

tTECH LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollars unless otherwise indicated)

tTECH LIMITED

YEAR ENDED 31 DECEMBER 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of tTech Limited

Report on the Audit of the Financial Statements (continued)

Opinion

We have audited the financial statements of tTech Limited (the "Company"), which comprise the statement of financial position as at 31 December 2018, 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 2018 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.

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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="180 725 671 757">Allowance for expected credit losses</p> <p data-bbox="180 763 722 994">As described in Note 2 (d) (i), and in accordance with IFRS 9 - 'Financial Instruments', the Company applies the simplified approach to computing expected credit losses ('ECLs') on trade receivables and the general approach for debt instruments.</p> <p data-bbox="180 1037 722 1509">The measurement of ECLs requires Management to consider its historical credit loss experience and current business conditions, adjusted for forward-looking factors such as economic indicators, which may impact a debtors ability to pay. Where the general approach is applied, judgment is used in determining whether there has been a significant increase in credit risk and estimating the probability of default and the loss given default. The ECLs being recorded are therefore considered to be highly subjective.</p>	<p data-bbox="742 763 1414 826">Our procedures amongst others included the following:</p> <p data-bbox="742 864 1414 994">We evaluated the techniques and methodologies developed by the Company in order to estimate the ECLs, and assessed their compliance with the requirements of IFRS 9.</p> <p data-bbox="742 1037 1414 1234">We assessed the reasonableness of the methodologies and assumptions applied, by validating the completeness of the inputs used to derive the loss rates, which are integral to the provision matrix used in determining the ECLs for trade receivables.</p> <p data-bbox="742 1272 1422 1509">For financial assets classified as debt instruments and cash and cash equivalents, we corroborated management's assumptions with data from external sources, particularly with respect to the determination of whether there has been a significant increase in credit risk, probabilities of default and loss given default rates.</p> <p data-bbox="742 1547 1422 1610">We also assessed the adequacy of disclosures in the financial statements.</p>



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition under IFRS 15 - Revenue from Contracts with Customers	
<p>The Company adopted IFRS 15 - 'Revenue from contracts with customers' using the modified retrospective transitional method of adoption. Note 2 (d) ii) Use of estimates and judgements under the section "Revenue recognition under IFRS 15", details Management's judgements, when applying the five (5) step approach outlined by the standard, to contracts with their customers, as follows:</p> <ol style="list-style-type: none"> 1. Identify the contract(s) with a customer 2. Identify the performance obligations in the contract 3. Determine the transaction price 4. Allocate the transaction price to the performance obligations in the contract 5. Recognise revenue when (or as) the entity satisfies a performance obligation. <p>The standard also requires management to identify the performance obligations in a bundled sale of equipment and installation services and determine the timing of satisfaction of the performance obligations. It also requires management to determine whether it acts as a principal or agent in executing the contracts and if there are significant financing components included in the promised payment amounts.</p>	<p>We have obtained and reviewed management's assessment and understood the underlying assumptions used to support the calculations for IFRS 15 and the impact on opening retained earnings. We also evaluated the appropriateness of the Company's revenue recognition policy in comparison to the requirements of the standard.</p> <p>We reviewed management's computations and independently reviewed a sample of contracts and evaluated them in accordance with the five (5) step approach as follows:</p> <ol style="list-style-type: none"> 1. We obtained and reviewed established signed contracts to validate that legitimate contracts exist with customers, 2. We identified the relevant performance obligations as stipulated by the contracts. 3. We verified the transaction prices that are explicitly stated in the contract associated with the relevant performance obligation. 4. We obtained and reviewed invoices on a sample basis, along with supporting reports confirming evidence of work carried out and performance obligations met. Additionally, where bundled services were offered, we assessed whether the transaction price should be allocated to each performance obligation. 5. Based on the above, we verified that revenue was properly recognized in the correct period. <p>We also assessed management's assertion that the Company acts as a principal for the equipment sold as they exercise control over the related assets including warranties and software licences purchased from third parties and resold to customers.</p>



INDEPENDENT AUDITOR’S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition under IFRS 15 - Revenue from Contracts with Customers (continued)	
	<p>Short-term advances received from customers were tested to determine whether any significant financing components were identified. These advances were generally settled within one year.</p> <p>We also reviewed the disclosures for appropriateness in accordance with IFRS 15.</p>

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 2018 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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

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.

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.



INDEPENDENT AUDITOR'S REPORT (CONTINUED)

To The Members of tTech Limited (Continued)

Report on the Audit of the Financial Statements (continued)

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

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.

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.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young
Kingston, Jamaica

27 February 2019

tTECH LIMITED

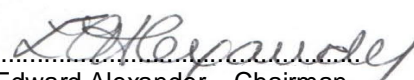
**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018**

(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	3	35,886	30,579
Government securities purchased under resale agreements	4	102,866	94,910
Accounts receivable	5	51,389	29,801
Other receivables	6	14,231	15,325
Inventory	7	7,457	-
		<u>211,829</u>	<u>170,615</u>
Current liabilities			
Accounts payable	8	36,611	30,389
Contract liabilities	9	14,772	-
		<u>51,383</u>	<u>30,389</u>
Net current assets		<u>160,446</u>	<u>140,226</u>
Non-current assets			
Investments	11	27,781	26,001
Property and equipment	12	10,648	12,151
		<u>38,429</u>	<u>38,152</u>
Total net assets		<u>198,875</u>	<u>178,378</u>
Shareholders' equity			
Share capital	13	51,727	51,727
Unappropriated profit		147,148	126,651
		<u>198,875</u>	<u>178,378</u>
		<u>198,875</u>	<u>178,378</u>

