,076,417)	(1,472,925)
Other Comprehensive Income Net of Taxation:			
Item that will not be reclassified to profit or loss			
Net unrealized (loss)/gains on financial instruments - FVOCI		(28,884,690)	35,061,425
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		(36,961,107)	33,588,500
Loss Attributable to Stockholders		(8,076,417)	(1,472,925)
		<u>2020</u> <u>\$</u>	<u>2019</u> <u>\$</u>
LOSS PER STOCK UNIT	17(b)	(0.007)	(0.001)

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

Mayberry Jamaican Equities Limited

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Statement of Cash Flow

For the Year Ended December 31, 2020

(Expressed in United States Dollars)

	<u>Note</u>	<u>2020</u> <u>\$</u>	<u>2019</u> <u>\$</u>
Cash Flows from Operating Activities			
Loss before taxation		(8,260,210)	(1,428,319)
Adjustments for:			
Interest income	14	(12,358)	(166,136)
Interest expense	14	1,277,212	1,344,813
Realised fair value gains transferred to retained earnings		1,498,161	11,569,633
Unrealised foreign exchange gain/(loss)		88,771	(52,926)
Unrealised fair value loss/(gain) on financial instruments - FVPL		8,519,141	(400,096)
Amortization		62,269	32,309
		<u>3,172,986</u>	<u>10,899,278</u>
 Increase in investment securities		(1,825,329)	(12,055,842)
(Increase)/decrease in other receivables		(81,409)	597,060
(Decrease)/increase in accounts payable		(3,065,930)	576,195
Decrease in related companies		<u>1,861,354</u>	<u>4,107,137</u>
		61,672	4,123,828
 Tax paid		(53,225)	-
Interest received		12,358	166,136
Interest paid		(1,277,726)	(1,349,328)
Cash (used in)/generated from Operating Activities		<u>(1,256,921)</u>	<u>2,940,636</u>
 Cash Flows from Investing Activities			
Purchase of intangible asset	8	-	(201,245)
Dividend paid		(516,425)	(590,348)
Cash used in Investing Activities		<u>(516,425)</u>	<u>(791,593)</u>
 (Decrease)/increase in Cash and Cash Equivalents		(1,773,346)	2,149,043
Exchange gain on foreign Cash and Cash Equivalents		23,999	52,926
Cash and Cash Equivalents - Beginning of Year		<u>4,084,268</u>	<u>1,882,299</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	5	<u><u>2,334,921</u></u>	<u><u>4,084,268</u></u>

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

Mayberry Jamaican Equities Limited

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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%.

During 2019, Mayberry Investments Limited further reduced its ownership to 72% by disposing of over 40 million stock units held in Mayberry Jamaican Equities Limited.

As at December 31, 2020, Mayberry Investments Limited owns 68% of Mayberry Jamaican Equities Limited and held 32 million stock units in its portfolio.

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 March 1, 2021.

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. Where necessary, prior year comparative have been reclassified to conform to current year presentation.

(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.

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

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, interpretations and amendments and has concluded that there are no new standards, interpretations and amendments which are immediately relevant to its operations.

Amendments to IAS 1 and IAS 8 on the definition of material (effective for accounting periods beginning on or after January 1, 2020). These amendments to IAS 1, 'Presentation of Financial Statements', and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', and consequential amendments to other IFRSs: i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting; ii) clarify the explanation of the definition of material; and iii) incorporate some of the guidance in IAS 1 about immaterial information. The adoption of this standard is not expected to have a significant impact on the company.

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

(Amendments to IFRS 16 COVID-19- Related Rent Concessions)

Effective June 1, 2020, IFRS 16 was amended to provide a practical expedient for lessees accounting for rent concessions that arise as a direct consequence of the COVID-19 pandemic and satisfy the following criteria:

- (a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) The reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and condition of the lease.

Rent concessions that satisfy these criteria may be accounted for in accordance with the practical expedient, which means the lessee does not assess whether the rent concession meets the definition of a lease modification. Lessees apply other requirements in IFRS 16 in accounting for the concession. There was no impact on the adoption of the amendment to the standard as the company does not currently have leases.

3. Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New standards and amended standards and interpretations not yet effective and not early adopted by the company

Amendments to IAS 1 - Classification of Liabilities (effective for accounting periods beginning on or after January 1, 2023)

These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, service or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument.

The company is currently assessing the impact of this new amendment. The company does not believe that the amendments to IAS 1 will have a significant impact on the classification of its liabilities.

(b) Foreign Currencies

The functional currency of the company is Jamaican dollars based on its primary operating regulatory environment. The financial statements are presented in United States dollars as in accordance with the Articles of Association.

