tTECH LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2017

(Expressed in Jamaican dollars unless otherwise indicated)

tTECH LIMITED

YEAR ENDED 31 DECEMBER 2017

CONTENTS

	Page
Independent Auditor's Report - To the Members	1 - 5
FINANCIAL STATEMENTS	
Statement of Financial Position	6
Statement of Comprehensive Income	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10 - 42

Chartered Accountants

8 Olivier Road
Kingston 8
Jamaica, W.I.

Tel: +1 876 925 2501
Fax: +1 876 755 0413
ey.com

INDEPENDENT AUDITOR'S REPORT

To the Members of tTech Limited

Opinion

We have audited the financial statements of tTech Limited (the Company), which comprise the statement of financial position as at 31 December 2017, the statements of 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 31 December 2017 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

A member firm of Ernst & Young Global Limited
Partners: Allison Peart, Linval Freeman, Winston Robinson, Anura Jayatillake, Kayann Sudlow

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Key Audit Matters (continued)

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

Key audit matter	How our audit addressed the key audit matter
Allowance for credit losses	
As described in Note 2 (d) Use of estimates and judgements under section *Allowance for impairment losses on receivables* in the financial statements, in determining amounts recorded for impairment losses in the financial statements, management makes judgments regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics.	Assessing the valuation of trade receivables requires judgment and we have reviewed and challenged the assumptions used to determine the trade receivables impairment provision. We tested aged balances where no provision was recognised to determine if the balances were impaired. This included verifying if payments had been received since the year-end, reviewing historical payment patterns and any correspondence with customers on expected settlement dates. We selected a sample of trade receivable balances where a provision for impairment of trade receivables was recognised and understood the rationale behind management's judgement. In order to evaluate the appropriateness of these judgements we verified whether balances were overdue, the customer's historical payment patterns and whether any post year-end payments had been received up to the date of completing our audit procedures. In assessing the appropriateness of the overall provision for impairment we considered the consistency of management's application of policy for recognising provisions with the prior year.

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Other information included in the Annual Report

Management is responsible for the other information. The other information comprises of the information included in the Annual Report for the year ended 31 December 2017 but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the 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.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

A member firm of Ernst & Young Global Limited

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

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

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

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

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

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

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

From the matters communicated with the Board of Directors, 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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on additional requirements of the Jamaican Companies Act

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

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

Ernst & Young

Ernst & Young
Kingston, Jamaica

22 February 2018

A member firm of Ernst & Young Global Limited

tTECH LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2017 $'000	2016 $'000
Current assets			
Cash resources	3	30,579	24,153
Government securities purchased under resale agreements	4	94,910	93,908
Accounts receivable	5	29,801	47,151
Other receivables	6	15,325	15,194
		170,615	180,406
Current liabilities			
Accounts payable	7	30,389	32,079
Net current assets		140,226	148,327
Non-current assets			
Investments	10	26,001	2,027
Property, plant and equipment	11	12,151	13,615
		38,152	15,642
Total net assets		178,378	163,969
Shareholders' equity			
Share capital	12	51,727	51,727
Unappropriated profit		126,651	112,242
		178,378	163,969
		178,378	163,969

The accompanying notes form an integral part of these Financial Statements.

The financial statements were approved and authorised for issue by the Board of Directors on February 22, 2018 and are signed on its behalf by:

Edward Alexander - Director

Thomas Chin - Director

tTECH LIMITED
STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2017
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2017 $'000	2016 $'000
Revenues	13	217,247	223,164
Cost of Sales	15	(28,081)	(32,745)
Gross profit		189,166	190,419
Other income, gains and losses	14	(439)	9,288
Administrative expenses	15	(149,874)	(143,002)
Other operating expenses	15	(20,204)	(18,484)
Profit before taxation	17	18,649	38,221
Taxation	8	-	1,120
NET PROFIT BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		18,649	39,341
Net profit attributable to owners		18,649	39,341
Earnings per share	20	**$0.18**	**$0.37**

The accompanying notes form an integral part of these Financial Statements

tTECH LIMITED
STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2017
(Expressed in Jamaican dollar unless otherwise indicated)

	Note	Share Capital $'000 (Note 12)	Unappropriated Profit $'000	TOTAL $'000
Balance at 1 January 2016		51,727	76,876	128,603
Net profit being total comprehensive income for the year		-	39,341	39,341
Dividends	21	-	(3,975)	(3,975)
Balance at 31 December 2016		51,727	112,242	163,969
Net profit being total comprehensive income for the year			18,649	18,649
Dividends	21		(4,240)	(4,240)
Balance at 31 December 2017		51,727	126,651	178,378

The accompanying notes form an integral part of these Financial Statements.

