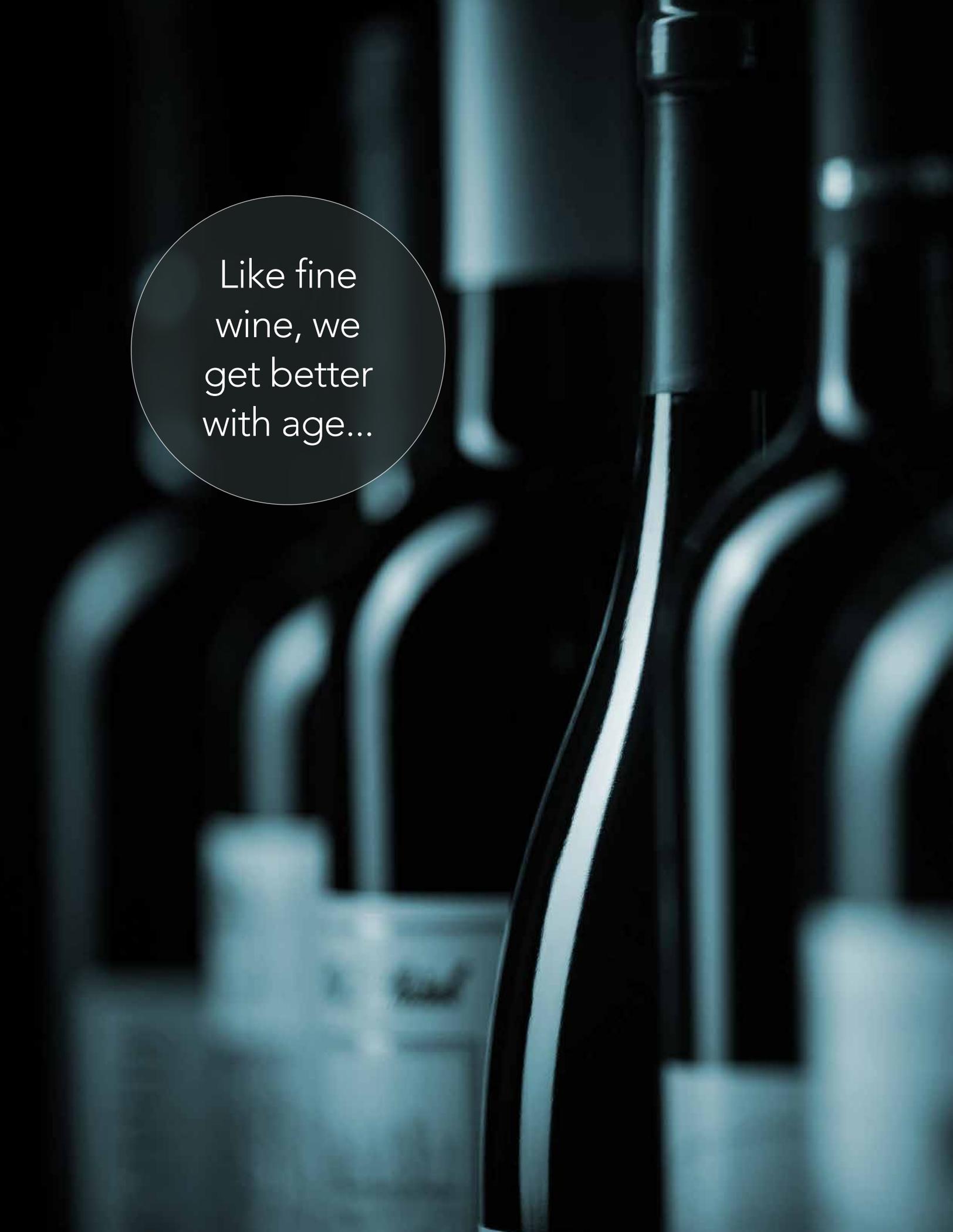


CELEBRATING 25 YEARS OF EXCELLENCE



2019  
Annual  
Report

A photograph of a row of wine bottles in a cellar. The lighting is dramatic, with a strong light source from the side, creating a bright highlight on the neck and shoulder of the bottle in the foreground. The other bottles in the background are out of focus, creating a sense of depth. The overall color palette is dark with a blueish tint.

Like fine  
wine, we  
get better  
with age...

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## Mission

To provide the highest levels of service and quality products available, in striving to ensure the success of our customers.

## Vision

To expand in new markets while maintaining a leadership position in established markets, and to provide an energised and harmonious workplace for our employees.

## Strategy

To drive profitability through strong supplier relationships by delivering great products with exceptional service.

## Customer Service Motto

We measure our effectiveness as a company by our ability to meet the expectations of our customers. We strive to ensure our professional team of representatives reflect this commitment. By building strong customer relationships we promote our continued growth.

## Core Strengths

- Integrity
- Commitment
- Going the Extra Mile

25

The House of Remy Cointreau found a home at CPJ in the Summer of 2012. With the ever growing affinity of the Jamaican urban culture to cognacs, it was just a matter of time for the palate of this demographic to aspire to Fine Champagne Cognac. Enter Remy Martin that is today the No1 VSOP in Jamaica.



## Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Caribbean Producers (Jamaica) Limited Group will be held at Sunscape Splash, Sunset Drive, Freeport, Montego Bay, St. James, on Monday February 10, 2020 at 3:00 p.m. for shareholders to consider, and if thought fit, to pass the following resolutions:

### Ordinary Resolutions

**1. To receive the Reports of the Directors and Auditors and the audited accounts of the Company for the financial year ended 30 June 2019.**

To consider and (if thought fit) pass the following resolution:

“THAT the Reports of the Directors and Auditors and the Audited Accounts of the Company for the financial year ended 30 June, 2019 be adopted”.