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").

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.

3. Significant Accounting Policies (cont'd)

(d) Intangible Assets

Computer software is deemed to have a finite useful life of seven 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.

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) or 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.

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)

(ii) Fair value through profit or loss (FVPL) (cont'd)

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.

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 include 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.

3. Significant Accounting Policies (cont'd)

(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.

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.

3. Significant Accounting Policies (cont'd)

(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.

(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.

3. Significant Accounting Policies (cont'd)

(l) Share capital (cont'd)

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.

(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 estimate and assumption that has a significant risk of causing a material adjustment to the carrying amounts and assets and liabilities within the next financial year is 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:

4. Critical Accounting Judgements and Estimates (cont'd)**(b) Key Sources of Estimation Uncertainty (cont'd)****Fair Value Estimation (cont'd)**

- (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.
- (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

	<u>2020</u> \$	<u>2019</u> \$
Current account - Foreign currency	325,926	326,387
Current accounts - US dollar	<u>2,008,995</u>	<u>3,757,881</u>
	<u>2,334,921</u>	<u>4,084,268</u>

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

Amounts represent debt security in issue.

	<u>2020</u> \$	<u>2019</u> \$
Cash -		
Debt security issued	14,241,719	16,122,491
Non-cash -		
Unrealised foreign exchange loss	<u>1,213,636</u>	<u>546,500</u>
At December 31	<u>15,455,355</u>	<u>16,668,991</u>

6. Investment Securities

	<u>2020</u> \$	<u>2019</u> \$
Equity securities at fair value through other comprehensive income	84,768,338	121,614,122
Equity securities at fair value through profit or loss	12,095,652	22,780,600
	<u>96,863,990</u>	<u>144,394,722</u>

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. As at October 4, 2020, the call option expired according without being exercised.

7. Related Party Transactions and Balances

	<u>2020</u> \$	<u>2019</u> \$
(a) Transactions between the company and its related companies		
Purchase of equities	5,395,001	22,494,903
Sale of equities	8,060,923	28,442,860
Interest expense	148,582	127,525
Investment management fee and incentive fee	483,590	3,646,433
Operating expense	345,153	348,608
Interest income	-	137,851
(b) Year end balances arising from transactions with related companies		
Due from -		
Parent Company - Mayberry Investments Limited	-	1,610,519
Due to -		
Parent company - Mayberry Investments Limited	113,656	-
Mayberry Asset Managers Limited		
(included in accounts payable (note 9))	244,313	3,045,852
	<u>357,969</u>	<u>2,476,154</u>

- (i) An interest rate of 10% per annum is charged by the parent company on any outstanding intercompany balance. There are no fixed terms of repayment in respect of the transactions done on behalf of the company.
- (ii) On February 15, 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 Jamaican Equities 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:

7. Related Party Transactions and Balances (cont'd)**(c) Year end balances arising from transactions
with related companies (cont'd)**

- (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 January 1, 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 January 1, 2016, on December 31 of each year.

The amount of \$483,590 (2019 - \$3,646,433) in 7(a) above represents the investment management fee of \$483,590 (2019 - \$721,815) and incentive fees of \$nil (2019 - \$2,924,618) charged for the period January 1, 2020 to December 31, 2020 (note 15).

8. Intangible Asset

	<u>2020</u> \$
Cost -	
At December 31, 2018	273,997
Additions	<u>201,245</u>
At December 31, 2019	475,242
Additions	<u>-</u>
At December 31, 2020	<u>475,242</u>
Accumulated depreciation -	
At December 31, 2018	-
Charge for the year	<u>32,309</u>
At December 31, 2019	32,309
Charge for the year	<u>62,269</u>
At December 31, 2020	<u>94,578</u>
Net book Value -	
December 31, 2020	<u>380,664</u>
December 31, 2019	<u>442,933</u>

9. Accounts Payable

	<u>2020</u> \$	<u>2019</u> \$
Audit fee payable	18,000	21,000
Other payables	13,651	19,142
Investment incentive fee (note 7(ii))	-	2,924,618
Investment management fee (note 7(ii))	<u>244,313</u>	<u>121,234</u>
	<u>275,964</u>	<u>3,085,994</u>