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 27 February 2019 and are signed on its behalf by:


Edward Alexander – Chairman


Gordon Christopher Reckord - Director

tTECH LIMITED
STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2018 \$'000	2017 \$'000
Revenue from contracts with customers	14	283,923	217,247
Cost of Sales	17	<u>(63,085)</u>	<u>(28,081)</u>
Gross profit		220,838	189,166
Other income, gains and (losses)	15	2,734	(2,631)
Administrative expenses	17	(165,863)	(149,874)
Other operating expenses	17	<u>(32,185)</u>	<u>(20,204)</u>
Operating profit		25,524	16,457
Finance income	16	<u>2,013</u>	<u>2,192</u>
Net profit	10	<u>27,537</u>	<u>18,649</u>
NET PROFIT BEING TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>27,537</u></u>	<u><u>18,649</u></u>
Net profit attributable to owners		27,537	18,649
Earnings per share	22	<u><u>\$0.26</u></u>	<u><u>\$0.18</u></u>

The accompanying notes form an integral part of these Financial Statements

tTECH LIMITED
STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	Share Capital \$'000 (Note 13)	Unappropriated Profit \$'000	Total \$'000
Balance at 1 January 2017		51,727	112,242	163,969
Net profit being total comprehensive income for the year		-	18,649	18,649
Dividends	23	-	(4,240)	(4,240)
Balance at 31 December 2017		51,727	126,651	178,378
Impact of initial application of IFRS 9	2(b)	-	(3,968)	(3,968)
Impact of initial application of IFRS 15	2(b)	-	(3,072)	(3,072)
Balance at 1 January 2018		51,727	119,611	171,338
Net profit being total comprehensive income for the year		-	27,537	27,537
Balance at 31 December 2018		51,727	147,148	198,875

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

tTECH LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED 31 DECEMBER 2018
(Expressed in Jamaican dollar unless otherwise indicated)

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Net profit for the year		27,537	18,649
Adjustments for:			
Allowance for expected credit losses	2	(3,968)	(48)
Reversal of prior year impact of IFRS 15 adoption	2	(3,072)	-
Depreciation	12	4,229	4,027
Loss on disposal of equipment	15	-	60
Interest income	16	(2,013)	(2,192)
Dividend income	15	(96)	(84)
Foreign exchange (gain)/loss	15	(1,152)	4,348
Appreciation in fair value of equity investments	15	(1,042)	(1,133)
Operating cash flows before movements in working capital		20,423	23,627
Accounts receivable		(21,549)	17,398
Other receivables		1,094	(11)
Inventories		(7,457)	-
Accounts payable		6,233	(1,723)
Contract liabilities	9	14,772	-
Dividend received		96	84
Interest received		1,974	2,072
Net cash flows provided by operating activities		15,586	41,447
Cash flows from investing activities			
Additions to property and equipment	12	(2,726)	(2,623)
Government securities purchased under resale agreements		(2,117)	(12,378)
Investments		(738)	(22,841)
Cash used in investing activities		(5,581)	(37,842)
Cash flows from financing activity			
Dividends paid		(11)	(4,207)
Cash used in financing activities		(11)	(4,207)
Increase/(decrease) in cash and cash equivalents		9,994	(602)
Effect of exchange rate on cash and cash equivalents		1,152	(4,348)
Cash and cash equivalents at beginning of the year		99,507	104,457
Net cash and cash equivalents at end of the year		110,653	99,507
Comprised of:			
Cash and bank balances	3	35,886	30,579
Short term investments	4	74,767	68,928
Net cash and cash equivalents at end of the year		110,653	99,507

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

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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 11 November 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 28 December 2015.

On 7 January 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 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Company applied and IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below:

IFRS 9 *Financial Instruments*

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

IFRS 9 replaces IAS 39 for annual periods on or after 1 January 2018. The Company has adopted the modified retrospective approach and has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognized directly in retained earnings as of 1 January 2018 and are disclosed below.

For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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)

IFRS 9 *Financial Instruments* (continued)

The effect of adopting IFRS 9 as at 1 January 2018 was, as follows:

Impact on the statement of financial position (increase /(decrease)):

	1 January 2018 \$'000
Assets	
Cash and cash equivalents	(306)
Government securities purchased under resale agreements	(990)
Trade receivables	<u>(2,447)</u>
Total assets	<u><u>(3,743)</u></u>
Non-current assets	
Investments	<u>(225)</u>
Equity	
Retained earnings	<u>3,968</u>
Total equity and liabilities	<u><u>3,968</u></u>

The change resulted in a decrease in financial assets, retained earnings and the Company's operating cash flows of \$3,968,000.

(i) Classification and measurement

Under IFRS 9, debt instruments are subsequently measured at fair value through profit or loss, amortised cost, or fair value through OCI. The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of the Company's business model was made as of the date of initial application, 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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)

IFRS 9 *Financial Instruments* (continued)

(i) Classification and measurement (continued)

The classification and measurement requirements of IFRS 9 did not have a significant impact to the Company. The Company continued measuring at fair value all financial assets previously held at fair value under IAS 39.

- Trade receivables and other non-current financial assets classified as loans and receivables as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. These continue to be classified and measured at amortised cost as at 1 January 2018.
- 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.
- Listed equity investments classified as Available-For-Sale (AFS) financial assets under IAS 39 are now classified and measured as financial assets at fair value through profit or loss.