tTECH LIMITED
STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2017
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Net profit for the year		18,649	39,341
Adjustments for:			
Bad debts provision	5	(48)	590
Depreciation	11	4,027	4,034
Loss on disposal of equipment	14	60	-
Taxation	8	-	(1,120)
Contingency provision write off during the year		-	(1,500)
Interest income	14	(2,192)	(1,339)
Dividend income	14	(84)	(79)
Foreign exchange loss/(gain)	14	4,348	(5,629)
Appreciation in fair value of equity investments	14	(1,133)	(378)
Operating cash flows before movements in working capital		23,627	33,920
Accounts receivable		17,398	(21,305)
Other receivables		(11)	47,910
Accounts payable		(1,723)	(4,549)
		39,291	55,976
Tax paid		-	(4,672)
Cash provided by operating activities		39,291	51,304
Cash flows from investing activities			
Additions to property, plant and equipment	11	(2,623)	(3,612)
Government securities purchased under resale agreements		(12,378)	(13,604)
Investments		(22,841)	(76)
Dividend received		84	79
Interest received		2,072	1,328
Cash used in investing activities		(35,686)	(15,885)
Cash flows from financing activity			
Dividends paid		(4,207)	(3,865)
Cash used in financing activities		(4,207)	(3,865)
Decrease/Increase in cash and cash equivalents		(602)	31,554
Effect of exchange rate on cash and cash equivalents		(4,348)	5,629
Cash and cash equivalents at beginning of the year		104,457	67,274
Net cash and cash equivalents at end of the year		99,507	104,457
Comprised of:			
Cash and bank balances	3	30,579	24,153
Short term investments	4	68,928	80,304
Net cash and cash equivalents at end of the year		99,507	104,457

The accompanying notes form an integral part of these Financial Statements.

1. IDENTIFICATION

tTech Limited (the "Company") is a limited liability company, which was incorporated under the Jamaican Companies Act and is domiciled in Jamaica with registered office located at 69½ Harbour Street, Kingston, Jamaica.

The principal activity of the Company is that of information technology service providers and consultants.

The Company increased the number of the authorized ordinary shares (shares) from 1,000 to 106,000,000 on November 11th, 2015 and on that date the 274 shares, then in issue, were split to 80,348,000 shares. The Company made an Initial Public Offering (IPO) under which 25,652,000 additional shares were issued on December 28, 2015.

On January 7, 2016, the Company's ordinary shares were listed on the Junior Market of the Jamaica Stock Exchange.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

(a) Statement of compliance:

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

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

Standards and interpretations adopted during the year

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2017. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2017, they did not have a material impact on the financial statements of the Company. The nature and the impact of each new standard or amendment are described below:

IAS 7 *Disclosure Initiative – Amendments to IAS 7*
The amendments to IAS 7 *Statement of Cash Flows* are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments had no impact on the Company's financial statements.

IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

Standards and interpretations adopted during the year (continued)

IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses (continued)*
Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity.

Entities applying this relief must disclose that fact. These amendments are effective for annual periods beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments did not have any impact on the Company's financial statements.

IFRS *Practice Statement 2*: *Making Materiality Judgements*
Companies are permitted to apply the guidance in the Practice Statement (PS) to financial statements prepared any time after 14 September 2017.

The PS contains non-mandatory guidance to help entities making materiality judgements when preparing general purpose IFRS financial statements. The PS may also help users of financial statements to understand how an entity makes materiality judgements in preparing such financial statements.

The PS comprises guidance in three main areas:
• General characteristics of materiality,
• A four-step process that may be applied in making materiality judgements when preparing financial statements. This process describes how an entity could assess whether information is material for the purposes of recognition, measurement, presentation and disclosure.
• How to make materiality judgements in specific circumstances, namely, prior period information, errors and covenants and in the context of interim reporting. Furthermore, the PS discusses the interaction between the materiality judgements an entity is required to make and local laws and regulations.

Annual Improvements *2014-2016 Cycle (issued in December 2016)*

These improvements include:

IFRS 12 Disclosure of Interests in Other Entities
Clarification of the scope of the disclosure requirements in IFRS 12

• The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

• The amendments are effective from 1 January 2017 and must be applied retrospectively.

The application of the amendments had no impact on the financial statements of the Company.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

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

The standards and interpretations that are issued, but not yet effective are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

IFRS 2 *Classification and Measurement of Share-based Payment Transactions*
The IASB issued amendments to IFRS 2 *Share-based Payment* that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and other criteria are met. The amendments are effective for annual periods beginning on or after 1 January 2018, with early application permitted. The amendment is not applicable as the Company does not have share-based payments.

IFRS 9 *Financial Instruments*
In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* that replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for the financial instruments project: classification and measurement; impairment; and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Company plans to adopt the new standard on the required effective date. During 2017, the Company performed an impact assessment of IFRS 9.
This assessment was based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Company in 2018 when the Company will adopt IFRS 9. Overall, the Company expects no significant impact on its statement of financial position and equity except for the effect of applying the impairment requirements of IFRS 9. The Company is currently assessing the impact on the financial statements.