10. Deferred Taxation

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

	<u>2020</u> \$	<u>2019</u> \$
Balance - beginning of year	699,889	491,289
Deferred tax credit (note 16)	(180,789)	(12,317)
Deferred tax (credit)/charge to other comprehensive income on investment securities	(395,011)	220,917
Balance - end of year	<u>124,089</u>	<u>699,889</u>
Deferred tax assets:		
Tax losses carried forward	(128,310)	-
	<u>(128,310)</u>	<u>-</u>
Deferred tax liabilities:		
Investment securities - profit or loss	(85,191)	4,001
Investment securities - other comprehensive income	<u>337,590</u>	<u>695,888</u>
	<u>252,399</u>	<u>699,889</u>
	<u>124,089</u>	<u>699,889</u>

11. Debt Security in Issue

	<u>2020</u> \$	<u>2019</u> \$
Corporate Bond Holders	<u>15,455,355</u>	<u>16,668,991</u>

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 \$68,509,338 (2019 - \$109,518,698) with a coverage of 4.41 (2019 - 6.53) times the loan balance.

12. Share Capital

	No. of Shares	2020 \$	No. of Shares	2019 \$
Authorised:				
1 special rights preference share of \$1,000 par value				
4,000,000,000 ordinary shares of \$0.01 par value				
Issued and Fully Paid				
Preference share	1	1,000	1	1,000
Ordinary shares	<u>1,201,149,291</u>	<u>20,555,260</u>	<u>1,201,149,291</u>	<u>20,555,260</u>
	<u>1,201,149,292</u>	<u>20,556,260</u>	<u>1,201,149,292</u>	<u>20,556,260</u>

12. Share Capital (cont'd)

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 Asset 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.

14. Interest Income and Interest Expense

	<u>2020</u> \$	<u>2019</u> \$
Interest income -		
Investment securities	12,358	28,285
Loan to parent company	-	137,851
	<u>12,358</u>	<u>166,136</u>
Interest expense -		
Inter-company finance charges (note 7a)	(148,582)	(127,525)
Debt security in issue	(1,128,630)	(1,217,288)
	<u>(1,277,212)</u>	<u>(1,344,813)</u>

15. Expenses by Nature

	<u>2020</u> \$	<u>2019</u> \$
Audit fees	20,276	19,278
Legal and professional fees	158,719	22,467
Other operating expenses	10,710	94,016
Investment incentive fee (note 7a)	-	2,924,618
Investment management fee (note 7a)	483,590	721,815
Regulatory fees	47,902	52,898
Marketing & public relations	12,681	11,875
Amortised cost of loan	25,243	27,270
Amortisation of intangible asset (note 8)	62,269	32,309
Computer licence fee	275,907	60,860
	<u>1,097,297</u>	<u>3,967,406</u>

16. Taxation

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

	<u>2020</u> \$	<u>2019</u> \$
Current tax	-	56,923
Over provision of prior year tax	(3,004)	-
Deferred tax (note 10)	(180,789)	(12,317)
	<u>(183,793)</u>	<u>44,606</u>

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

	<u>2020</u> \$	<u>2019</u> \$
Loss before taxation	(8,260,210)	(1,428,319)
Tax at 1%	(82,602)	(14,283)
Over provision of prior year tax	(3,004)	-
Non-taxable income	(61,290)	(32,588)
Other adjustments	(36,897)	91,477
	<u>(183,793)</u>	<u>44,606</u>

17. 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.

	<u>2020</u>	<u>2019</u>
Net book value end of year (\$)	83,836,043	130,158,996
Weighted average number of ordinary shares (units)	1,201,149,292	1,201,149,292
Net book value per stock unit (\$)	<u>0.07</u>	<u>0.11</u>

(b) Earnings Per Share

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

	<u>2020</u>	<u>2019</u>
Net loss attributable to stockholders (\$)	(8,076,417)	(1,472,925)
Weighted average number of ordinary shares (units)	1,201,149,292	1,201,149,292
Basic earnings per stock unit (\$)	(0.007)	(0.001)
Fully diluted earnings per stock unit (\$)	<u>(0.007)</u>	<u>(0.001)</u>

17. 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.

	<u>2020</u>	<u>2019</u>
Closing bid price per unit as at 31 December (\$)	0.05	0.09
Number of ordinary shares in issue (units)	1,201,149,291	1,201,149,291
Market value of ordinary shares (\$)	<u>58,061,751</u>	<u>108,103,436</u>

18. Dividends

	<u>2020</u>	<u>2019</u>
In respect of December 2020 (\$0.06 per share)	<u>516,425</u>	<u>590,348</u>

On April 29, 2020 an ordinary dividend of \$0.06 per share was approved by the Board of Directors for payment on June 26, 2020.

On March 12, 2019 an ordinary dividend of \$0.065 per share was approved by the Board of Directors for payment on May 3, 2019.

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.