There were no reclassification of financial assets in the current year. Further, management has not classified any financial instruments at fair value through other comprehensive income.

(ii) Impairment

The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the Company to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss.

For trade receivables, the Company applies a simplified approach in calculating ECLs.

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

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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)

IFRS 9 *Financial Instruments* (continued)

(ii) Impairment (continued)

Set out below is the reconciliation of the ending impairment allowances in accordance with IAS 39 to the opening loss allowances determined in accordance with IFRS 9:

	Allowance for Impairment under IAS 39 as at 31 December 2017 \$'000	Remeasurement \$'000	ECL under IFRS 9 as at 1 January 2018 \$'000
Assets			
Receivables under IAS 39/ Financial assets at amortised cost under IFRS 9	542	2,447	2,989
Cash and cash equivalents	-	306	306
Government securities purchased under resale agreements	-	990	990
Investments	-	225	225
	<u>542</u>	<u>3,968</u>	<u>4,510</u>

Management based its findings using historical data. Over the past three years 90% of the amounts over 365 days have been collected. Though late they remain collectible, hence the write offs over the period has been negligible. On this basis and to apply the standard, the following range of rates were applied to the buckets ranging from current period to over 180 days. The ECL on debt instruments at amortised cost were determined using the probability of default and loss given default rates obtained from credit rating institutions.

Aged receivables:

Current	1.90%
31 – 60	4.55%
61-90 days	6.20%
91 – 180 days	8.90%
>180 days past due	100%

Management will reassess the expected credit loss rates at the end of each reporting period.

The effect on the trade receivables for 1 January 2018 is an increase in provision by \$2,447,000 and as at 31 December 2018 an decrease in provision by \$374,000. The effect of ECL on cash and cash equivalents, government securities purchased under resale agreements and investments increased by \$306,000, \$990,000 and \$225,000 respectively for 1 January 2018 and a decrease in provision of \$56,000, \$68,000 and \$4,000 respectively for 31 December 2018.

(iii) Hedge accounting

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

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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)

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 did not have any significant impact on the financial statements of the Company.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be 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.

IFRS 15 requires entities to exercise judgement, taking into consideration all the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

The Company adopted IFRS 15 using the modified retrospective method of adoption with the date of initial application of 1 January 2018. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Company used practical expedient to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Therefore, the comparative information was not restated and continues to be reported under IAS 11, IAS 18 and related Interpretations.

As at 1 January 2018, \$3,072,000 was reversed from revenue through retained earnings for sales initiated in 2017 but for which the performance obligations were not fully met as at 31 December 2017. Subsequently those amounts were recognized during the 2018 when earned under IFRS 15 as represented in the second table below. In addition, the Company also reclassified amounts which relate to equipment purchased on behalf of customers, but for which it exercises control prior to transfer to the customers. Impact of this reclassification is a decrease in other receivables and increase in inventory of \$5,170,000 as reflected below.

The effect of adopting IFRS 15 as at 1 January 2018 was, as follows:

Impact on the statement of financial position:

	Increase/(decrease)
Current assets	\$'000
Other receivables	(5,170)
Inventory	5,170
	<hr/>
	-
	<hr/> <hr/>

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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)

IFRS 15 Revenue from Contracts with Customers (continued)

The effect of adopting IFRS 15 as at 1 January 2018 was, as follows(continued):

Impact on the statement of financial position (continued):

	Increase/(decrease)
	\$'000
Liabilities	
Contract liabilities	3,072
Total Liabilities	<u>3,072</u>
Equity	
Retained earnings	(3,072)
Total equity	<u>(3,072)</u>

Set out below, are the amounts by which each financial statement line item is affected as at and for the year ended 31 December 2018 as a result of the adoption of IFRS 15. The adoption of IFRS 15 did not have a material impact on OCI or the Company's investing and financing cash flows.

The first column shows amounts prepared under IFRS 15 and the second column shows what the amounts would have been had IFRS 15 not been adopted.

The nature of the adjustments and the reasons for the significant changes in the statement of profit or loss for the year ended 31 December 2018 are described below:

	Amounts prepared under		Net increase
	IFRS 15	Previous	
	\$'000	IFRS	\$'000
		\$'000	
Revenue from contracts with customers	283,923	282,414	1,509
Cost of sales	(63,085)	(63,085)	-
Gross profit	220,838	219,329	1,509
Other income, gains and losses	2,734	2,734	-
Administrative expenses	(165,863)	(165,863)	-
Other operating expenses	(32,185)	(32,185)	-
Finance income	2,013	2,013	-
Net profit	27,537	26,028	1,509
Net profit being comprehensive income for the year	<u>27,537</u>	<u>26,028</u>	<u>1,509</u>
Earnings per share	<u>0.26</u>	<u>0.25</u>	<u>0.01</u>

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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)

IFRS 15 Revenue from Contracts with Customers (continued)

The nature of the adjustments and the reasons for the significant changes in the statement of financial position for the year ended 31 December 2018 are described below:

Impact on the statement of financial position:

	Increase/(decrease)
	\$'000
Current assets	
Other receivables	(7,457)
Inventory	7,457
	<u> </u>
	<u> </u>
	-

Short-term advances received from customers

Generally, the Company receives only short-term advances from its customers. They are presented as contract liabilities under current liabilities on the statement of financial position.

Before the adoption of IFRS 15, the Company presented these advances as deferred revenue in the statement of financial position. Under IFRS 15, those amounts have been classified as contract liability and the Management concluded that there is no financing component for those contracts based on the nature and short-term period of the contract. The customers elected to pay the transaction price when the contracts were signed.