(a) Classification and measurement
The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of IFRS 9. It expects to continue measuring at fair value all financial assets currently held at fair value.

Other loans and receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

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

IFRS 9 *Financial Instruments (continued)*

(b) Impairment

IFRS 9 requires the Company to record expected credit losses on its debt securities, either on a 12-month or lifetime basis. The Company expects to apply the simplified approach and record the life time expected credit losses on trace receivables.

(c) Hedge accounting

This amendment is not applicable as the Company does not apply hedge accounting.

IFRS 9 *Financial Instruments with IFRS 4 Insurance Contracts*

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard that the Board has developed to replace IFRS 4 (See IFRS 17 below). The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not expected to have any impact on the financial statements of the Company.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. The Company is currently performing a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments. The Company is in the business of providing information technology and consultancy services on separate identified contracts with customers and together as a bundled package of services.

Rendering of services

The Company provides technology and consultancy services. These services are sold either on their own in contracts with the customers or bundled together with the sale of equipment to a customer. Currently, the Company accounts for the equipment and service as separate deliverables of bundled sales and allocates consideration between these deliverables using the relative fair value approach. The Company recognises service revenue by reference to the stage of completion. Under IFRS 15, allocation will be made based on relative stand-alone selling prices. Hence, the allocation of the consideration and, consequently, the timing of the amount of revenue recognised in relation to these sales would be affected.

The Company concluded that the services are satisfied over time given that the customer simultaneously receives and consumes the benefits provided by the Company. Consequently, under IFRS 15 the Company would continue to recognise revenue for these service contracts/service components of bundled contracts over time rather than at a point of time.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

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

IFRS 15 *Revenue from Contracts with Customers (continued)*
Advances received from customers
Generally, the Company receives only short-term advances from its customers. They are presented as part of Trade and other payables. However, from time to time, the Company may receive long-term advances from customers.

Under the current accounting policy, the Company presents such advances as deferred revenue under the non- current liabilities heading in the statement of financial position. No interest was accrued on the long-term advances received under the current accounting policy. Under IFRS 15, the Company must determine whether there is a significant financing component in its contracts.

Presentation and disclosure requirements
The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Company's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Company has assessed that the impact of some of them will be significant. In particular, the Company expects that the notes to the financial statements will be expanded because of the disclosure of significant judgements made: when determining the transaction price of those contracts that include variable consideration, how the transaction price has been allocated to the performance obligations, and the assumptions made to estimate the stand-alone selling prices of each performance obligation. In addition, as required by IFRS 15, the Company will disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

IFRS 16 *Leases*
IFRS 16 was issued in January 2016 and it replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.* IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

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

IFRS 16 *Leases (continued)*

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company will perform a detailed assessment of the impact of the standard in 2018.

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

• A specific adaptation for contracts with direct participation features (the variable fee approach)

• A simplified approach (the premium allocation approach) mainly for short-duration contracts.
IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. This standard is not applicable to the Company.

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

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

Annual Improvements *2014-2016 Cycle (issued in December 2016)*
These improvements include:

IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term exemptions for first-time adopters Short-term exemptions in paragraphs E3–E7 of IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from 1 January 2018. This amendment is not applicable to the Company.

IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that:
• An entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss.
• If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognised; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.
The amendments should be applied retrospectively and are effective from 1 January 2018, with earlier application permitted. If an entity applies those amendments for an earlier period, it must disclose that fact. These amendments are not applicable to the Company.

Annual Improvements 2015-2017 cycle (issued in December 2017)
Following is a summary of the amendments from the 2015-2017 annual improvements cycle: FRS 3 Business Combinations Previously held Interests in a joint operation

- The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value.
- In doing so, the acquirer remeasures its entire previously held interest in the joint operation.
- An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

IFRS 11 Joint Arrangements Previously held Interests in a joint operation

- A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.
- An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

These amendments are not applicable to the Company.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

Annual Improvements 2015-2017 cycle (issued in December 2017) (continued)
IAS 12 Income Taxes Income tax consequences of payments on financial instruments classified as equity.

- The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognised those past transactions or events.
- An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. This amendments are not applicable to the Company.

IAS 23 Borrowing Costs Borrowing costs eligible for capitalisation

- The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.
- An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments.
- An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted.

These amendment are not applicable to the Company.

IFRIC Interpretation 22 **Foreign Currency Transactions and Advance Consideration**
The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

(i) The beginning of the reporting period in which the entity first applies the interpretation or,
(ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.
The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Company's current practice is in line with the Interpretation, the Company does not expect any effect on its financial statements.

