



**Caribbean Producers (Jamaica) Limited
Report to Shareholders
Twelve Months Ended June 30, 2018**

Management Discussion and Analysis

Year ended June 30, 2018

Financial Highlights in US\$

Subsidiary is represented in these figures.



	June 2018 YTD	June 2017 YTD	Change	% Change
	US\$'000	US\$'000	US\$'000	
Gross Revenue	107,796	98,289	9,507	10%
Gross Profit	28,428	27,133	1,295	5%
Gross Profit %	27%	28%		-1%
Operating Expenses	21,659	19,873	(1,786)	-9%
EBIDTA	6,768	7,260	(492)	-7%
Finance Cost, Net, Depreciation & Taxation	4,458	4,671	213	5%
Non-controlling interest	212	35	177	506%
Net Profit - Equity Holders	2,098	2,555	(457)	-18%

Gross Revenue

For the financial year ended June 30, 2018 the company achieved record gross revenues attributed to -

- aggressive marketing and pricing strategies;
- increase in tourist arrivals over the last fiscal year;
- increased sales in the key frozen and chilled food categories and
- the introduction of new products in the overall portfolio of offerings.

The company continues to be recognized as the market leader with strong food and beverage service relationships.

The strong growth recorded over the first three (3) quarters was followed by a softer than expected fourth quarter. This was directly due to the unforeseen challenges arising from the launch and integration of a new IT software platform. The transition of the new IT platform impacted our logistics operations and disrupted our service capacity and consequently our sales for the last two (2) months of the fiscal year.

Gross Profit

The Jamaican economy experienced volatility throughout the year with significant fluctuations in the J\$:US\$ exchange rate. Despite significant month on month fluctuations in the exchange rate, the company effectively aligned its prices to remain competitive and limited the impact on gross profit by only 1%.

Operating Costs

The increase in operating costs were attributable to –

- a. increase in distribution and selling costs to meet the increased demand for company's products;
- b. growth in advertising and marketing for customer awareness and to increase revenue;
- c. increase in salary costs due to redundancies and new hires; and
- d. increase in shrinkage which was directly due to slower rotation resulting from challenges with the IT platform.

Treasury Management

The treasury management strategy employed yielded positive results as evidenced by the reduction in overall finance costs of US\$0.09M.

The company was successful in refinancing and increasing its J\$ Bond at a reduced interest rate. The offer was over-subscribed which reflected confidence in the market.

Net Profit

Resultant from all the above, the group net profit showed a reduction of US\$ 0.28M in comparison to prior year, as profits ended up at US\$2.10M.

Statement of Financial Position

The statement of financial position strengthened year on year. The favorable movement was primarily due to the increase in cash by US\$1.0M (36%), accounts receivable by US\$1.3M (9.4%) and inventories by US\$1.3M (5.2%). There was a notable reduction of US\$0.8M (32%) in short-term loans, however accounts payable increased by US\$2.9M (40%), as a result of increased purchases.

There was a favorable change in total assets by US\$3.8M from US\$54.6M to US\$58.4M. Total liabilities increased by US\$2.0M (6%). The increase in Shareholders' Equity was US\$1.8M (8.2%). There was a dividend payout of US\$0.52M during the year. Non-current assets increased marginally when compared to prior year US\$0.2M whilst non-current liability decreased by US\$0.6M primarily due to loan repayment.

Industry Accolades and Milestones

During the financial year we were awarded three (3) industry accolades; the JHTA Purveyor of the Year 2017; Jamaica Junior Stock Exchange for the Best Website; and RJRGleaner Communications Group also recognized the company as the Best Purveyor for 2017 Hospitality Jamaica Award.

Outlook

It is forecasted that Jamaica's economy will be stable for the upcoming year and inflation is projected to be between 4 and 6 percent. The company is in its third year of transformation and continues to strengthen its leadership team with recent hires at the senior and technical levels. It considers investment in infrastructure and technology to be key enablers for continued growth and efficiency that will aid its transformational journey in the new financial year 2018/2019. Management feels that the growth in its core business is strong and it will continue as a market leader. Increased efficiencies are also anticipated with the commission of a new 56,000 sq. ft state of the art warehouse which is expected to be completed in early 2019.

We wish to thank our partners, shareholders, customers, vendors and employees for their loyalty, commitment and dedication towards the success of the company.



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INDEPENDENT AUDITORS' REPORT

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Caribbean Producers (Jamaica) Limited ("the Company") comprising the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 8 to 44 which comprise the Group's and Company's statement of financial position as at June 30, 2018, the Group's and Company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at June 30, 2018, and of the Group's and Company's 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, 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.

1. Existence and accuracy of Inventories

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<ul style="list-style-type: none">• Due to the significant volume of stock items held at several storage facilities, the broad product range that the group carries, high frequency of transactions and partially automated process, there is an inherent risk that material misstatement could arise due to the quantity or cost of inventory items being incorrectly recorded.	<p>Our audit procedures in response to this matter, included:</p> <ul style="list-style-type: none">• Observation of annual inventory count and selecting a sample of items for testing and agreeing count quantities to final inventory listings.• Conducting roll back procedures from the count date to the year end.• Testing controls over the inventory count process that is in place.• Testing the reconciliation of the inventory stock listing to the general ledger.• Testing controls over management review and recording of inventory receipt and issue and costing.• Testing a sample of inventory items including manufactured products to assess whether all elements of the costs attributable to them had been accurately reflected in the costing calculations; and agreeing the cost of inventory items to supporting documentation e.g. purchase invoices and costing sheets.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. Valuation of inventories

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<ul style="list-style-type: none">• Due to the highly perishable nature of the stock items held and a need for an adequate storage environment from the receipt to the delivery of inventory items, there is an inherent risk that material misstatement could arise due to inventory being impaired.	<p>Our audit procedures in response to this matter, included:</p> <ul style="list-style-type: none">• Selecting a sample of items for testing during the annual inventory count and checking that the items have not exceeded its shelf life. Our procedures included checking how the items are stored and if items are issued on a first-in-first out (FIFO) basis.• Checking management's process of identifying obsolete inventory during the count and reviewing the inspection process carried out throughout the year.• Reviewed sales campaigns subsequent to the year-end to determine if items nearing expiration were being sold below costs.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Other information

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

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

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

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

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

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with 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 Group and the Company or to cease operations, or has no realistic alternative but to do so.

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



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 6 and 7, forms part of our auditors' report.

Report on Additional Matters as Required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been 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 auditors' report is Rajan Trehan.

KPMG

Chartered Accountants
Montego Bay, Jamaica

August 29, 2018



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To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Appendix to the Independent Auditors' Report

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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.



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To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Appendix to the Independent Auditors' Report (continued)

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

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

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

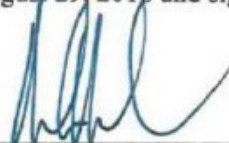
Statement of Financial Position


June 30, 2018

(Presented in United States dollars)

	Notes	Group		Company	
		2018	2017	2018	2017
CURRENT ASSETS					
Cash and cash equivalents	3	3,756,720	2,763,268	3,749,947	2,712,714
Accounts receivable	4	15,214,933	13,908,764	13,422,406	12,538,206
Inventories	5	<u>25,906,462</u>	<u>24,625,347</u>	<u>21,577,170</u>	<u>20,989,014</u>
		<u>44,878,115</u>	<u>41,297,379</u>	<u>38,749,523</u>	<u>36,239,934</u>
CURRENT LIABILITIES					
Bank overdraft	3	776,993	243,222	-	-
Short-term loans	6	1,700,000	2,500,000	1,700,000	2,500,000
Accounts payable	7	10,134,927	7,237,075	8,474,046	5,955,323
Short-term promissory notes	8	4,317,794	4,317,794	4,317,794	4,317,794
Current portion of long-term borrowings	15	615,127	475,310	615,127	464,771
Taxation payable		<u>450,413</u>	<u>578,804</u>	<u>359,771</u>	<u>560,257</u>
		<u>17,995,254</u>	<u>15,352,205</u>	<u>15,466,738</u>	<u>13,798,145</u>
NET CURRENT ASSETS		<u>26,882,861</u>	<u>25,945,174</u>	<u>23,282,785</u>	<u>22,441,789</u>
NON-CURRENT ASSETS					
Investments		71,581	71,581	71,581	71,581
Interest in subsidiary	9	-	-	3,047,948	3,004,272
Deferred tax asset	10	955,302	797,291	956,171	714,000
Property, plant and equipment	11	11,776,693	12,249,662	9,327,025	10,234,069
Intangible asset	12	<u>707,091</u>	<u>158,550</u>	<u>702,245</u>	<u>156,867</u>
		<u>13,510,667</u>	<u>13,277,084</u>	<u>14,104,970</u>	<u>14,180,789</u>
		<u>40,393,528</u>	<u>39,222,258</u>	<u>37,387,755</u>	<u>36,622,578</u>
EQUITY					
Share capital	13	4,898,430	4,898,430	4,898,430	4,898,430
Accumulated surplus		<u>18,606,749</u>	<u>17,030,012</u>	<u>18,477,473</u>	<u>17,121,524</u>
Equity attributable to shareholders		23,505,179	21,928,442	23,375,903	22,019,954
Non-controlling interest		<u>140,294</u>	<u>(71,836)</u>	<u>-</u>	<u>-</u>
		<u>23,645,473</u>	<u>21,856,606</u>	<u>23,375,903</u>	<u>22,019,954</u>
NON-CURRENT LIABILITIES					
Long-term promissory notes	14	8,269,110	9,267,668	8,269,110	9,267,668
Long-term borrowings	15	5,742,742	5,353,980	5,742,742	5,334,956
Due to related company	16(a)	<u>2,736,203</u>	<u>2,744,004</u>	<u>-</u>	<u>-</u>
		<u>16,748,055</u>	<u>17,365,652</u>	<u>14,011,852</u>	<u>14,602,624</u>
		<u>40,393,528</u>	<u>39,222,258</u>	<u>37,387,755</u>	<u>36,622,578</u>