Principal versus agent consideration

The Company has certain contracts with customers to acquire, on their behalf, equipment produced by foreign suppliers. On the adoption of IFRS 15, the Company concluded that, based on the existence of credit risk and the nature of the consideration in the contract, it had an exposure to the significant risks and rewards associated with the sale of equipment to its customers, and accounted for the contracts as a principal.

The Company determined that it controls the goods before they are transferred to customers as it has the ability to direct the use of the equipment or obtain benefits from the equipment. As such, the Company has recognised the gross amount for the sale of equipment and installation services as inventory. This change affected the statement of financial position as disclosed above on Page 15. Before IFRS 15 the Company also acted as principal, however the amounts were carried as trade receivables.

Bundled sales of equipment and installation services

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. These services are sold either on their own in contracts with the customers or bundled together with the sale of equipment to a customer. Before the adoption of IFRS 15, the Company accounted for the equipment and installation service as one deliverable within bundled sales with specified transaction prices for equipment and installations services.

tTECH LIMITED
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(Expressed in Jamaican dollar unless otherwise indicated)

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)

IFRS 15 Revenue from Contracts with Customers (continued)

Bundled sales of equipment and installation services (continued)

Under IFRS 15, the Company continued to assess that there is one performance obligation established by the contract for bundled sales of equipment and installation services performed. However, for performance obligations which were not met as at 31 December 2018 this resulted in a decrease in the amount of revenue recognized as at year end by \$1,563,000. Therefore, contract liabilities increased by \$1,563,000 as at 31 December 2018. The performance obligations in respect of contract liabilities of \$3,072,000, which were not met as at 31 December 2017, were met during the year with the resultant recognition of revenue. As such, the net effect is a net increase of \$1,509,000 on revenue as at 31 December 2018. There were no contract modifications during the year.

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.

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.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Jamaican dollar unless otherwise indicated)

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)

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

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.

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. The adoption of this interpretation had no impact on the Company's financial statements.

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.

New, revised and amended standards and interpretations that are not yet effective

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.

tTECH LIMITED
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(Expressed in Jamaican dollar unless otherwise indicated)

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)

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.

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, which is effective for annual periods beginning on or after 1 January 2019, requires lessees and lessors to make more extensive disclosures than under IAS 17.

Transition to IFRS 16

The Company plans to adopt IFRS 16 using the modified retrospective approach. The Company will elect to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company will therefore not apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

The Company will perform a detailed assessment of the impact of the standard in early 2019.

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.

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(Expressed in Jamaican dollar unless otherwise indicated)

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 17 Insurance Contracts (continued)

IFRS 17 is effective for reporting periods beginning on or after 1 January 2022, 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's financial statements.

Annual Improvements 2015-2017 cycle (issued in December 2017)

Following is a summary of the amendments from the 2015-2017 annual improvements cycle:

IFRS 3 Business Combinations

- 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

- 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.

IAS 12 Income Taxes

- 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.

tTECH LIMITED
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YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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 2015-2017 cycle (issued in December 2017) (continued)

IAS 12 Income Taxes (continued)

- 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.

IAS 23 Borrowing Costs

- 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 amendments are not applicable to the Company.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*

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.

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 amendment is not applicable to the entity. The Company is listed the Junior Market of the Jamaica Stock Exchange and there benefits from tax remission currently in place.

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.

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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 IFRS 9 - *Prepayment Features with Negative Compensation* (continued)

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 impact on its financial statements.

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.

Amendments to IAS 19: *Plan Amendment, Curtailment or Settlement*

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Jamaican dollar unless otherwise indicated)

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 19: *Plan Amendment, Curtailment or Settlement* (continued)

This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted.

These amendments will not have a significant impact on the financial statements of 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 expected credit losses:

The Company uses a provision matrix to calculate expected credit losses (ECLs) for trade receivables. The provision rates are based on days past due for various ageing buckets and the related loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, inflation and foreign exchange rates) are expected to deteriorate over the next year which can lead to an increased number of defaults in the technology sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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

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

(i) Allowance for expected credit losses (continued):

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's trade receivables is disclosed in Note 5.

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

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

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on 12-months ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

At year end accounts receivable totaled \$54.00 million (2017: \$30.34 million) for which an impairment provision of \$2.61 million (2017: \$0.54 million) (Note 5) was recognised.

(ii) Revenue recognition under IFRS 15- Revenue from contracts with customers

The Company applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- *Identifying performance obligations in a bundled sale of equipment and installation services*
The Company determined that both the equipment and installation are combined and not sold separately except on rare occasions where a customer only requires either the equipment or installation services alone. The Company also determined that the promises to transfer the equipment and to provide installation are grouped within the context of the contract. The equipment and installation are inputs to a combined item in the contract. The Company is providing a significant integration service because the presence of the equipment and installation together in this contract result in additional or combined functionality. In addition, the equipment and installation are highly interdependent or highly interrelated, because the Company would not be able to transfer the equipment if the customer declined installation.
- *Determining the timing of satisfaction of installation and maintaining equipment services*
The Company concluded that revenue for installation, maintaining the equipment and information technology system services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Company.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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

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

(ii) Revenue recognition under IFRS 15- Revenue from contracts with customers (continued):

- *Determining the timing of satisfaction of installation and maintaining equipment services (continued)*

The fact that another entity would not need to re-perform the installation that the Company has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Company's performance as it performs. The Company determined that the input method is the best method in measuring progress of the installation services because there is a direct relationship between the Company's effort (i.e., labour hours incurred) and the transfer of service to the customer. The Company recognises revenue on the basis of the labour hours expended relative to the total expected labour hours to complete the service, and the number of equipment units serviced.