IFRIC Interpretation 23 **Uncertainty over Income Tax Treatment**
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

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

IFRIC Interpretation 23* Uncertainty over Income Tax Treatment *(continued)
The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. This is not applicable to the Company due to a tax remission currently in place due to its listing on the Junior Market of the Jamaica Stock Exchange.

***Amendments to IAS 40-* Transfers of Investment Property**
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. Entities should apply the amendments prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments.

An entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date. Retrospective application in accordance with IAS 8 is only permitted if it is possible without the use of hindsight. Effective for annual periods beginning on or after 1 January 2018. Early application of the amendments is permitted and must be disclosed. These amendments are not applicable to the Company.

Amendments to IFRS 9- *Prepayment Features with Negative Compensation*
Under IFRS 9, a debt instrument can be measured at amortised cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The basis for conclusions to the amendments clarified that the early termination can result from a contractual term or from an event outside the control of the parties to the contract, such as a change in law or regulation leading to the early termination of the contract.

The amendments are effective for annual periods beginning on or after 1 January 2019 and are intended to apply where the prepayment amount approximates to unpaid amounts of principal and interest plus or minus an amount that reflects the change in a benchmark interest rate. This implies that prepayments at current fair value or at an amount that includes the fair value of the cost to terminate an associated hedging instrument, will normally satisfy the SPPI criterion only if other elements of the change in fair value, such as the effects of credit risk or liquidity, are small. Most likely, the costs to terminate a 'plain vanilla' interest rate swap that is collateralised, so as to minimise the credit risks for the parties to the swap, will meet this requirement. The Company does not expect any effect on its financial statements.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

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

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

***Amendments to IAS 28* - Long-term interests in associates and joint ventures**
The amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The Board also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures. To illustrate how entities apply the requirements in IAS 28 and IFRS 9 with respect to long-term interests, the Board also published an illustrative example when it issued the amendments. Entities must apply the amendments retrospectively, with certain exceptions. Early application of the amendments is permitted and must be disclosed. The amendments will eliminate ambiguity in the wording of the standard. The amendments are effective for annual periods beginning on or after 1 January 2019. This amendment is not applicable to the Company.

(c) Basis of preparation:

The Company's financial statements have been prepared on the historical cost basis, except for revaluation of financial assets classified as fair value through profit or loss that are measured at revalued amounts or fair values as explained in the accounting policy at Note 2(f). Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are presented Jamaican dollars ($), which is the functional currency of the Company.

(d) Use of estimates and judgements:

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

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as timing of such cash flows.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(d) Use of estimates and judgements (continued):

(i) Allowance for impairment losses on receivables (continued):

Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

At year end accounts receivable totaled $30.34 million (2016: $47.74 million) for which an impairment provision of $0.54 million (2016: $0.59 million) (Note 5) was recognised.

(ii) Fair value of financial instruments:

As described in Note 19(b), management uses its judgment in selecting appropriate valuation techniques to determine fair values of financial assets. Valuation techniques commonly used by market practitioners supported by appropriate assumptions are applied by the Company. The financial assets of the Company at the end of the reporting period stated at fair value determined in this manner amounted to $3.16 million (2016: $2.03 million) (Note 10).

Had the fair value of these securities been 15% (2016: 10%) higher or lower the profit or loss for the Company would increase/decrease by $0.47 million (2016: $0.20 million).

(e) Current vs. non-current classification

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

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

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

(f) Fair value measurement

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(f) Fair value measurement (continued)

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

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

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

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

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

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

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

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

(g) Financial instruments

Financial instruments include transactions that give rise to both financial assets and financial liabilities.

Financial assets and liabilities are recognised on the Company's statement of financial position when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities (except for financial assets and financial liabilities at fair value through profit or loss where such costs are recognised immediately in profit or loss), as appropriate, on initial recognition.

The fair values of financial instruments are discussed in Note 9 (b). Listed below are the Company's financial assets and liabilities and the specific accounting policies relating to each:

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(g) Financial instruments (Continued)

Financial assets

Financial assets are recognised and derecognised on trade date where the purchase or sale of the instrument is under a contract whose terms require delivery of the instrument within the timeframe established by regulation or convention in the market place.

The Company's financial assets are classified as financial assets at 'fair value through profit or loss (FVTPL)' and 'loans and receivables' with the classification being based on the nature and purpose of the financial asset and is determined at the time of initial recognition.

(i) *Financial assets at FVTPL*

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis: or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset and liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other income', if any. Fair value is based on realisable prices derived by valuation techniques that are quoted by the financial institution at the end of the reporting period.

The Company's portfolio of financial assets FVTPL is comprised of investments in quoted shares.