The financial statements on pages 8 to 44 were approved for issue by the Board of Directors on August 29, 2018 and signed on its behalf by:


 _____ Director
 Mark Hart


 _____ Director
 David Lowe

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Profit or Loss and Other Comprehensive Income

Year ended June 30, 2018

(Presented in United States dollars)

	Notes	Group		Company	
		2018	2017	2018	2017
Gross operating revenue	17	107,795,501	98,288,970	93,306,931	86,747,239
Cost of operating revenue	18(a)	(79,367,737)	(71,155,666)	(68,312,666)	(62,099,795)
Gross profit		28,427,764	27,133,304	24,994,265	24,647,444
Selling and administration expenses	18(b)	(21,949,403)	(20,036,435)	(19,498,758)	(17,901,685)
Depreciation and amortisation	11,12	(2,460,328)	(2,641,917)	(2,108,914)	(2,323,789)
Other operating income, net	19(a)	290,054	163,448	259,155	70,011
Operating profit		4,308,087	4,618,400	3,645,748	4,491,981
Finance income	19(b)	882	953	882	953
Finance costs	19(c)	(1,670,924)	(1,762,143)	(1,628,669)	(1,741,325)
Profit before taxation		2,638,045	2,857,210	2,017,961	2,751,609
Taxation	20	(327,439)	(267,563)	(140,273)	(232,866)
Profit for the year, being total comprehensive income		\$ 2,310,606	2,589,647	1,877,688	2,518,743
Attributable to:					
Shareholders		2,098,476	2,554,904	1,877,688	2,518,743
Non-controlling interest		212,130	34,743	-	-
		\$ 2,310,606	2,589,647	1,877,688	2,518,743
Earnings per stock unit (cents)	21	0.19¢	0.23¢	0.17¢	0.23¢

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Changes in Equity
Year ended June 30, 2018
(Presented in United States dollars)

	Group			
	Share capital (note 13)	Accumulated surplus	Non- controlling interest	Total
Balances at June 30, 2016	4,898,430	14,475,108	(106,579)	19,266,959
Profit for the year, being total comprehensive income	<u>-</u>	<u>2,554,904</u>	<u>34,743</u>	<u>2,589,647</u>
Balances at June 30, 2017	4,898,430	17,030,012	(71,836)	21,856,606
Transaction recorded directly in equity: Dividends (note 24)	-	(521,739)	-	(521,739)
Profit for the year, being total comprehensive income	<u>-</u>	<u>2,098,476</u>	<u>212,130</u>	<u>2,310,606</u>
Balances at June 30, 2018	<u>\$4,898,430</u>	<u>18,606,749</u>	<u>140,294</u>	<u>23,645,473</u>

	Company			
Balances at June 30, 2016	4,898,430	14,602,781	-	19,501,211
Profit for the year, being total comprehensive income	<u>-</u>	<u>2,518,743</u>	<u>-</u>	<u>2,518,743</u>
Balances at June 30, 2017	4,898,430	17,121,524	-	22,019,954
Transaction recorded directly in equity: Dividends (note 24)	-	(521,739)	-	(521,739)
Profit for the year, being total comprehensive income	<u>-</u>	<u>1,877,688</u>	<u>-</u>	<u>1,877,688</u>
Balances at June 30, 2018	<u>\$4,898,430</u>	<u>18,477,473</u>	<u>-</u>	<u>23,375,903</u>

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Cash Flows

Year ended June 30, 2018

(Presented in United States dollars)

	Notes	Group		Company	
		2018	2017	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit for the year		2,098,476	2,554,904	1,877,688	2,518,743
Adjustments for:					
Depreciation and amortisation	11, 12	2,460,328	2,641,917	2,108,914	2,323,789
Loss/(gain) on disposal of property, plant and equipment	19(a)	41,935	(37,408)	41,935	(37,408)
Transfer and adjustment to property, plant and equipment		(6,798)	55,346	(6,798)	55,346
Interest income	19(b)	(882)	(953)	(882)	(953)
Interest expense	19(c)	1,670,924	1,762,143	1,628,669	1,741,325
Non controlling interest		212,130	34,743	-	-
Taxation	20	327,439	267,563	140,273	232,866
		6,803,552	7,278,255	5,789,799	6,833,708
(Increase)/decrease in current assets:					
Accounts receivable		(1,306,169)	(748,876)	(884,200)	(459,177)
Inventories		(1,281,115)	(358,901)	(588,156)	199,409
Increase/(decrease) in current liability:					
Accounts payable		2,853,972	(730,759)	2,474,843	(859,792)
Cash generated from operations		7,070,240	5,439,719	6,792,286	5,714,148
Interest paid		(1,627,044)	(1,779,241)	(1,584,789)	(1,758,423)
Tax paid		(613,841)	(73,271)	(582,930)	(71,119)
Net cash provided by operating activities		4,829,355	3,587,207	4,624,567	3,884,606
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest in subsidiary		-	-	(43,676)	(22,962)
Additions to property, plant and equipment and intangible asset	11, 12	(2,613,999)	(1,433,059)	(1,825,347)	(1,188,047)
Proceeds from disposal of property, plant and equipment		42,962	122,033	42,962	122,033
Interest received		882	953	882	953
Net cash used by investing activities		(2,570,155)	(1,310,073)	(1,825,179)	(1,088,023)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		(521,739)	-	(521,739)	-
Promissory notes received		1,442	104,973	1,442	104,973
Promissory notes repaid		(1,000,000)	(802,983)	(1,000,000)	(802,983)
Long-term/short-term borrowings received		12,668,254	9,458,366	12,668,254	9,458,366
Due to related company		(7,801)	3,240	-	-
Long-term/short-term borrowings repaid		(12,939,675)	(12,525,601)	(12,910,112)	(12,515,029)
Net cash used by financing activities		(1,799,519)	(3,762,005)	(1,762,155)	(3,754,673)
Net increase/(decrease) in cash and cash equivalents		459,681	(1,484,871)	1,037,233	(958,090)
Cash and cash equivalents at beginning of the year		2,520,046	4,004,917	2,712,714	3,670,804
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>2,979,727</u>	<u>2,520,046</u>	<u>3,749,947</u>	<u>2,712,714</u>
Comprised of:					
Cash and cash equivalents		3,756,720	2,763,268	3,749,947	2,712,714
Bank overdraft		(776,993)	(243,222)	-	-
		<u>2,979,727</u>	<u>2,520,046</u>	<u>3,749,947</u>	<u>2,712,714</u>

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements

Year ended June 30, 2018

(Presented in United States dollars)

1. Identification

Caribbean Producers (Jamaica) Limited ("company" or "parent company") is incorporated under laws of and domiciled in Jamaica. Its registered office is situated at Shop No. 14, Montego Freeport Shopping Centre, Montego Bay, St. James and its principal place of business is at 1 Guinep Way, Montego Freeport, Montego Bay, St. James.

The company's principal activities during the year were the wholesale and distribution of food and beverages, the distribution of non-food supplies and the manufacture and distribution of fresh juices and meats.

The company's shares are listed on the Junior Market of the Jamaica Stock Exchange.

The company and its subsidiaries are collectively referred to as "the group".