- *Principal versus agent considerations*

The Company enters into contracts with its customers to acquire, on their behalf, equipment produced by foreign suppliers. Under these contracts, the Company provides procurement services (i.e., coordinating the selection of suitable suppliers and managing the ordering and delivery of the imported equipment).

The Company determined that it controls the goods before they are transferred to customers, and has the ability to direct the use of the equipment or obtain benefits from the equipment. The following factors indicate that the Company controls the goods before they are being transferred to customers. Therefore, the Company determined that it is the principal in these contracts.

- The Company is primarily responsible for fulfilling the promise to provide the specified equipment. i.e is responsible for ensuring the equipment is acceptable and meets the customers' specification.
- The Company has inventory risk before the specified equipment has been transferred to the customer.
- The Company has discretion in establishing the price for the specified equipment or service.

(iii) Fair value of financial instruments:

As described in Note 21(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 \$4.20 million (2017: \$3.16 million) (Note 11).

Had the fair value of these securities been 10% (2017: 15%) higher or lower the profit or loss for the Company would increase/decrease by \$0.42 million (2017: \$0.47 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.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018
(Expressed in Jamaican dollar unless otherwise indicated)

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

(e) Current vs. non-current classification (continued)

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.

(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:

- 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.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

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

(f) Fair value measurement (continued)

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 21 (b). Listed below are the Company's financial assets and liabilities and the specific accounting policies relating to each:

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.

(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.

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

(g) Financial instruments (Continued)

Financial assets (continued)

(i) *Financial assets at FVTPL (continued):*

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. There were no changes to the classification and measurement of these investments prior and subsequent to 1 January 2018.

(ii) *Loans and receivables:*

Prior to 1 January 2018, the Company's portfolio of loans and receivables comprises accounts receivable, other receivables, cash and cash equivalents and short-term investments.

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.

Classification:

Prior to 1 January 2018, 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.

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss; and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt instruments only when its business model for managing those assets changes.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

(g) Financial instruments (Continued)

Financial assets (continued)

(iii) *Impairment of financial assets:*

Prior to 1 January 2018, 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.

Prior to 1 January 2018, 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.

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.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Jamaican dollar unless otherwise indicated)

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

(g) Financial instruments (Continued)

Financial assets (continued)

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

From 1 January 2018, the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVTPL. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

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

(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.

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.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Jamaican dollar unless otherwise indicated)

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

(g) Financial instruments (Continued)

(iv) *Derecognition of financial assets*

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.

Financial liabilities and equity instruments

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.

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.

(i) *Derecognition of financial liabilities:*

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 and contract 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.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Jamaican dollar unless otherwise indicated)

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

(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 prior to the adoption of IFRS 9. As at 1 January 2018 these instruments are classified as debt instruments 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 90 days or less, which are subject to an insignificant risk of changes in value.

(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.

(k) Property and equipment:

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

(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.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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

(l) Impairment of non-current assets (continued):

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.

(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.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Jamaican dollar unless otherwise indicated)

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

(n) Contract liabilities:

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

(o) Inventories:

Inventories are valued at the lower of cost and net realisable value.

Costs comprise expenses incurred in bringing the equipment to its present location and condition.

(p) Revenue recognition:

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer.

The disclosures of significant accounting judgements, estimates and assumptions relating to revenue from contracts with customers are provided in Note 2(d)(ii). Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes.

Sale of equipment

Revenue from sale of equipment is recognised at the point in time when control of the asset is transferred to the customer, generally due within 10 days from delivery of the equipment. The transaction price is specified in the contract.

Installation services

The Company provides installation services that are either sold separately or bundled together with the sale of equipment to a customer.

Contracts for bundled sales of equipment and installation

Installation services are bundled together with the sale of equipment to a customer. The Company accounts for the equipment and installation service as one deliverable within bundled sales with specified transaction prices for equipment and installation services.

Accordingly, the Company allocates the transaction price based on the relative stand-alone selling prices of the equipment and installation services.

The Company recognises revenue from installation services over time, using an input method to measure progress towards complete satisfaction of the service, because the customer simultaneously receives and consumes the benefits provided by the Company. Revenue from the sale of the equipment are recognised at a point in time, generally upon delivery of the equipment.

Procurement services

The Company is a principal and records revenue on a gross basis as it controls the promised goods or services before transferring them to the customer.

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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(Expressed in Jamaican dollar unless otherwise indicated)

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

(q) 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 Board of Directors which is 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.

(r) 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.

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.

(s) 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 AND CASH EQUIVALENTS

	2018	2017
	\$'000	\$'000
Current accounts (a)	680	4,137
Saving accounts (b)	35,436	26,422
Cash in hand	20	20
	<hr/>	<hr/>
	36,136	30,579
Allowance for expected credit losses	(250)	-
	<hr/>	<hr/>
	35,886	30,579
	<hr/>	<hr/>

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2018

(Expressed in Jamaican dollar unless otherwise indicated)

3. CASH AND CASH EQUIVALENTS (CONTINUED)

(i) Movement in provision for expected credit losses:

	2018 \$'000	2017 \$'000
Balance as at 1 January 2018 on adoption of IFRS 9	306	-
Provision for expected credit losses reversed	(56)	-
Balance at end of year	<u>250</u>	<u>-</u>

(a) The current accounts are JMD accounts which carries interest rates of 0.25% (2017:0.35%) per annum.