The Company's portfolio of loans and receivables comprises accounts receivable, other receivables, cash and cash equivalents and short term investments.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(g) Financial instruments: (Continued)

Financial assets (continued)

(ii) *Loans and receivables (continued)*

These are non-derivative financial assets with fixed or determinable payments and are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iii) *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that have occurred after initial recognition of the financial assets, the estimated future cash flows of the asset have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as accounts receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 10 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return of a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(g) Financial instruments: (Continued)

Financial assets (continued)

(iii) *Impairment of financial assets (continued)*

For financial assets measured at amortised cost, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(iv) Derecognition of financial assets

The Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities and equity instruments

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the company retains control), the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Classification as debt or equity
Debt and equity instruments issued by the Company are classified according to the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(g) Financial instruments: (Continued)

Financial liabilities and equity instruments (continued)

Financial liabilities
These are classified as "other financial liabilities".

Financial liabilities are initially measured at fair value, net of transaction costs (where applicable). They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis except for short-term liabilities when the recognition of interest would be immaterial.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums and discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

The Company's financial liabilities comprise accounts payable balances.

Derecognition of financial liabilities
The Company derecognises financial liabilities when the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(h) Government securities purchased under resale agreements:

Securities purchased under resale agreements ("reverse repos") are short-term transactions whereby an entity buys securities and simultaneously agrees to resell the securities on a specified date and at a specific price. Title to the security is not actually transferred unless the counter-party fails to comply with the terms of the contract.

Reverse repos are accounted for as short-term collateralized lending, classified as loans and receivables and measured at amortised cost.

The difference between the sale and repurchase considerations is recognised on an accrual basis over basis over the period of the transaction and is included in interest income.

(i) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances and highly liquid financial assets with original maturities of less than 90 days.

(j) Provisions:

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(k) Property, plant and equipment:

Property, plant and equipment held for use in the supply of services, or for administrative purposes, are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

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

(l) Impairment of non-current assets:

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

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

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

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

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

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(m) Related party transactions and balances:

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

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

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the company or of a parent of the Company.

(B) An entity is related to the company if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the company or an entity related to the Company.
- (vi) The entity is controlled, or jointly controlled by a person identified in (A).
- (vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(n) Revenue recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes.

(o) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available. Based on the information presented to and reviewed by the CODM, the operations of the Company are considered as one operating segment.

(p) Foreign currencies:

The financial statements are presented in Jamaican dollars, the currency of the primary economic environment in which the Company operates (its functional currency). In preparing the financial statements of the Company, transactions in currencies other than the Company's functional currency, the Jamaican dollar, are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION (CONTINUED)

(p) Foreign currencies (continued):

Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences on monetary items, are recognised in profit or loss in the period in which they arise.

(q) Finance costs:

Finance costs comprise interest payable on borrowings as well as any discount arising from applying the time value of money to current obligations calculated using the effective interest rate (EIR) method. The EIR amortisation is included as finance costs in the statement of comprehensive income.

3. CASH RESOURCES

	2017 $'000	2016 $'000
Current accounts	4,137	1,194
Saving accounts (a)	26,422	22,944
Cash	20	15
	30,579	24,153

(a) These include foreign currency bank accounts of US$180,000 (2016: US$110,000). As at 31 December 2017, interest rates on foreign currency bank accounts range from 0.01% - 0.15% (2016: 0.07% - 0.10%).

4. GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2017 $'000	2016 $'000
Reverse repurchase agreements – classified as cash and cash equivalents	68,928	80,304
Reverse repurchase agreements – other	25,982	13,604
	94,910	93,908

Included in the government securities purchased under resale agreements are foreign currency repurchase agreements of US$0.62 million (2016: US$0.60 million). As at 31 December 2017, the maturity dates on reverse repurchase agreements range from 27 days to 91 days (2016: 30 days to 180 days) and interest rates range from 0.62% - 4.25% (2016: 0.50% - 4.00).

5. ACCOUNTS RECEIVABLE

	2017 $'000	2016 $'000
0 - 30 days	24,781	41,355
31- 60 days	811	1,729
61 - 90 days	203	928
90 - 180 days	1,051	980
180 - 365 days	1,262	779
Over 365 days	2,235	1,970
	30,343	47,741
Less provision for bad debts	(542)	(590)
	29,801	47,151

The average credit period on services is 10 days. No interest is charged on accounts receivable. The Company provides for receivable balances over 90 days (except where these amounts are assessed as recoverable by management) because historical experience is such that receivables that are past due beyond 90 days are generally recoverable.

Included in receivables however, are debtors with the carrying amount of $4.00 million (2016: $3.14 million), which are past due at the reporting date for which the Company has not provided against, as there has not been a significant change in credit quality and the amounts are still considered recoverable. Management believes that the non-past due unimpaired receivables are collectable in full.