The company holds 100% of the issued share capital of CPJ Investments Limited, a company incorporated on September 16, 2013. CPJ Investments Limited's principal activity is holding a 51% investment in CPJ (St. Lucia) Limited, a company whose principal activity is the wholesale and distribution of food and beverages and the distribution of non-food supplies. Both companies are incorporated and domiciled in St. Lucia.

2. Statement of compliance, basis of preparation and significant accounting policies

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

Standards issued that became effective during the year

Certain new and amended standards came into effect during the current financial year. The adoption of these standards and amendments to standards did not result in any significant change to the presentation and disclosures in the financial statements.

Standards issued but not yet effective

Certain new and amended standards have been issued which are not yet effective for the current year and which the group has not early-adopted. The group has assessed the relevance of all such new standards and amendments to standards with respect to the group's operations and has determined that the following are likely to have an effect on the financial statements.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

Standards issued but not yet effective (cont'd)

- IFRS 9 *Financial Instruments*, which is effective for annual reporting periods beginning on or after January 1, 2018, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

The Group has examined the effects of IFRS 9 in order to determine the qualitative and quantitative impacts of the implementation. The Group considers that the overall impact of the implementation of IFRS 9 will not have a significant impact on the financial statements of the Group.

- IFRS 15 *Revenue From Contracts With Customers*, effective for annual reporting periods beginning on or after January 1, 2018 and replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue, Barter Transactions Involving Advertising Services*. It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two entities in the same line of business exchange non-monetary assets to facilitate sales to other parties.

The group will apply a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

There will be new qualitative and quantitative disclosure requirements to describe the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has conducted an assessment in order to determine the qualitative and quantitative impacts of the implementation of the new revenue recognition standard. Based on this assessment, the Group does not expect a material impact due to the transition to IFRS 15.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

(Presented in United States dollars)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

Standards issued but not yet effective (cont'd)

- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* is effective for annual reporting periods beginning on or after January 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income or initial recognition at fair value or at the fair value of the consideration paid or received at the date of initial recognition of the non-monetary asset or liability.

An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

The Group is assessing the impact that this interpretation will have on its 2019 financial statements.

- IFRIC 23 *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing.

If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty

If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

If facts and circumstances change, the entity is required to reassess the judgements and estimates applied.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

Standards issued but not yet effective (cont'd)

- *IFRIC 23 Uncertainty Over Income Tax Treatments (cont'd)*

IFRIC 23 reinforces the need to comply with existing disclosure requirements regarding:

- judgements made in the process of applying accounting policy to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates;
- assumptions and other estimates used; and
- potential impact of uncertainties that are not reflected in the financial statements.

The Group is assessing the impact that the standard will have on its 2019 financial statements.

- *IFRS 16 Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Companies will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with a value of US\$5,000 or less.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Finance lease accounting will be based on IAS 17 lease accounting, with recognition of net investment in lease comprising lease receivable and residual asset. Operating lease accounting will be based on IAS 17 operating lease accounting.

Early adoption is permitted if IFRS 15 *Revenue from Contracts with Customers*, is also adopted.

The Group is assessing the impact that this amendment will have on its 2020 financial statements.

- Amendments to IFRS 9 *Financial Instruments*, effective retrospectively for annual reporting periods beginning on or after January 1, 2019 clarifies the treatment of:

- (i) Prepayment features with negative compensation:

Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

Standards issued but not yet effective (cont'd)• Amendments to IFRS 9 *Financial Instruments (cont'd)*

(ii) Modifications to financial liabilities:

If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The Group is assessing the impact that this amendment will have on its 2020 financial statements.

(b) Basis of preparation:

The financial statements are prepared under the historical cost convention, and are presented in United States dollars (\$), which is the company's functional currency.

(c) Going concern:

The preparation of the financial statements in accordance with IFRS assumes that the group will continue in operation for the foreseeable future. This means, in part, that the statements of profit or loss and other comprehensive income and the statement of financial position assume no intention or necessity to liquidate or curtail operations. This is commonly referred to as the going concern basis. Management believes that the preparation of the financial statements on the going concern basis continues to be appropriate.

(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 those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised 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 effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are discussed below:

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(d) Use of estimates and judgements (cont'd):

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, caused for example, by default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are observable on significant receivables with similar characteristics, such as credit risks.

(ii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iii) Judgement in evaluation of contingencies:

For a contingent liability to qualify for recognition there must be a present obligation and the probability of an outflow of economic benefits to settle that obligation. In recognising contingent liabilities of the group, management determines the possibility of an outflow of resources and makes estimates of expenditure required to settle the present obligation at the reporting date.

No provision is made if management considers the possibility of any outflow in settlement to be remote.

(iv) Residual value and expected useful life of property plant and equipment:

The residual value and the expected useful life of an asset are reviewed at least at each reporting date, and, if expectations differ from previous estimates, the change is accounted for prospectively. The useful life of an asset is defined in terms of the asset's expected utility to the company and its subsidiaries.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

(Presented in United States dollars)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Basis of consolidation:

- (i) A "subsidiary" is an enterprise controlled by the company. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

The consolidated financial statements include the financial statements of the company and its subsidiaries (note 1), made up to June 30, 2018.

- (ii) Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.
- (iii) Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group.
- (iv) The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.
- (v) Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

(f) Cash and cash equivalents:

This comprises cash and bank balances and short-term deposits maturing within three months or less from the date of deposit or acquisition that are readily convertible into known amounts of cash and which are not subject to significant risk of changes in value.

Bank overdrafts that form an integral part of the group's cash management for financing operations are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses.

(h) Inventories:

Inventories are valued at the lower of cost, determined on the weighted average basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

The cost of raw materials, labour and appropriate allocations for overhead expenses are included in manufactured finished goods.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(i) Property, plant and equipment:

(i) Recognition and measurement:

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure:

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the group.

(iii) Depreciation:

Depreciation is recognised in profit or loss on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. No depreciation is charged on construction in progress.

The depreciation rates are as follows:

Leasehold improvements	6.67%, 10% and 20%
Furniture, fixtures and equipment	10%, 20% and 33.33%
Computer equipment	33.33%
Motor vehicles	20%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(j) Intangible asset:

Intangible asset, which represents computer software, is deemed to have a finite useful life of three years and is measured at cost, less accumulated amortisation and impairment losses, if any.

(k) Accounts payable:

Trade and other payables are measured at amortised cost.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(l) Provisions:

A provision is recognised when the group has a legal or constructive obligation as a result of a 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 risk specific to the obligation.

(m) Related parties:

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", in this case, the group).

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

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

(b) An entity is related to the group if any of the following conditions applies:

- (i) The entity and the group 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 group or an entity related to the group.
- (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).
- (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the parent of the group.

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

(Presented in United States dollars)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(n) Investments:

(i) Interest in subsidiary:

Interest in subsidiary is measured at cost, less provision for impairment, if any.

(ii) Loans and receivables:

Loans and receivables are those that have a fixed or determinable payment and which are not quoted in an active market. Loans and receivables investments are initially measured at cost and subsequently at amortised cost, calculated on the effective interest rate method, less impairment losses.

(o) Share capital and dividends:

Ordinary shares are classified as equity and carried at cost. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

(p) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at cost. Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost, with any difference between cost and redemption value recognised in profit or loss over the period of the borrowing on an effective interest basis.

(q) Transaction costs:

(i) Transaction costs of share issue:

Transaction costs on the issue of shares are deducted from the proceeds of the issue of share capital to the extent the costs are directly attributable to the issue of the shares.

(ii) Debt issuance costs:

Debt issuance costs represent financing and certain related fees associated with securing long-term borrowings. Amortisation is charged to profit or loss on the effective interest basis over the life of the related borrowings.

(r) Revenue recognition:

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

(Presented in United States dollars)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(s) Expenses/income:

(i) Expenses:

Expenses are recognised in profit or loss on the accrual basis.

(ii) Finance costs:

Finance costs comprise interest payable on borrowings calculated using the effective interest method and material bank overdraft interest.

(iii) Finance income:

Finance income comprises interest earned on funds invested and is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

(iv) Operating lease payments:

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(v) Employee benefits:

Employee benefits include current or short-term benefits such as salaries, statutory contributions paid, annual vacation leave and non-monetary benefits such as medical care and housing. Short-term employee benefits are recognised as a liability, net of payments made, and charged as expenses as incurred. The expected cost of vacation leave that accumulates is recognised over the period that the employees become entitled to the leave.

(t) Taxation:

Income tax on the profit for the year comprises current and deferred tax. Taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity, in which case it is recognised in other comprehensive income.