(b) These include foreign currency bank accounts of US\$231,681 (2017: US\$180,000). As at 31 December 2018, interest rates on foreign currency bank accounts range from 0.01% - 0.15% (2017: 0.01% - 0.15%) per annum.

4. GOVERNMENT SECURITIES PURCHASED UNDER RESALE AGREEMENTS

	2018 \$'000	2017 \$'000
Reverse repurchase agreements – classified as cash and cash equivalents	74,767	68,928
Reverse repurchase agreements – other	29,021	25,982
	<u>103,788</u>	<u>94,910</u>
Allowance for expected credit losses	(922)	-
	<u>102,866</u>	<u>94,910</u>

Included in the government securities purchased under resale agreements are foreign currency repurchase agreements of US\$0.65 million (2017: US\$0.62 million). As at 31 December 2018, the maturity dates on reverse repurchase agreements range from 30 days to 90 days (2017: 27 days to 91 days) and interest rates range from 0.50% - 4.25% (2017: 0.62% - 4.25%).

(i) Movement in provision for expected credit losses:

	2018 \$'000	2017 \$'000
Balance as at 1 January 2018 on adoption of IFRS 9	990	-
Provision for expected credit losses reversed	(68)	-
Balance at end of year	<u>922</u>	<u>-</u>

tTECH LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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5. ACCOUNTS RECEIVABLE

	2018	2017
	\$'000	\$'000
0 - 30 days	39,004	24,781
31- 60 days	2,057	811
61 - 90 days	2,558	203
91 - 180 days	8,780	1,051
181 - 365 days	307	1,262
Over 365 days	1,298	2,235
	<u>54,004</u>	<u>30,343</u>
Allowance for expected credit losses	<u>(2,615)</u>	<u>(542)</u>
	<u>51,389</u>	<u>29,801</u>

Trade receivables are non-interest bearing and are generally on terms of 10 days.

Included in receivables however, are debtors with the carrying amount of \$7.77 million (2017: \$4.00 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 expected credit losses:

	2018	2017
	\$'000	\$'000
Balance at beginning of year	542	590
Adjustment to impairment provision on adoption of IFRS 9	2,447	-
Provision for expected credit losses reversed on accounts receivable	-	(48)
Bad debt recovered	(374)	-
	<u>2,615</u>	<u>542</u>
Balance at end of year	<u>2,615</u>	<u>542</u>

(ii) Aging of impaired accounts receivable

	2018	2017
	\$'000	\$'000
90+ days	<u>2,587</u>	<u>542</u>

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

	2018	2017
	\$'000	\$'000
90 -180 days	7,770	1,051
180-365 days	-	1,262
Over 1 year	-	1,693
	<u>7,770</u>	<u>4,006</u>

tTECH LIMITED
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6. OTHER RECEIVABLES

	2018	2017
	\$'000	\$'000
Withholding tax	1,666	1,147
Prepayments	6,972	4,783
Procurement (a)	783	5,170
Other	4,810	4,225
	<u>14,231</u>	<u>15,325</u>

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

7. INVENTORY

	2018	2017
	\$'000	\$'000
Equipment for resale	7,457	-
	<u>7,457</u>	<u>-</u>

Procurement represents amounts recoverable from customers for purchases of equipment made on their behalf. During 2018 \$5,586,000 (2017: \$841,000) was recognized as an expense for inventories carried at cost. This was recognized in cost of sales.

8. ACCOUNTS PAYABLE

	2018	2017
	\$'000	\$'000
Trade payables	584	1,456
Statutory liabilities	2,270	2,343
Accrued expenses	23,263	15,695
GCT payable	3,120	2,414
Others	7,374	8,481
	<u>36,611</u>	<u>30,389</u>

9. CONTRACT LIABILITIES

	2018	2017
	\$'000	\$'000
Customer advances	14,772	-
	<u>14,772</u>	<u>-</u>

Contract liabilities include short-term customer advances received to deliver equipment and to render installation services. This amount was reclassified from other payables in the current year as a result of the adoption of IFRS 15. The Company reported a significant increase in contract liabilities in 2018 which was mainly due to \$13,063,000 in short-term advances received from customers during the year.

tTECH LIMITED
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10. TAXATION

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.

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

	2018	2017
	\$'000	\$'000
Profit before tax	<u>27,537</u>	<u>18,649</u>
Computed "expected" tax charge @ 25%	6,884	4,662
Difference between profit for financial statements and tax reporting purposes on:		
Expenses not deducted for tax purposes	648	437
Relief given under Junior Stock Exchange Regulation	<u>(7,532)</u>	<u>(5,099)</u>
	<u>-</u>	<u>-</u>

As at 31 December 2018, no deferred income tax was calculated on temporary difference pursuant to the Company listing on the Junior Market of the Jamaica Stock Exchange.

11. INVESTMENTS

	2018	2017
	\$'000	\$'000
Certificate of deposits maturing July 2022:		
USD instrument with interest of 4.25% (US\$0.101 million)	13,200	12,566
JMD instrument with interest of 3.54%	<u>10,600</u>	<u>10,275</u>
Debt instruments at amortised cost	23,800	22,841
Quoted equity securities at FVTPL	<u>4,202</u>	<u>3,160</u>
	28,002	26,001
Allowance for expected credit losses	<u>(221)</u>	<u>-</u>
At December 31	<u>27,781</u>	<u>26,001</u>

Included in the investment balances above is interest receivable in the amount of \$0.168 million (2017: \$0.129 million).