(i) Movement in provision for doubtful debts:

	2017 $'000	2016 $'000
Balance at beginning of year	590	-
Impairment losses (reversed)/recognised on accounts receivable	(48)	590
Balance at end of year	542	590

(ii) Aging of impaired accounts receivable

	2017 $'000	2016 $'000
90+ days	542	590

(iii) Ageing of receivables that are past due but not impaired:

	2017 $'000	2016 $'000
90 -180 days	1,051	940
180-365 days	1,262	623
Over 1 year	1,693	1,576
	4,006	3,139

6. OTHER RECEIVABLES

	2017 $'000	2016 $'000
Withholding tax	1,147	628
Prepayments	4,783	3,627
Procurement (a)	5,170	7,079
Other	4,225	3,860
	15,325	15,194

a) Procurement represents amounts recoverable from customers for purchases of equipment made on their behalf.

7. ACCOUNTS PAYABLE

	2017 $'000	2016 $'000
Trade payables	1,456	2,453
Statutory liabilities	2,343	2,547
Accrued expenses	15,695	18,135
GCT payable	2,414	3,067
Others	8,481	5,877
	30,389	32,079

8. TAXATION

The charge for the year represents:

	2017 $'000	2016 $'000
Taxation charge components:		
Current tax	-	-
Deferred tax (Note 9)	-	(1,120)
	-	(1,120)

8. TAXATION (CONTINUED)

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

	2017 $'000	2016 $'000
Profit before tax	18,649	38,221
Computed "expected" tax charge @ 25%	4,662	9,555
Difference between profit for financial statements and tax reporting purposes on:	-	
Expenses not deducted for tax purposes	437	203
Relief given under Junior Stock Exchange Regulation	(5,099)	(10,878)
	-	(1,120)

The Company was listed on the Junior Market of the Jamaica Stock Exchange in January 2016 and under the Income Tax Act (Jamaica Stock Exchange Junior Market) Remission Notice, 2010, 100% of income taxes will be remitted by the Minister of Finance during the first five years of listing on Junior Market (Phase one) of the Jamaica Stock Exchange and 50% of income taxes will be remitted by the Minister of Finance during the second five years of listing on the Junior Market (Phase two) of the Jamaica Stock Exchange.

9. DEFERRED INCOME TAX

As at 31 December 2017, no deferred income tax was calculated on temporary difference pursuant to the Company listing on the Junior Market of the Jamaica Stock Exchange. (Note 8)

	Capital allowance in excess of depreciation $'000
At January 1, 2016	1,120
Charged to income for the year	(1,120)
At December 31, 2016	-
Credited to income for the year	-
At December 31, 2017	-

10. INVESTMENTS

	2017 $'000	2016 $'000
Certificate of deposits maturing July 2022:		
USD instrument with interest of 4.25% (US$0.101 million)	12,566	-
JMD instrument with interest of 5.68%	10,275	-
Quoted equity securities	3,160	2,027
	26,001	2,027

11. PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment $'000	Furniture & Equipment $'000	Total $'000
At cost:			
January 1, 2016	12,955	9,972	22,927
Additions	2,782	830	3,612
December 31, 2016	15,737	10,802	26,539
Additions	2,518	105	2,623
Disposal	(114)	-	(114)
December 31, 2017	18,141	10,907	29,048
Depreciation:			
January 1, 2016	7,377	1,513	8,890
Charge for the year	2,694	1,340	4,034
December 31, 2016	10,071	2,853	12,924
Charge for the year	2,765	1,262	4,027
Disposal	(54)	-	(54)
December 31, 2017	12,782	4,115	16,897
Net book values:			
December 31, 2017	5,359	6,792	12,151
December 31, 2016	5,666	7,949	13,615

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

Furniture and equipment	10%
Computer equipment	33⅓%

12. SHARE CAPITAL

	2017 $'000	2016 $'000
Authorized		
106,000,000 ordinary shares of no par value	106,000	106,000
Issued and fully paid:		
Share capital at beginning of year		
106,000,000 ordinary shares of no par value	51,727	51,727

13. OPERATIONAL REVENUES

a) This represents fees for technical services rendered less General Consumption Taxes.

b) The following are entity-wide disclosures:

(i) Revenue sources (Note 13 (a)).

(ii) Geographical areas

There are no geographical segments as all revenues are attributed to the Company's country of domicile.

(iii) Major customers

Revenues from transactions with two customers, which amount to $111.95 million (2016: $124.08 million) and $24.24 million (2016: $28.87 million), respectively, were greater than 10 per cent of the Company's revenues.