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

A deferred tax liability is recognised for taxable temporary differences, except to the extent that the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

(Presented in United States dollars)

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(t) Taxation (cont'd):

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(u) Impairment:

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(v) Operating segments:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

Based on the nature of the group's products, processes, customers and distribution systems, management has determined that disclosure of segment information is not applicable to the group.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(w) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Monetary assets and liabilities denominated in other currencies at the reporting date are translated to United States dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

(x) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets have been determined to include cash and cash equivalents, accounts receivable, investments and interest in subsidiary. Financial liabilities include bank overdraft, short-term loans, accounts payable, short-term and long-term promissory notes, long-term borrowings and amounts due to related company.

(y) Determination of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The group's financial instruments lack an available trading market. Further, the company has no financial instruments that are carried at fair value. The carrying value of the group's financial instruments approximates their fair value.

3. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Cash	7,743	7,190	6,234	6,270
Bank balances	3,742,759	2,750,175	3,737,495	2,700,541
Deposits	<u>6,218</u>	<u>5,903</u>	<u>6,218</u>	<u>5,903</u>
	3,756,720	2,763,268	3,749,947	2,712,714
Bank overdraft (a)	<u>(776,993)</u>	<u>(243,222)</u>	<u>-</u>	<u>-</u>
	<u>\$2,979,727</u>	<u>2,520,046</u>	<u>3,749,947</u>	<u>2,712,714</u>

(a) The overdraft facility is secured by way of a guarantee and postponement of claims from a related party.

(b) The company has a multi-purpose operating line of credit in the amount of \$8,500,000 which facilitates an overdraft limit of J\$120 million. The overdraft is subject to interest at the bank's base lending rate less 3% and is secured as disclosed in note 15.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

(Presented in United States dollars)

4. Accounts receivable

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trade receivables (a) and (b)	11,651,440	11,559,540	9,988,991	10,292,464
Other receivables (c)	<u>3,652,561</u>	<u>2,429,366</u>	<u>3,506,679</u>	<u>2,321,463</u>
	15,304,001	13,988,906	13,495,670	12,613,927
Less: Allowance for impairment losses (d)	(<u>89,068</u>)	(<u>80,142</u>)	(<u>73,264</u>)	(<u>75,721</u>)
	<u>\$15,214,933</u>	<u>13,908,764</u>	<u>13,422,406</u>	<u>12,538,206</u>

(a) Trade receivables include due from directors amounting to \$9,374 (2017: \$8,370) for the group and the company; and \$214,231 (2017: \$178,743) due from related companies, which are controlled by directors for the group and the company.

(b) The aging of trade receivables at the reporting date was:

	<u>Group</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Not past due	7,502,139	-	9,019,127	-
Past due 31- 60 days	2,651,685	-	1,792,278	-
More than 60 days	<u>1,497,616</u>	<u>89,068</u>	<u>748,135</u>	<u>80,142</u>
	<u>\$11,651,440</u>	<u>89,068</u>	<u>11,559,540</u>	<u>80,142</u>

	<u>Company</u>			
	<u>2018</u>		<u>2017</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Not past due	6,336,651	-	7,862,960	-
Past due 31- 60 days	2,478,545	-	1,665,757	-
More than 60 days	<u>1,173,795</u>	<u>73,264</u>	<u>763,747</u>	<u>75,721</u>
	<u>\$9,988,991</u>	<u>73,264</u>	<u>10,292,464</u>	<u>75,721</u>

(c) Other receivables include due from directors amounting to \$9,848 (2017: \$10,930) for the group and the company; and \$18,605 (2017: \$34,843) due from related companies, which are controlled by directors for the group and the company.

(d) The movement in allowance for impairment in respect of trade receivables during the year was as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Balance at beginning of year	80,142	100,365	75,721	97,157
Amounts written off	(51,129)	(174,089)	(48,771)	(161,862)
Amount provided during the year [note 18(b)]	<u>60,055</u>	<u>153,866</u>	<u>46,314</u>	<u>140,426</u>
Balance at end of year	<u>\$89,068</u>	<u>80,142</u>	<u>73,264</u>	<u>75,721</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*5. Inventories

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Goods held for resale – duty paid	17,022,561	17,409,950	13,973,320	15,080,431
Goods held in bonded warehouse	786,549	740,762	182,686	203,396
Goods in transit	5,236,655	4,244,331	4,685,632	3,581,015
Raw materials	2,250,720	1,660,869	2,236,183	1,646,421
Others	<u>609,977</u>	<u>569,435</u>	<u>499,349</u>	<u>477,751</u>
	<u>\$25,906,462</u>	<u>24,625,347</u>	<u>21,577,170</u>	<u>20,989,014</u>

During the year, expenses relating to inventory write-offs amounted to \$2,020,422 (2017: \$1,693,520) for the group and \$1,808,142 (2017: \$1,439,672) for the company.

6. Short-term loans

	<u>Group and Company</u>	
	<u>2018</u>	<u>2017</u>
The Bank of Nova Scotia Jamaica Limited loans	<u>1,700,000</u>	<u>2,500,000</u>

These are US\$ revolving loans that bear interest at 4.25% and are secured as disclosed in note 15.

7. Accounts payable

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Trade payables (a)	7,954,102	5,223,571	6,666,005	4,187,988
Other payables (b)	<u>2,180,825</u>	<u>2,013,504</u>	<u>1,808,041</u>	<u>1,767,335</u>
	<u>\$10,134,927</u>	<u>7,237,075</u>	<u>8,474,046</u>	<u>5,955,323</u>

(a) Trade payables include due to related companies, which are controlled by directors amounting to \$246,015 (2017: \$445,074) for the group and \$127,707 (2017: \$159,419) for the company.

(b) Other payables include \$42,759 (2017: \$56,119) due to related companies for the group and the company which are controlled by directors.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*8. Short-term promissory notes

	<u>Group and Company</u>	
	<u>2018</u>	<u>2017</u>
8% related company loan	750,000	750,000
8% related party loans	1,858,333	1,858,333
7% related party loan	1,563,333	1,563,333
6% related party loan	<u>146,128</u>	<u>146,128</u>
	<u>\$4,317,794</u>	<u>4,317,794</u>

(a) These US\$ promissory notes are unsecured and repayable with three months notice to the company.

(b) The related company is controlled by directors.

9. Interest in subsidiary

(a) The details of the company's subsidiaries as at June 30, 2018 are as follows:

<u>Company</u>	<u>Principal activity</u>	<u>Percentage of ordinary shares held by company</u>	<u>Place of incorporation</u>
CPJ Investments Limited	Holds investment in CPJ (St. Lucia) Limited	100	St. Lucia
CPJ (St. Lucia) Limited	See note 1	51	St. Lucia

(b) Interest in subsidiary comprises:

	<u>Company</u>	
	<u>2018</u>	<u>2017</u>
Shares, at cost	10,000	10,000
Advances (see note below)	<u>3,037,948</u>	<u>2,994,272</u>
	<u>\$3,047,948</u>	<u>3,004,272</u>

These advances are interest-free, unsecured and have no fixed repayment terms. However, the company's intent is not to require repayment within 12 months of the reporting date.

10. Deferred tax asset

The deferred tax asset is attributable to differences in tax and financial statement reporting in respect of the following:

	<u>Group</u>				
	<u>2016</u>	<u>Recognised in income [note 20(a)]</u>	<u>2017</u>	<u>Recognised in income [note 20(a)]</u>	<u>2018</u>
Accounts payable	49,050	(50)	49,000	13,494	62,494
Unrealised foreign exchange gains	(2,509)	(17,491)	(20,000)	4,610	(15,390)
Tax effect of losses carried forward	287,740	(16,395)	271,345	(103,006)	168,339
Property, plant and equipment	<u>253,874</u>	<u>243,072</u>	<u>496,946</u>	<u>242,913</u>	<u>739,859</u>
	<u>\$588,155</u>	<u>209,136</u>	<u>797,291</u>	<u>158,011</u>	<u>955,302</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

*(Presented in United States dollars)*10. Deferred tax asset (cont'd)

	Company				
	<u>2016</u>	<u>Recognised in income [note 20(a)]</u>	<u>2017</u>	<u>Recognised in income [note 20(a)]</u>	<u>2018</u>
Accounts payable	49,050	(50)	49,000	13,494	62,494
Unrealised foreign exchange gains	(2,509)	(17,491)	(20,000)	4,610	(15,390)
Property, plant and equipment	<u>444,325</u>	<u>240,675</u>	<u>685,000</u>	<u>224,067</u>	<u>909,067</u>
	<u>\$490,866</u>	<u>223,134</u>	<u>714,000</u>	<u>242,171</u>	<u>956,171</u>