In addition to the financial risks outlined above, the company has also been impacted by the effects of COVID-19 which led to the deterioration in market conditions. The company has reviewed the objectives, policies and processes for managing the risks and the methods used to measure them in order to improve the effectiveness of its risk management strategies.

(a) Principal Financial Instruments

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

- Cash and cash equivalents
- Investments securities
- Interest payable
- Loans
- Accounts payable

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	
	2020	2019	2020	2019	2020	2019
	\$	\$	\$	\$	\$	\$
Cash and cash equivalents	2,041,768	3,774,453	-	-	-	-
Investment securities	-	-	84,768,338	121,614,122	12,095,652	22,780,600
Total Financial Assets	2,041,768	3,774,453	84,768,338	121,614,122	12,095,652	22,780,600

Financial Liabilities

	Financial Liabilities at amortised cost	
	2020	2019
	\$	\$
Debt security in issue	15,455,355	16,668,991
Interest payable	29,253	27,744
Accounts payable	257,964	3,064,994
	<u>15,742,572</u>	<u>19,761,729</u>

(c) Financial Instruments not Measured at Fair Value

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

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

(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
	\$	\$	\$	\$
December 31, 2020				
Financial assets -				
Quoted equity securities	96,863,990	-	-	96,863,990
	<u>96,863,990</u>	<u>-</u>	<u>-</u>	<u>96,863,990</u>
December 31, 2019				
Financial assets -				
Quoted equity securities	144,394,722	-	-	144,394,722
	<u>144,394,722</u>	<u>-</u>	<u>-</u>	<u>144,394,722</u>

19. Financial Risk Management (cont'd)

(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, investments of excess liquidity and the impacts of COVID-19.

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).

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 other receivables, 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 the fluctuation of the JMD dollar against the USD dollars as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Assets:		
Cash and cash equivalents	2,008,994	3,757,881
Due from parent company	-	1,123,945
Other receivable	236,368	146,985
Total Assets	<u>2,245,362</u>	<u>5,028,811</u>
Liabilities:		
Due to parent company	418,943	-
Accounts payable	29,973	40,142
Total liabilities	<u>448,916</u>	<u>40,142</u>
Net position	<u>1,796,446</u>	<u>4,988,669</u>

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 other receivables, accounts payable, due to parent company and cash and cash equivalents, and adjusts their translation at the year-end for 6% (2019 - 4%) depreciation and a 2% (2019 - 2%) appreciation of the United States against the Jamaican dollar.

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

	% Change in Currency Rate 2020	Effect on Loss before Tax 31 December 2020	% Change in Currency Rate 2019	Effect on Loss before Tax 31 December 2019
		\$		\$
Currency:				
JMD	-6	(107,787)	-6	(299,321)
JMD	+2	35,929	+4	199,547

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.

(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 other receivables 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.

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 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Total \$
Financial Liabilities 2020						
Accounts payable	18,000	257,964	-	-	-	275,964
Debt security in issue	-	-	1,164,358	19,017,846	-	20,182,204
Interest payable	29,253	-	-	-	-	29,253
Total financial liabilities (contractual maturity dates)	47,253	257,964	1,164,358	19,017,846	-	20,487,421

19. Financial Risk Management (cont'd)

(e) Financial Risk Factors (cont'd)

(iii) Liquidity Risk (cont'd)

	Within 1 Month \$	1 to 3 Months \$	3 to 12 Months \$	1 to 5 Years \$	Over 5 Years \$	Total \$
Financial Liabilities 2019						
Accounts payable	21,000	3,064,994	-	-	-	3,085,994
Debt security in issue	-	-	1,257,844	21,802,627	-	23,060,471
Interest payable	27,744	-	-	-	-	27,744
Total financial liabilities (contractual maturity dates)	48,744	3,064,994	1,257,844	21,802,627	-	26,174,209

(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.

20. COVID-19 Impact

Since the outbreak of (COVID-19) on March 11, 2020, the pandemic and the measures to control its human impact have resulted in significant disruptions to economic activities, business operations and asset prices. However, it is anticipated that the general economic challenges caused by the impact of Covid-19 will continue in the near future until the vaccine is widely available in key source markets, which will significantly boost economic activity.

The company continues to monitor the impact of COVID-19 on the business and has implemented measures to aid in the continuity of its operations through the continuous monitoring and assessing of the impact on the entity's financial position, to determine the necessary action required by the company.

Despite the challenges faced by the company due to the deterioration of market conditions management remains confident that the company is well poised for recovery and growth in the medium to long term. However, management is aware that a long duration of the pandemic and the associated containment measures could have a material adverse effect on the company.