14. OTHER INCOME, GAINS AND LOSSES

	2017 $'000	2016 $'000
Interest income	2,192	1,339
Commission	198	338
Contingency	-	1,500
Dividend income	84	79
Loss on disposal of equipment	(60)	-
Appreciation in value of investments	1,133	378
Foreign exchange (loss)/gain	(4,348)	5,629
Other	362	25
	(439)	9,288

15. EXPENSE BY NATURE

Total direct, administrative & other operating expenses:

	2017 $'000	2016 $'000
Technical fees, services and products	28,081	32,745
Advertising and promotion	8,142	7,106
Professional services	5,083	2,533
Property rental and utilities	11,169	9,534
Staff costs (Note 18)	112,246	112,328
Directors' fees	1,365	1,203
Depreciation	4,027	4,034
Insurance	4,390	3,167
Training and subscription	6,732	7,773
Computer and communications	3,876	2,519
Subsistence and staff expenses	3,175	3,316
Corporate expenses	2,973	1,202
Repairs and maintenance	2,491	2,458
Other	4,409	4,313
	198,159	194,231

16. RELATED PARTY TRANSACTIONS

During the year the Company had transactions with related parties in the normal course of business. Related party transactions and balances are detailed below.

	2017 $'000	2016 $'000
(a) Related party transactions:		
Directors' emoluments	27,185	26,317
Directors' fees	1,365	1,203
	28,550	27,520

As at 31 December 2017 and 2016, there are no related party receivable or payable balances.

17. DISCLOSURE OF EXPENSES

	2017 $'000	2016 $'000
Profit before taxation is stated after charging/(crediting):		
Directors' emoluments (Included in staff costs)	27,185	26,317
Directors' fees	1,365	1,203
Depreciation	4,027	4,034
Auditor's remuneration	1,134	1,080
Staff costs, inclusive of directors' emoluments (Note 18)	112,246	112,328
Interest income	(2,192)	(1,339)

18. STAFF COSTS

	2017 $'000	2016 $'000
Salaries and other employee benefits	102,876	102,958
Statutory contributions	9,370	9,370
	112,246	112,328

19. FINANCIAL INSTRUMENTS

(a) Financial risk management:

The Company has exposure to the following risks from its use of financial instruments:

~ Credit risk;
~ Liquidity risk and
~ Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(i) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents, securities purchased under resale agreements and amounts due from customers and related parties.

The maximum exposure to credit risk is reflected in the statement of financial position at the reporting date.

19. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management: (continued)

(i) Credit risk (continued)

The maximum exposure to credit risk is as follows:

	2017 $'000	2016 $'000
Financial assets:		
Cash resources	30,579	24,153
Accounts receivable	29,801	47,151
Short-term investments	94,910	93,908
Long-term investments	22,841	-
Other receivables	9,395	10,939
	187,526	176,151

Cash and cash equivalents and securities purchased under resale agreements:

The Company limits its exposure to credit risk including investments by placing cash resources with substantial counter-parties who are believed to have minimal risk of default.

Accounts receivable and other receivables:

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Accounts receivable mainly consist of amounts owing from corporate customers. As at 31 December 2017, amounts receivable from two customers represent 44.33% and 5.90% (2016: 61.58% and 8.46%) of the accounts receivable balance. There are no other concentrations of credit risk.

The Company does not require collateral in respect of trade and other receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowances for impairment is based on the ageing of the receivables, with provision made for balances outstanding for over 90 days, if attempts to collect fail and the amount is deemed to be uncollectible. The Company also provides for receivables that are outstanding for less than this time period based on information that shows that the receivable balance is uncollectible.

(ii) Liquidity risk:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk may result from an inability to sell a financial asset at, or close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

19. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management: (continued)

(ii) Liquidity risk: (continued
The Company's liquidity management process, as carried out within the company and monitored by the Finance Department, includes:

~ Monitoring future cash flows and liquidity on a bi-weekly basis.
~ Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.

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

	Average Effective Interest rate	Less than 1 year
		$'000
2017		
Financial assets		
Non-interest bearing	0.00%	46,888
Interest bearing bank accounts	0.10%	22,887
Fixed interest rate securities	4.00%	122,734
		192,509
Financial liabilities		
Non-interest bearing	0.00%	12,280

	Average Effective Interest rate	Less than 1 year
		$'000
2016		
Financial assets		
Non-interest bearing	0.00%	65,609
Interest bearing bank accounts	0.10%	10,575
Fixed interest rate securities	4.00%	94,086
		170,270
Financial liabilities		
Non-interest bearing	0.00%	10,877

19. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management: (continued)

(iii) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rates and foreign exchange rates and will affect the Company's income or the value of its holdings of financial instrument.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The nature of the Company's exposures to market risks and it objectives, policies and processes for managing these risks have not changed significantly over the prior year. For each of the major components of market risks the Company has policies and procedures in place which detail how each risk is managed and monitored. The management of each of these major components of market risks and the exposure of the Company at the reporting date to each major risk are addressed below.

Currency risk

Foreign currency risk is the risk of loss arising from adverse movements in foreign exchange rates. The Company undertakes certain investment transactions denominated in currencies other than the Jamaican dollar. Exchange rate exposures are managed within approved policy parameters and maintaining a manageable balance in the types of investments.