11. Property, plant and equipment

	Group					
	<u>Leasehold improvements</u>	<u>Furniture, fixtures and equipment</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
June 30, 2016	9,397,780	12,107,257	1,974,415	2,182,337	56,257	25,718,046
Additions	53,237	778,512	123,509	259,216	111,289	1,325,763
Disposals	-	(250,231)	-	(567,664)	-	(817,895)
Transfer	-	-	-	-	(23,181)	(23,181)
Adjustment	-	-	8,365	-	(33,076)	(24,711)
June 30, 2017	9,451,017	12,635,538	2,106,289	1,873,889	111,289	26,178,022
Additions	116,534	768,117	374,868	84,115	692,757	2,036,391
Disposals	(74,892)	(54,092)	(84,935)	(225,360)	-	(439,279)
Adjustment	(391)	7,189	-	-	-	6,798
June 30, 2018	<u>9,492,268</u>	<u>13,356,752</u>	<u>2,396,222</u>	<u>1,732,644</u>	<u>804,046</u>	<u>27,781,932</u>
Depreciation:						
June 30, 2016	4,283,249	4,939,435	1,553,661	1,276,154	-	12,052,499
Charge for the year	852,924	1,200,705	256,152	216,035	75,861	2,601,677
Disposals	-	(221,200)	-	(512,070)	-	(733,270)
Adjustment	297	7,157	-	-	-	7,454
June 30, 2017	5,136,470	5,926,097	1,809,813	980,119	75,861	13,928,360
Charge for the year	671,519	1,221,218	209,733	328,791	-	2,431,261
Disposals	(18,099)	(45,803)	(72,371)	(218,109)	-	(354,382)
June 30, 2018	<u>5,789,890</u>	<u>7,101,512</u>	<u>1,947,175</u>	<u>1,090,801</u>	<u>75,861</u>	<u>16,005,239</u>
Net book values:						
June 30, 2018	<u>\$3,702,378</u>	<u>6,255,240</u>	<u>449,047</u>	<u>641,843</u>	<u>728,185</u>	<u>11,776,693</u>
June 30, 2017	<u>\$4,314,547</u>	<u>6,709,441</u>	<u>296,476</u>	<u>893,770</u>	<u>35,428</u>	<u>12,249,662</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*11. Property, plant and equipment (cont'd)

	Company					Total
	<u>Leasehold improvements</u>	<u>Furniture, fixtures and equipment</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Construction in progress</u>	
Cost:						
June 30, 2016	8,727,103	10,641,738	1,901,945	1,853,932	56,257	23,180,975
Additions	50,093	766,512	118,541	136,531	9,074	1,080,751
Disposals	-	(250,231)	-	(567,664)	-	(817,895)
Transfer	-	-	-	-	(23,181)	(23,181)
Adjustment	-	-	8,365	-	(33,076)	(24,711)
June 30, 2017	8,777,196	11,158,019	2,028,851	1,422,799	9,074	23,395,939
Additions	99,671	719,211	323,209	-	110,839	1,252,930
Disposals	(74,892)	(54,092)	(84,935)	(225,360)	-	(439,279)
Adjustment	(391)	7,189	-	-	-	6,798
June 30, 2018	<u>8,801,584</u>	<u>11,830,327</u>	<u>2,267,125</u>	<u>1,197,439</u>	<u>119,913</u>	<u>24,216,388</u>
Depreciation:						
June 30, 2016	4,226,856	4,677,567	1,529,391	1,161,629	-	11,595,443
Charge for the year	785,609	1,068,381	241,273	196,980	-	2,292,243
Disposals	-	(221,200)	-	(512,070)	-	(733,270)
Adjustment	297	7,157	-	-	-	7,454
June 30, 2017	5,012,762	5,531,905	1,770,664	846,539	-	13,161,870
Charge for the year	603,513	1,058,218	189,401	230,743	-	2,081,875
Disposals	(18,099)	(45,803)	(72,371)	(218,109)	-	(354,382)
June 30, 2018	<u>5,598,176</u>	<u>6,544,320</u>	<u>1,887,694</u>	<u>859,173</u>	<u>-</u>	<u>14,889,363</u>
Net book values:						
June 30, 2018	<u>\$3,203,408</u>	<u>5,286,007</u>	<u>379,431</u>	<u>338,266</u>	<u>119,913</u>	<u>9,327,025</u>
June 30, 2017	<u>\$3,764,434</u>	<u>5,626,114</u>	<u>258,187</u>	<u>576,260</u>	<u>9,074</u>	<u>10,234,069</u>

12. Intangible asset

	Computer software	
	<u>Group</u>	<u>Company</u>
Cost:		
June 30, 2016	107,202	81,117
Addition	<u>107,296</u>	<u>107,296</u>
June 30, 2017	214,498	188,413
Addition	<u>577,608</u>	<u>572,417</u>
June 30, 2018	<u>792,106</u>	<u>760,830</u>
Amortisation:		
June 30, 2016	15,708	-
Charge for the year	<u>40,240</u>	<u>31,546</u>
June 30, 2017	55,948	31,546
Charge for the year	<u>29,067</u>	<u>27,039</u>
June 30, 2018	<u>85,015</u>	<u>58,585</u>
Carrying amount:		
June 30, 2018	<u>\$707,091</u>	<u>702,245</u>
June 30, 2017	<u>\$158,550</u>	<u>156,867</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

*(Presented in United States dollars)*13. Share capital

	<u>Group and Company</u>	
	<u>2018</u>	<u>2017</u>
Authorised:		
176,000,000,000		
ordinary shares of no par value		
Stated capital, issued and fully paid:		
1,100,000,000 ordinary shares		
of no par value	5,117,611	5,117,611
Less: Transaction costs of share issue	(219,181)	(219,181)
	<u>\$4,898,430</u>	<u>4,898,430</u>

14. Long-term promissory notes

	<u>Group and Company</u>	
	<u>2018</u>	<u>2017</u>
Due to related companies:		
6% loan	100,000	100,000
8% loan	1,500,000	2,500,000
9% loan [see note 15]	6,000,000	6,000,000
Due to related company:		
Non-interest bearing loans	650,000	650,000
Due to third party:		
8% loan	19,110	17,668
	<u>\$8,269,110</u>	<u>9,267,668</u>

(a) These US\$ loans are unsecured and not repayable before June 30, 2018.

(b) Related companies are controlled by directors.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

(Presented in United States dollars)

15. Long-term borrowings

		Group		Company	
		2018	2017	2018	2017
9.5% Bonds	(a)(i)	-	2,620,064	-	2,620,064
8% Bonds	(a)(ii)	3,834,597	-	3,834,597	-
10.5% Sagicor Bank Jamaica Limited [J\$6,518,329 (2017: J\$8,395,173)]	(b)	49,990	65,270	49,990	65,270
10.9% Sagicor Bank Jamaica Limited [J\$9,709,770 (2017: J\$12,144,828)]	(c)	74,466	94,422	74,466	94,422
10.9% Sagicor Bank Jamaica Limited [J\$3,054,398 (2017: J\$4,239,439)]	(d)	23,425	32,960	23,425	32,960
10.5% Sagicor Bank Jamaica Limited [J\$1,584,591 (2017: J\$2,040,847)]	(e)	12,153	15,867	12,153	15,867
8% Royal Bank of Canada	(f)	-	11,552	-	-
8% Royal Bank of Canada	(g)	-	18,011	-	-
9.25% Bank of Nova Scotia Jamaica Limited [J\$103,012,483 (2017: J\$117,728,651)]	(h)	747,700	924,835	747,700	924,835
4.75% Bank of Nova Scotia Jamaica Limited [J\$19,230,800 (2017: J\$23,846,192)]	(i)	1,325,000	1,616,666	1,325,000	1,616,666
9.5% Bank of Nova Scotia Jamaica Limited [J\$16,666,648 (2017: J\$20,666,656)]	(j)	147,431	185,396	147,431	185,396
10% Bank of Nova Scotia Jamaica Limited [J\$16,666,648 (2017: J\$20,666,656)]	(k)	127,820	160,676	127,820	160,676
9.5% Bank of Nova Scotia Jamaica Limited [J\$4,720,196 (2017: J\$5,809,472)]	(l)	36,200	45,167	36,200	45,167
9.5% Bank of Nova Scotia Jamaica Limited [J\$2,273,323 (2017: J\$3,153,319)]	(m)	17,435	24,516	17,435	24,516
9% Bank of Nova Scotia Jamaica Limited [J\$3,828,000 (2017: J\$5,220,000)]	(n)	29,358	40,584	29,358	40,584
8.75% Bank of Nova Scotia Jamaica Limited [J\$5,375,000 (2017: J\$6,875,000)]	(o)	41,222	53,451	41,222	53,451
		6,466,797	5,909,437	6,466,797	5,879,874
Less: Current portion		(615,127)	(475,310)	(615,127)	(464,771)
		<u>5,851,670</u>	<u>5,434,127</u>	<u>5,851,670</u>	<u>5,415,103</u>
Debt issuance costs:	(p)				
At beginning of the year		(80,147)	(108,544)	(80,147)	(108,544)
Additional costs incurred in the year		(68,149)	(53,086)	(68,149)	(53,086)
Debt costs amortised during the year		<u>39,368</u>	<u>81,483</u>	<u>39,368</u>	<u>81,483</u>
At the end of the year		(108,928)	(80,147)	(108,928)	(80,147)
		<u>\$5,742,742</u>	<u>5,353,980</u>	<u>5,742,742</u>	<u>5,334,956</u>