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11. INVESTMENTS (CONTINUED)

The movement for the year in debt instruments (2017: Loans and receivable) financial assets is as follows:

	2018	2017
	\$'000	\$'000
At January 1		
Quoted equity securities at FVTPL	3,160	3,160
Debt instruments at amortised cost	22,841	-
	<u>26,001</u>	<u>3,160</u>
Purchases (Debt instruments)	959	21,708
Movement in fair value on quoted equity securities at FVTPL	1,042	1,133
	<u>28,002</u>	<u>26,001</u>
Allowance for expected credit losses	<u>(221)</u>	<u>-</u>
At December 31	<u><u>27,781</u></u>	<u><u>26,001</u></u>

(i) Movement in provision for expected credit losses:

	2018	2017
	\$'000	\$'000
Balance at beginning of year as at 1 January 2018 on adoption of IFRS 9	225	-
Provision for expected credit losses reversed	<u>(4)</u>	<u>-</u>
Balance at end of year	<u><u>221</u></u>	<u><u>-</u></u>

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12. PROPERTY AND EQUIPMENT

	Computer Equipment \$'000	Furniture & Equipment \$'000	Total \$'000
At cost:			
1 January 2017	15,737	10,802	26,539
Additions	2,518	105	2,623
Disposal	(114)	-	(114)
31 December 2017	18,141	10,907	29,048
Additions	2,427	299	2,726
Disposal	(2,919)	-	(2,919)
31 December 2018	17,649	11,206	28,855
Depreciation:			
1 January 2017	10,071	2,853	12,924
Charge for the year	2,765	1,262	4,027
Disposal	(54)	-	(54)
31 December 2017	12,782	4,115	16,897
Charge for the year	3,493	736	4,229
Disposal	(2,919)	-	(2,919)
31 December 2018	13,356	4,851	18,207
Net book values:			
31 December 2018	4,293	6,355	10,648
31 December 2017	5,359	6,792	12,151

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

Furniture and equipment	10%
Computer equipment	33 $\frac{1}{3}$ %

13. SHARE CAPITAL

	2018 \$'000	2017 \$'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

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14. REVENUE FROM CONTRACTS WITH CUSTOMERS

- 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 one customer, which amounted to \$122.42 million (2017: \$111.million) was greater than 10 per cent of the Company's revenues accounting for 43.8% and 50% respectively Note 21 a) i).
- c) Performance obligations
- (i) Equipment:
 The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 10 days from delivery.
 - (ii) Warranty:
 In some contracts, warranties are provided for one year from the date of purchase. The warranty is accounted for as a separate performance obligation with a specified transaction price. The performance obligation for the warranty service is satisfied over the life of the warranty.
 - (iii) Installation services:
 The performance obligation is satisfied over-time and payment is generally due upon completion of installation and acceptance of the customer. In some contracts, short-term advances are required before the installation service is provided.
 - (iv) Procurement services
 There are contracts with customers to acquire equipment on their behalf. The performance obligation is satisfied and payment is due within 10 days from delivery.

15. OTHER INCOME, GAINS AND LOSSES

	2018	2017
	\$'000	\$'000
Commission	179	198
Dividend income	96	84
Loss on disposal of equipment	-	(60)
Appreciation in value of investments (quoted equity securities at FVTPL)	1,042	1,133
Foreign exchange gain/(loss)	1,152	(4,348)
Other	265	362
	<u>2,734</u>	<u>(2,631)</u>

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16. FINANCE INCOME

	2018	2017
	\$'000	\$'000
Interest income on debt instruments at amortised cost	2,013	2,192

17. EXPENSE BY NATURE

Total direct, administrative & other operating expenses:

	2018	2017
	\$'000	\$'000
Technical fees, services and products	63,085	28,081
Advertising and promotion	12,764	8,142
Professional services	8,634	5,083
Property rental and utilities	10,406	11,169
Staff costs (Note 19)	126,323	112,246
Directors' fees	1,510	1,365
Depreciation (Note 12)	4,229	4,027
Insurance	5,003	4,390
Training and subscription	10,806	6,732
Computer and communications	5,169	3,876
Subsistence and staff expenses	3,447	3,175
Corporate expenses	2,613	2,973
Repairs and maintenance	2,400	2,491
Allowance for expected credit losses	(298)	(142)
Other	5,042	4,551
	<u>261,133</u>	<u>198,159</u>

	2018	2017
	\$'000	\$'000
Cost of sales	63,085	28,081
Administrative expenses	165,863	149,874
Other operating expenses	<u>32,185</u>	<u>20,204</u>
	<u>261,133</u>	<u>198,159</u>

18. DISCLOSURE OF EXPENSES

	2018	2017
	\$'000	\$'000
Profit before taxation is stated after charging/(crediting):		
Directors' emoluments (Included in staff costs)	24,710	27,185
Directors' fees	1,510	1,365
Depreciation (Note 12)	4,229	4,027
Auditor's remuneration	1,190	1,134
Staff costs, inclusive of directors' emoluments (Note 19)	126,323	112,246

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19. STAFF COSTS

	2018	2017
	\$'000	\$'000
Salaries and other employee benefits	115,985	102,876
Statutory contributions	10,338	9,370
	<u>126,323</u>	<u>112,246</u>

20. 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.

	2018	2017
	\$'000	\$'000
(a) Related party transactions:		
Directors' emoluments	24,710	27,185
Directors' fees	1,510	1,365
	<u>26,220</u>	<u>28,550</u>

As at 31 December 2018 and 2017, there are no related party receivable or payable balances.