The Company's investment portfolio is exposed to foreign exchange risk primarily with respect to the United States dollar.

Derivative financial instruments are not presently used to reduce exposure to fluctuations in foreign exchange rates.

Concentration of currency risk

The table below summaries the Company's exposure to foreign exchange rate risk as at December 31, 2017.

	2017 **$'000**	**2016** **$'000**
Bank of Jamaica foreign exchange buying rates (JM$ to US$)	123.61	127.48
Financial assets:		
Cash resources	22,271	14,546
Short term investments	75,942	77,260
Long-term investments	12,566	-
Total financial assets	110,779	91,806

19. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management: (continued)

(iii) Market risk: (continued)

Foreign currency sensitivity

The Company's investment portfolio is exposed to the United States dollar. The Company's sensitivity to a 2% increase, and a 4% decrease (2016: 1% increase, 6% decrease) in the Jamaican dollar against the United States dollar is the sensitivity rate used when reporting foreign currency risk internally to the key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rate.

The sensitivity of the 2% increase or 4% decrease (2016: 1% increase, 6% decrease) in the Jamaican dollar against the United States dollar exposure would be a decrease in profit by J$2.21 million (2016: J$0.92 million) or increase of net profit by J$4.43 million (2016: J$5.51 million).

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

Interest rate risk

The Company's interest rate risk arises from deposits and repurchase agreements.

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested to current market rates. Short and long- term deposits are at fixed rates and are carried at amortised cost.

Price risk management

The Company is exposed to price risks arising from quoted equity instruments.

19. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management: (continued)

(iii) Market risk: (continued)

Price risk management (continued)

Price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to price risks at the reporting date. The analysis is prepared assuming that the number of units at the reporting date remains the same for the whole year. A 15% increase or decrease (2016: 10% increase or decrease) represents management's best estimate of the possible change in equity prices.

If bid prices had been 15% higher/lower (2016: 10% higher/lower) and all other variables were held constant, the Plan's net assets available for benefits and changes in net assets available for benefits, would increase/decrease as detailed below:

	2017 **$'000**	**2016** **$'000** **10% increase** **/decrease**
Quoted shares	474	203
	474	203

The change in sensitivity is due to the increase in the fair value of quoted shares.

(b) Fair value of financial instruments

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

The following methods and assumptions have been used to determine the fair values of the Company's financial instruments:

(i) The carrying values of cash and bank balances, receivables (excluding income tax recoverable), accounts payable, securities purchased under resale agreements and investments in short-term fixed interest rate bearing securities approximate their fair values because of the short-term maturity of these instruments.

(ii) Investments represents quoted equities which are valued using the year end closing bid price published by the Jamaica Stock Exchange.

(iii) The carrying value of long term investments approximates fair value, as the interest rates are similar to market rates at year end.

No significant unobservable inputs were applied in the valuation of the Company's financial instruments classified as fair value through profit or loss.

19. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments

Fair value measurement recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 (See Note 2(f)) based on the degree to which the fair value is observable:

	2017			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Equity securities	3,160	-	-	3,160

	2016			
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Equity securities	2,027	-	-	2,027

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

(c) 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 shareholders. The directors of the Company seek to maintain a strong capital base so as to maintain shareholder and creditor confidence. The Company defines capital as total shareholders' equity. There were no changes in the Company's approach to capital management during the year.

20. EARNINGS PER STOCK UNIT (EPS) ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY:

Earning per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units.

	2017	**2016**
Net profit attributable to stockholders ($'000)	18,649	39,341
Weighted average number of ordinary stock units	106,000,000	106,000,000
Basic earnings per stock unit for the prior year	$ 0.18	$ 0.37

21. DIVIDENDS

During the year, the Company declared a dividend of $4.24 million or $0.04 per share (2016: $3.98 million or $0.04 per share). Of the amount declared $4.10 million (2016: $3.87 million) has been paid. Dividend payable as at 31 December 2017 of $0.14 million (2016: $0.11 million) is included in accounts payable.

22. COMMITMENT AND CONTINGENCY

Operating Lease Commitments – Company as Lessee

At the reporting date, the Company had commitments under non-cancellable operating lease agreements, payable as follows:

	2017	2016
	$'000	$'000
Within one year of the reporting date	8,618	9,664
Within one to five years	2,133	10,751
	10,751	20,415

Lease payments recognised by the Company as an expense during the year totalled $9.66 million (2016: $8.49 million).

23. RECLASSIFICATION OF PRIOR YEAR AMOUNTS

Where necessary, comparative figures are reclassified to conform with changes in presentation in the current year. In particular, this relates to the reclassification of the following:

The statement of comprehensive income has been presented based on the function of expenses method.

This reclassification had no impact on the net profit before or after tax as disclosed in the statement of comprehensive income.