(a) (i) On April 29, 2013, the company authorised the private placement by way of an exempt distribution under the Guidelines for Exempt Distributions (Guidelines SR-GUID-08/05-0016) of a series of 5-year promissory Bonds ("the Bonds") denominated in Jamaican dollars ("J\$") for an aggregate principal amount of up to J\$500,000,000 of which S\$37,000,000 was subscribed. The bonds were secured by 5 year demand debentures over fixed and floating assets of the company. The bonds were repaid during the year.

(ii) On April 27, 2018, the company authorised the private placement by way of an exempt distribution under the Guidelines for Exempt Distributions (Guidelines SR-GUID-08/05-0016) of a series of 5-year unsecured promissory Bonds ("the Bonds") denominated in Jamaican dollars ("J\$") for an aggregate principal amount of J\$500,000,000.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

*(Presented in United States dollars)*15. Long-term borrowings (cont'd)

- (b) This represents the balance due on an initial loan of JS13,195,000. The loan is repayable in eighty-four monthly instalments of principal and interest of JS222,477; the final instalment being due in April 2021.
- (c) This represents the balance due on an initial loan of JS17,768,000. The loan was repayable in eighty-four monthly instalments of principal and interest of JS303,298; the final instalment being due in August 2021.
- (d) This represents the balance due on an initial loan of JS6,976,000. The loan is repayable in seventy-two monthly instalments of principal and interest of JS132,425; the final instalment being due in August 2020.
- (e) This represented the balance due on an initial loan of JS2,880,006. The loan is repayable in seventy-two monthly instalments of principal and interest of JS54,084; the final instalment being due in August 2021.
- (f) This represented the balance due on an initial loan of \$19,090. The loan was repayable in fifty-three monthly instalments of \$523 and was fully settled during the year.
- (g) This represented the balance due on an initial loan of \$26,030. The loan was repayable in sixty-three monthly instalments of \$594 and was fully settled during the year.
- (h) This represents the balance due on an initial loan of JS147,160,689. The applicable rate of interest is 9.25% per annum up to July 16, 2018 and thereafter the 6 months Weighted Average Treasury Bill Yield (WATBY) rate plus 2.5% per annum (with a floor of 9% per annum), reset quarterly. The loan is repayable in sixty months and matures on July 16, 2020.
- (i) This represents the balance due on an initial loan of \$2,000,000. The applicable rate of interest is 4.75% per annum up to July 16, 2018 and thereafter the 6 months LIBOR rate plus 4.35% per annum, reset quarterly. The loan is repayable in sixty months and matures on July 16, 2020.
- (j) This represents the balance due on an initial loan of JS30,000,000, funded by the Development Bank of Jamaica Limited (DBJ). The DBJ's authorised lending rate for its energy funding line is currently at 6.5% per annum, plus a commission of 3% per annum, gives an effective all-in-one interest rate of 9.5% per annum. The loan is for seven years with a six months moratorium. The principal is repayable in seventy-seven equal monthly payments of JS384,616 and one final payment of JS384,568. The loan matures on August 8, 2022.
- (k) This represents the balance due on an initial loan of JS26,000,000, funded by the DBJ. The DBJ's authorised lending rate for its regular JS funding line is currently at 7% per annum, plus a commission of 3% per annum, gives an effective all-in-one interest rate of 10% per annum. The principal is repayable in seventy-seven equal monthly payments of JS333,334 and one final payment of JS333,282. The loan matures on August 12, 2022.
- (l) This represents the balance due on an initial loan of JS7,625,000. The applicable rate of interest is 9.5% per annum for years 1 to 5 and thereafter the 6 months WATBY plus 3% for years 6 and 7. The loan is repayable in eighty-four months with initial principal payment of JS90,841 followed by eighty-three monthly payments of JS90,773. The loan matures on October 29, 2022.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

*(Presented in United States dollars)*15. Long-term borrowings (cont'd)

- (m) This represents the balance due on the initial disbursement of J\$4,400,000 drawn-down from the J\$180,000,000 revolving term loan facility. This initial loan is repayable in fifty-nine monthly payments of J\$73,333 and matures January 31, 2021. The interest rate on this initial disbursement is fixed at 9.5% per annum.
- (n) This represents the balance due on an initial loan of J\$6,960,000 for the purchase of two motor vehicles. The interest rate of 9% per annum is fixed for the term. The loan is repayable in sixty monthly instalments of J\$116,000; the final instalment being due in March 2021.
- (o) This represent the balance due on an initial loan of J\$7,500,000 for the purchase of two motor vehicles. The interest rate of 8.75% per annum is fixed for the term. The loan is repayable in sixty monthly instalments of J\$125,000; the final instalment being due in February 2022.
- (p) This represents costs incurred in obtaining certain long-term borrowings. The costs are being written off over the period of the borrowings on the effective interest basis.

The borrowings at (b) to (e) were secured as follows:

- In respect of the purchase of motor vehicles; bill of sale to cover the purchase price and assignment of comprehensive insurance over the assets endorsed in favour of the bank.

The borrowings at (f) to (g) were secured by:

- Bill of sale to cover the purchase price and assignment of comprehensive insurance over the assets endorsed in favor of the bank.
- Letter of guarantee and postponement of claims signed by a related company (non-controlling interest) totaling \$74,040.

The borrowings at (h) to (o) and short-term loans (note 6) with the Bank of Nova Scotia Jamaica Limited are primarily secured as follows:

- Demand debenture stamped to cover \$13,610,000 (equivalent to J\$1,571,946,000), with power to upstamp, constituting a charge over assets of the company and:
 - (i) Limited guarantee of a related company, supported by a first legal mortgage for \$1,000,000 over certain commercial properties owned by the said related company.
 - (ii) Limited guarantee of another related company supported by a first legal mortgage for \$2,000,000 over certain commercial properties owned by this related company.
 - (iii) Limited guarantee by both related companies mentioned in (i) and (ii) supported by a second legal mortgage for J\$64,890,278 over commercial properties owned per (i) and (ii).
- Assignment of peril insurance policy providing adequate replacement coverage over charged assets with loss if any payable to the bank.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

*(Presented in United States dollars)*15. Long-term borrowings (cont'd)

- Subordination and postponement agreement for \$6,000,000 due to a related company (note 14).
- In respect of the purchase of motor vehicles; bill of sale to cover the purchase price and assignment of comprehensive insurance over the assets endorsed in favour of the bank.

16. Related party balances and transactions

- (a) The statement of financial position includes balances arising in the ordinary course of business with related parties.

The amounts due to related company are payable to non-controlling interests and are interest-free, unsecured and have no fixed repayment terms.

Other related party balances are disclosed in notes 4, 7, 8, 9 and 14.

- (b) The profit for the year includes the following (income)/expense and transactions with related parties in the ordinary course of business:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Sales to related companies/parties	(498,721)	(432,271)	(498,721)	(432,271)
Sales to subsidiary	-	-	(719,091)	(618,969)
Interest expense paid to related companies/parties	729,136	806,000	729,136	806,000
Rent paid to a related company	241,251	220,912	57,218	55,552
Agency fee paid to a related company	1,224,000	1,164,000	1,224,000	1,164,000
Directors' emoluments:				
Fees	14,780	19,250	14,750	19,250
Management remuneration	703,074	681,214	703,074	681,214
Compensation for key management:				
Short-term benefits	<u>979,133</u>	<u>632,245</u>	<u>619,584</u>	<u>466,953</u>

Related companies are controlled by directors.

17. Gross operating revenue

Gross operating revenue represents income from the sale of food, beverages and non-food items for the year.