21. 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.

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21. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(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.

The maximum exposure to credit risk is as follows:

	2018	2017
	\$'000	\$'000
Financial assets:		
Cash and cash equivalents (Note 3)	35,866	30,559
Accounts receivable (Note 5)	51,389	29,801
Short-term investments (Note 4)	102,866	94,910
Long-term investments (Note 11)	23,579	22,841
Other receivables	<u>5,593</u>	<u>9,395</u>
	<u>219,293</u>	<u>187,506</u>

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 2018, amounts receivable from four customers that individually accounted for greater than 5% of the accounts receivable balance represented 43.8%, 8.6%, 7.6% and 5.0% (2017: 50.0%, 10.8% and 5.6% for three customers). There are no other concentrations of credit risk.

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for various customers with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off if past due for more than 180 days and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of trade and other receivables disclosed in Notes 5 and 6.

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21. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(i) Credit risk (continued)

Accounts receivable and other receivables (continued):

Set out below is the information about the credit risk exposure on the Company's trade receivables using a provision matrix.

31 December 2018	Trade receivables					
	Days past due					
	0-30 days	31- 60 days	61- 90 days	90 - 180 days	Over 180 days	Total
	Current					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	1.08%	2.31%	2.99%	5.29%	100.00%	
Estimated total gross carrying amount at default	39,004	2,057	2,558	8,780	1,605	54,004
Expected credit loss	422	48	76	464	1,605	2,615

1 January 2018	Trade receivables					
	Days past due					
	0-30 days	31- 60 days	61- 90 days	90 - 180 days	Over 180 days	Total
	Current					
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Expected credit loss rate	1.90%	4.55%	6.20%	8.90%	100.00%	
Estimated total gross carrying amount at default	22,620	2,972	1,254	1,262	2,235	30,343
Expected credit loss	430	135	77	112	2,235	2,989

The provision for impaired trade receivable balance as at 31 December 2017 was \$542,000.

12 Month Expected credit loss	31 December 2018		1 January 2018	
	Average Expected Credit Loss Rate	Expected credit loss	Average Expected Credit Loss Rate	Expected credit loss
		\$'000		\$'000
Financial Assets				
Cash and cash equivalents	1%	250	1%	306
Government securities purchased under resale agreements	0.59%- 1%	922	0.59%- 1%	990
Investments	1%	221	1%	225

There were no changes in the credit ratings of the underlying securities or corporate rating for the debt instruments as at year end.

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21. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(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.

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
2018		
Financial assets		
Non-interest bearing	0.00%	87,106
Interest bearing bank accounts	0.22%	13,491
Fixed interest rate securities	1.78%	<u>129,724</u>
		<u>230,321</u>
Financial liabilities		
Non-interest bearing	0.00%	<u>25,000</u>

	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%	<u>122,734</u>
		<u>192,509</u>
Financial liabilities		
Non-interest bearing	0.00%	<u>12,280</u>

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21. 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 instruments.

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 its 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 summarizes the Company's exposure to foreign exchange rate risk as at 31 December 2018.

	2018	2017
	\$'000	\$'000
Bank of Jamaica foreign exchange buying rates (JM\$ to US\$)	125.89	123.61
Financial assets:		
Cash resources	29,167	22,271
Short term investments	81,757	75,942
Long-term investments (Note 11)	<u>13,200</u>	<u>12,566</u>
Total financial assets	<u>124,124</u>	<u>110,779</u>

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21. 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 (2017: 2% increase, 4% 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 (2017: 2% increase, 4% decrease) in the Jamaican dollar against the United States dollar exposure would be a decrease in profit by J\$2.48 million (2017: J\$2.21 million) or increase of net profit by J\$4.96 million (2017: J\$4.43 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.

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 10% increase or decrease (2017: 15% increase or decrease) represents management's best estimate of the possible change in equity prices.

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21. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial risk management (continued):

(iii) Market risk (continued):

Price risk management (continued)

Price sensitivity analysis (continued)

If bid prices had been 10% higher/lower (2017: 15% higher/lower) and all other variables were held constant, the would result in an increase/decrease in net profit as detailed below:

	2018	2017
	\$'000	\$'000
	10% increase	15% increase
	/decrease	/decrease
Quoted shares	+/- 420	+/- 474

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.

Fair value measurement recognised in the statement of financial position.

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21. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair value of financial instruments (continued)

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:

	2018			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Equity securities	4,202	-	-	4,202

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

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.

22. 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.

	2018	2017
Net profit attributable to stockholders (\$'000)	27,537	18,649
Weighted average number of ordinary stock units	106,000,000	106,000,000
Basic earnings per stock unit (\$)	<u>0.26</u>	<u>0.18</u>

23. DIVIDENDS

During 2017 the Company declared a dividend of \$4.24 million or \$0.04 per share. At 31 December 2017 of the amount declared \$4.10 million was paid. No dividend was declared for year ended 31 December 2018. Dividend payable as at 31 December 2018 of \$0.132 million (2017: \$0.143 million) is included in accounts payable.

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24. COMMITMENTS AND CONTINGENCIES

Operating Lease Commitments – Company as Lessee

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

	2018	2017
	\$'000	\$'000
Within one year of the reporting date	2,133	8,618
Within one to five years	-	2,133
	<u>2,133</u>	<u>10,751</u>

The Company is in the process of negotiating a new lease agreement.

Lease payments recognised by the Company as an expense during the year totaled \$8.75 million (2017: \$9.66 million).