18. Nature of expenses

- (a) Cost of operating revenue:

Cost of operating revenue primarily comprises the costs to purchase or process inventory items, such as meats, seafood, dairy products and beverages, which were sold by the group to third parties during the year.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018

(Presented in United States dollars)

18. Nature of expenses (cont'd)

(b) Selling and administration expenses:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Advertising	1,138,412	943,219	1,057,090	838,649
Audit fees	79,568	121,354	66,596	109,384
Bad debts [note 4(d)]	60,055	153,866	46,314	140,426
Bank charges	128,851	103,192	107,600	103,192
Cleaning and sanitation	69,589	41,736	61,518	41,736
Data processing	465,340	444,000	465,340	444,000
Donations	9,001	3,999	350	836
Garbage disposal	91,773	54,630	82,664	54,630
Insurance	444,552	479,306	410,524	446,688
Miscellaneous	506,111	690,918	236,820	271,908
Motor vehicle expenses	2,489,444	1,978,603	2,420,830	1,908,778
Penalties and interest	250,408	87,127	250,408	87,127
Pest control	21,631	17,629	20,175	17,629
Printing, postage and stationery	184,353	107,976	152,051	80,722
Professional fees	1,472,520	1,528,350	1,464,388	1,421,372
Rates and taxes	163,237	141,447	151,745	133,947
Rental of premises (note 22)	1,202,728	1,157,728	1,018,695	992,098
Repairs and maintenance	948,658	875,033	778,872	849,417
Security	424,725	400,536	379,247	355,215
Service fees	5,048	6,474	5,048	6,474
Staff costs:				
Salaries, wages, and other payroll costs	8,368,872	7,640,506	7,284,357	6,835,296
Payroll taxes	820,735	744,778	782,984	717,374
Staff welfare	476,097	464,511	460,301	452,610
Subscriptions	36,750	21,995	32,490	21,995
Travel and entertainment	410,490	369,098	374,233	335,882
Utilities	<u>1,680,455</u>	<u>1,458,424</u>	<u>1,388,118</u>	<u>1,234,300</u>
	<u>\$21,949,403</u>	<u>20,036,435</u>	<u>19,498,758</u>	<u>17,901,685</u>

19. Disclosure of income/(expenses)

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(a) Other operating income, net:				
Foreign exchange gains, net	190,909	27,964	185,013	27,964
(Loss)/gain on disposal of property, plant and equipment	(41,935)	37,408	(41,935)	37,408
Others	<u>141,080</u>	<u>98,076</u>	<u>116,077</u>	<u>4,639</u>
	<u>\$290,054</u>	<u>163,448</u>	<u>259,155</u>	<u>70,011</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*19. Disclosure of income/(expenses) (cont'd)

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
(b) Finance income:				
Interest income - third party	\$ <u>882</u>	<u>953</u>	<u>882</u>	<u>953</u>
(c) Finance costs:				
Interest on promissory notes	(1,056,984)	(1,089,764)	(1,056,984)	(1,089,764)
Interest on long-term and short term borrowings	(573,061)	(654,185)	(571,685)	(651,357)
Overdraft interest	(40,879)	(18,194)	-	(204)
	<u>\$(1,670,924)</u>	<u>(1,762,143)</u>	<u>(1,628,669)</u>	<u>(1,741,325)</u>

20. Taxation

(a) Taxation is based on the following:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current tax	<u>485,450</u>	<u>476,699</u>	<u>382,444</u>	<u>456,000</u>
Deferred tax (note 10):				
Tax losses	103,006	16,395	-	-
Origination and reversal of temporary differences	(261,017)	(225,531)	(242,171)	(223,134)
	(158,011)	(209,136)	(242,171)	(223,134)
Tax charge recognised in profit for the year	<u>\$ 327,439</u>	<u>267,563</u>	<u>140,273</u>	<u>232,866</u>
(b) Reconciliation of actual taxation credit:				
Profit before taxation	<u>\$2,638,045</u>	<u>2,857,210</u>	<u>2,017,961</u>	<u>2,751,609</u>
Computed "expected" tax charge at 25% and 30%	690,515	719,582	504,490	687,902
Tax effect of differences between treatment for financial statement and taxation purposes:				
Depreciation and capital allowances	23,599	48,496	23,599	49,311
Other items, net	(4,232)	15,443	(5,373)	11,611
Tax remission [note (c)]	(382,443)	(515,958)	(382,443)	(515,958)
	<u>\$ 327,439</u>	<u>267,563</u>	<u>140,273</u>	<u>232,866</u>

(c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on July 20, 2011. Consequently, the company is entitled to a remission of taxes for 10 years in the proportions set out below, provided the shares remain listed for at least 15 years:

- Years 2012 to 2016 - 100%
- Years 2017 to 2021 - 50%

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*21. Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Profit for the year attributable to the shareholders of the company	\$ <u>2,098,476</u>	<u>2,554,904</u>	<u>1,877,668</u>	<u>2,518,743</u>
Weighted average number of ordinary stock units held during the year	<u>1,100,000,000</u>	<u>1,100,000,000</u>	<u>1,100,000,000</u>	<u>1,100,000,000</u>
Earnings per stock unit (expressed in ¢ per share)	<u>0.19¢</u>	<u>0.23¢</u>	<u>0.17¢</u>	<u>0.23¢</u>

22. Lease commitments

At June 30, 2018, there were unexpired operating lease commitments in relation to leasehold property, payable as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Within one year	1,283,275	1,260,358	1,095,561	1,072,644
Between one and five years	3,757,146	4,450,902	3,006,290	3,700,046
After five years	<u>5,915,846</u>	<u>6,324,617</u>	<u>5,164,990</u>	<u>5,448,619</u>
	<u>\$10,956,267</u>	<u>12,035,877</u>	<u>9,266,841</u>	<u>10,221,309</u>

During the year, the total operating lease expenses recognised in profit or loss amounted to \$1,202,728 (2017: \$1,157,728) for the group and \$1,018,695 (2017: \$992,098) for the company.

23. Contingent liabilities

- (a) In 2016, Tax Administration Jamaica (TAJ) conducted a GCT audit for the period January 2012 to December 2015 and proposed an adjustment to the returns for the period. No formal assessment has been served in this regard. During the year, the management and directors continued discussions with TAJ and other relevant authorities to review and resolve the proposed adjustments. At the date of authorisation of these financial statements, the resolution process is still ongoing.
- (b) The company has given guarantees in the ordinary course of business, under banking arrangements, in favour of the Collector of Customs in the amount of \$369,305 (J\$47,500,000). Additionally a letter of credit was issued amounting to \$125,000 on behalf of the company in favour of a third party.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*24. Dividends

On November 17, 2017, the Board of Directors declared an interim dividend of \$0.06 per stock unit payable on January 19, 2018 to shareholders on record as at December 15, 2017 with an ex-dividend date of December 13, 2017.

25. Financial instruments

(a) Financial risk management:

The group 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 group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

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

The risk management policies are established to identify and analyse the risks faced by the group, 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 group's activities. The Board of Directors has monitoring oversight of the risk management policies.

(i) Credit risk:

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at the reporting date was represented by the carrying value of financial assets in the statement of financial position.

Cash and cash equivalents

The group limits its exposure to credit risk by placing cash resources with substantial counterparties who are believed to have minimal risk of default.

Accounts receivable

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. The group does not require collateral in respect of trade and other receivables.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*25. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(i) Credit risk (cont'd):

Accounts receivable (cont'd)

Trade receivables mainly consist of balances due from retail and hospitality customers across Jamaica. Apart from the concentration of customers in Jamaica, the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowances for impairment losses are based on the aging of the receivables, with allowance made for balances outstanding for over 180 days that appear to be uncollectable. The group also provides for receivables that are overdue for less than this time period, based on information that the receivable balance is uncollectible.

There were no changes in the group's approach to managing credit risk during the year.

(ii) Liquidity risk:

Liquidity risk is the risk that the group 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.

Management of the group manages liquidity risk by maintaining adequate liquid financial assets with appropriate terms and currencies, together with committed financing to meet all contractual obligations and operational cash flows, including the servicing of its long-term liabilities.

The following are the contractual maturities of financial liabilities measured at amortised cost, including interest payments. The tables show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the group can be required to pay.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*25. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Liquidity risk (cont'd):

	Group			
	2018			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Bank overdraft	776,993	776,993	776,993	-
Short-term loans	1,700,000	1,772,250	1,772,250	-
Accounts payable	10,134,927	10,134,927	10,134,927	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	8,269,110	9,608,168	-	9,608,168
Long-term borrowings	6,357,869	7,617,587	729,623	6,887,934
Due to related company	2,736,203	2,736,203	-	2,736,203
Total financial liabilities	<u>\$34,292,896</u>	<u>37,299,557</u>	<u>18,067,222</u>	<u>19,232,305</u>

	Group			
	2017			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Bank overdraft	243,222	243,222	243,222	-
Short-term loans	2,500,000	2,662,500	2,662,500	-
Accounts payable	7,237,075	7,237,075	7,237,075	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	9,267,668	10,762,495	-	10,762,495
Long-term borrowings	5,829,290	6,739,313	753,072	5,986,241
Due to related company	2,744,004	2,744,004	-	2,744,004
Total financial liabilities	<u>\$32,139,053</u>	<u>35,042,038</u>	<u>15,549,298</u>	<u>19,492,740</u>

	Company			
	2018			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Short-term loans	1,700,000	1,772,250	1,772,250	-
Accounts payable	8,474,046	8,474,046	8,474,046	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	8,269,110	9,608,168	-	9,608,168
Long-term borrowings	6,357,869	7,617,557	729,623	6,887,934
Total financial liabilities	<u>\$29,118,819</u>	<u>32,125,450</u>	<u>15,629,348</u>	<u>16,496,102</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*25. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(ii) Liquidity risk (cont'd):

	Company			
	2017			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Short-term loans	2,500,000	2,662,500	2,662,500	-
Accounts payable	5,955,323	5,955,323	5,955,323	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	9,267,668	10,762,495	-	10,762,495
Long-term borrowings	<u>5,799,727</u>	<u>6,706,594</u>	<u>739,671</u>	<u>5,966,923</u>
Total financial liabilities	<u>\$27,840,512</u>	<u>30,740,341</u>	<u>14,010,923</u>	<u>16,729,418</u>

There were no changes to the group's approach to liquidity risk management during the year.

(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 group'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 optimising the return on assets. The nature of the group's exposures to market risk 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 risk, the group has policies and procedures in place which detail how the risk is managed and monitored. The management of each of these major components of market risk and the exposure of the group at the reporting date to each major risk are addressed below.

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

Interest rate risk

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

The group materially contracts financial liabilities at fixed interest rates. These primarily relate to borrowings which are subject to interest rates fixed in advance, but which may be varied with appropriate notice by the lenders.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*25. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(iii) Market risk (cont'd):

Interest rate risk (cont'd)

Interest-bearing financial assets are primarily represented by cash and cash equivalents, which are contracted at various interest rates.

Financial instruments are subject to interest as follows:

	Carrying amount			
	The Group		The Company	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Fixed rate instruments:				
Financial assets	1,258,124	1,046,205	1,258,124	1,046,205
Financial liabilities	(18,771,845)	(18,926,983)	(17,994,853)	(18,654,198)
	<u>\$(17,513,721)</u>	<u>(17,880,778)</u>	<u>(16,736,729)</u>	<u>(17,607,993)</u>
Variable rate instruments:				
Financial assets	74,578	98,889	74,578	98,889
Financial liabilities	(2,108,900)	(2,580,991)	(2,108,900)	(2,580,991)
	<u>\$(2,034,322)</u>	<u>(2,482,102)</u>	<u>(2,034,322)</u>	<u>(2,482,102)</u>

Cash flow sensitivity analysis for variable rate instruments

An increase or decrease in basis points in interest rates at the reporting date would have (decreased)/increased profit for the year by amounts shown below:

	The Group and the Company			
	2018		2017	
	<u>Increase</u> <u>100bp</u>	<u>Decrease</u> <u>50bp</u>	<u>Increase</u> <u>100bp</u>	<u>Decrease</u> <u>50bp</u>
Effect on profit (decrease)/increase	<u>(20,343)</u>	<u>10,172</u>	<u>(24,821)</u>	<u>12,411</u>

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial instrument at fair value. Therefore, a change in interest rates at the reporting date would not affect the profit or other comprehensive income recognised for the year.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*25. Financial instruments (cont'd)

(a) Financial risk management (cont'd):

(iii) Market risk (cont'd):

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group incurs foreign currency risk primarily on receivables, purchases and borrowings that are denominated in a currency other than the United States dollar. The principal foreign currency risks of the group are denominated in Jamaica dollar (J\$).

The group ensures that the risk is kept to an acceptable level by monitoring its risk exposure and by maintaining funds in J\$ as a hedge against adverse fluctuations in exchange rates.

At the reporting date, net foreign currency liabilities of the group and the company are as follows:

	<u>Group and Company</u>	
	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	117,249,887	190,786,530
Accounts receivable	604,850,332	431,517,278
Accounts payable	(212,689,346)	(234,743,921)
Long-term borrowings	(678,974,802)	(429,652,999)
Net foreign currency liabilities	<u>\$ (169,563,939)</u>	<u>(42,093,112)</u>
Equivalent to	<u>\$ (1,301,035)</u>	<u>(327,267)</u>

Exchange rates for the J\$ in comparison to the United States dollar were as follows:

	<u>J\$</u>
June 30, 2018:	\$130.33
June 30, 2017:	\$128.62

Sensitivity analysis

Changes in exchanges rates would have the effects described below:

	<u>Group and Company</u> <u>(Decrease)/increase in</u> <u>profit for the year</u>	
	<u>2018</u>	<u>2017</u>
4% (2017: 1%) strengthening against the US\$	<u>(52,041)</u>	<u>(3,273)</u>
2% (2017: 6%) weakening against the US\$	<u>26,021</u>	<u>19,636</u>

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2017.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2018*(Presented in United States dollars)*25. Financial instruments (cont'd)

(b) Capital risk management:

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders. The directors of the company seek to maintain a strong capital base so as to maintain shareholder and creditor confidence. The group defines capital as total shareholders' equity.

Management of the group is responsible for monitoring the group's adherence to loan covenants on a timely basis and also to obtain relevant approvals from the bank before certain decisions are finalised.

There were no changes in the group's approach to capital management during the year.

(c) Fair value disclosures:

The fair values of cash and cash equivalents, accounts receivable, bank overdraft, accounts payable and short-term loans and promissory notes are assumed to approximate their carrying values due to their relatively short-term nature. Long-term borrowings and promissory notes are carried at their contracted settlement value based on commercial terms. Amounts due to related companies are considered to approximate their carrying value due to their short-term nature, and/or an ability to effect future set-offs in the amounts disclosed.



TOP TEN (10) STOCKHOLDERS AS AT 30TH JUNE 2018

NAME	UNITS	%
Sportswear Producers Limited	248,000,000	22.5455
Mayberry Jamaican Equities Limited	218,252,305	19.8411
Wave Trading Limited	180,632,858	16.4212
Thomas Tyler	82,830,563	7.5301
Oniks Investments Limited	75,306,020	6.8460
Ho Choi Limited	33,581,579	3.0529
Beech Realty Company Limited	31,000,000	2.8182
PWL Bamboo Holdings Limited	16,007,712	1.4552
ATL Group Pension Fund Trustees Nom. Ltd	12,982,044	1.1802
Bricks Limited	12,000,000	1.0909

SENIOR MANAGERS

NAME	UNITS	%
Debbie Clarke	0	0
Hugh Logan	144,343	0.0131
Kesha Ann Harper	0	0
Rhys Campbell	0	0
Ryan Peart	0	0
Wayne Soltau	0	0

DIRECTORS AND CONNECTED PARTIES REPORT

NAME	POSITION	RELATIONSHIP	UNITS	%
<u>Sportswear Producers Limited</u>			248,000,000	22.5455
Mark Hart	Chairman	Connected party holding		
<u>Wave Trading Limited</u>			180,632,858	16.4212
Mark Hart	Chairman	Connected party holding		
<u>Mayberry West Indies Limited</u>			218,252,305	19.8411
Konrad Mark Berry	Director	Connected party holding		
Christopher Berry	Director	Connected party holding		
Thomas Tyler	Co-Chairman	Self	82,830,563	7.5301
<u>Bamboo Group Holdings Limited</u>			15,000,012	1.3636
Mark Konrad Berry	Director	Connected party holding		
<u>Bricks Limited</u>			12,000,000	1.0909
David Lowe	Director	Connected party holding		
<u>Alpine Endeavors Limited</u>			1,881,100	0.1710
Ronald Schrager	Director	Connected party holding		
<u>A+Medical Centre Limited</u>			1,000,000	0.0909
Christopher Berry	Director	Connected party holding		
<u>Apex Pharmacy Limited</u>			921,936	0.0838
Christopher Berry	Director	Connected party holding		
Jan Polack	Director	Self	2,790,185	0.2537
Konrad Mark Berry	Director	Self	500,000	0.0455
Robert J. Hooker	Director	Self	472,000	0.0429
Theresa Chin	Director	Self	288,900	0.0263
Richard Mark Hall	Director	Self	114,090	0.0104