**2. In accordance with Article 102 of the Company’s Articles Incorporation, Ms. Camille Shields, Mr. Konrad Berry and Mr. Christopher Berry, retire from office by rotation and, being eligible, offer themselves for re-election.**

To consider and (if thought fit) pass the following resolutions:

- (a) “THAT Ms. Camille Shields who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company”.
- (b) “THAT Mr. Konrad Berry who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company”.
- (c) “THAT Mr. Christopher Berry who retires by rotation and being eligible for re-election be and is hereby re-elected a Director of the Company”.

**3. In accordance with Article 110 of the Company’s Articles Incorporation, Mr. Frank O’Dowd having been appointed during the year, retire and is eligible for re-election.**

Frank O’Dowd, being a Director of the Board appointed on 11 February 2019 to fill a casual vacancy, has resigned prior

to the start of the Annual General Meeting in accordance with the Articles of Incorporation of the Company and, being eligible, hereby offers himself for re-appointment by the shareholders.

**4. To appoint the Auditors and authorize the Directors to fix the remuneration of the Auditors.**

To consider and (if thought fit) pass the following resolution:

“THAT KPMG, Chartered Accountants, having agreed to continue in office as auditors, be and are hereby appointed auditors of the Company to hold office until the next Annual General Meeting at a remuneration to be fixed by the Directors of the Company”.

**5. To fix the remuneration of the Directors, other than the Executive Directors.**

To consider and (if thought fit) pass the following resolution:

“THAT the amount included in the Audited Accounts of the Group for the year ended 30 June 2019, as remuneration for their services as Directors, other than the Executive Directors, be and is hereby approved”.

**Dated this 28 day of October 2019**

By Order of the Board



**Theresa Chin**

Company Secretary

*A form of proxy. A shareholder who is entitled to attend and vote at the Annual General Meeting of the company may appoint one or more proxies to attend in his/her place. A proxy need not be a shareholder of the company. All completed original proxy forms must be deposited together with the power of attorney or other document accompanying the proxy at the registered office of the company at least 48 hours before the Annual General Meeting.*





CARIBBEAN  
PRODUCERS  
LIMITED

As the company founders, we feel particularly grateful this year celebrating Caribbean Producers' 25th year in business. Twenty-five years is quite a milestone in any company, especially one in a competitive and rapid changing industry like food service.

## Report to Shareholders 2019

As the company founders, we feel particularly grateful this year celebrating Caribbean Producers' 25th year in business. Twenty-five years is quite a milestone in any company, especially one in a competitive and rapid changing industry like food service. Celebration of a milestone is a time for reflection and nostalgia for the past, with the generation of stories about how it all began. But for us this year, and due to our already publicized IT implementation at the start of the FY 18/19, this milestone became a time for defining our future as a company with an intense self-examination of our internal processes. The fact that most journeys covering a 25 year span include experiences of unplanned circumstances dictating necessary and responsive actions gave us great comfort. In other words, although we were celebrating 25 years, our mindset was very much focused on a beginning. As a company, we chose to embrace the challenge, viewing it as a transformative experience. Because of that company mindset, we can say with certainty that the events of this year have been the catalyst for our greatest improvements as a company and preparation for the future of our business.

### Self-examination and Transition

Our year of change in the company began with several areas which were identified during this process of self-examination. Our goal was to transition the company using a metric of industry standards for food service. Industry standards have led us to take great leaps in process improvement and IT, as well as the replication of those improvements in St Lucia. We have made great strides in identifying changemakers in the company and talent acquisition of people with industry knowledge. We are currently giving intense focus to efficiencies to drive down costs and increase profitability, some of which are centered on the use of demand planning in our supply chain. We have also focused on portfolio diversification, adding seafood line to provide our customers with the most premium products available.



Listing of CPJ on Stock Exchange in 2011.



Thomas Tyler



Grand opening of Distribution Centre.

### Building on our infrastructure

Another aspect of continuous improvement in the company is building on our infrastructure and we are extremely proud of our state of the art 56,000 sq. ft multi-temperature distribution center, which was completed during the year in review, giving us the largest and most versatile cold chain on the north coast. This new facility has greatly empowered our logistical capacity and as we combine process and IT initiatives, we expect to have incredible results. The DC has already created improved service delivery for our customers and positions us on a continued path of growth while becoming more efficient.

Despite the setback of the IT implementation, CPJ again proved the strength of its business model by growing topline revenue, with month on month growth. The company's robust performance over this period was underscored by several factors: an intensified focus on corporate customer engagement, longer-term supply contracts, proactive responsiveness to market changes and trade dynamics, expansion of an already formidable procurement apparatus, recruitment of additional high level managers and the reinforcement of our strategic alliances with vendors. These initiatives led the us to the strongest revenue performance in company history.

We are thrilled about being recognised this year with an award by the JHTA for invaluable service to the Hotel Industry. We started out with a core purpose to service the Hospitality Industry and support its success. We have stayed true to our mission with the diligent support of our loyal CPJ family. We are also eternally grateful to all of our customers in the retail trade and others who have helped us become integral as one of Jamaica's leading food and beverage suppliers and more recently in St. Lucia.

Our success is primarily made possible by our stakeholders, who we would like to thank for their tremendous support as many have been with us on our incredible 25 year journey from the very beginning. We remember all of you and how it all began. After all, a little nostalgia never hurt.

**A. Mark Hart**

Chairman

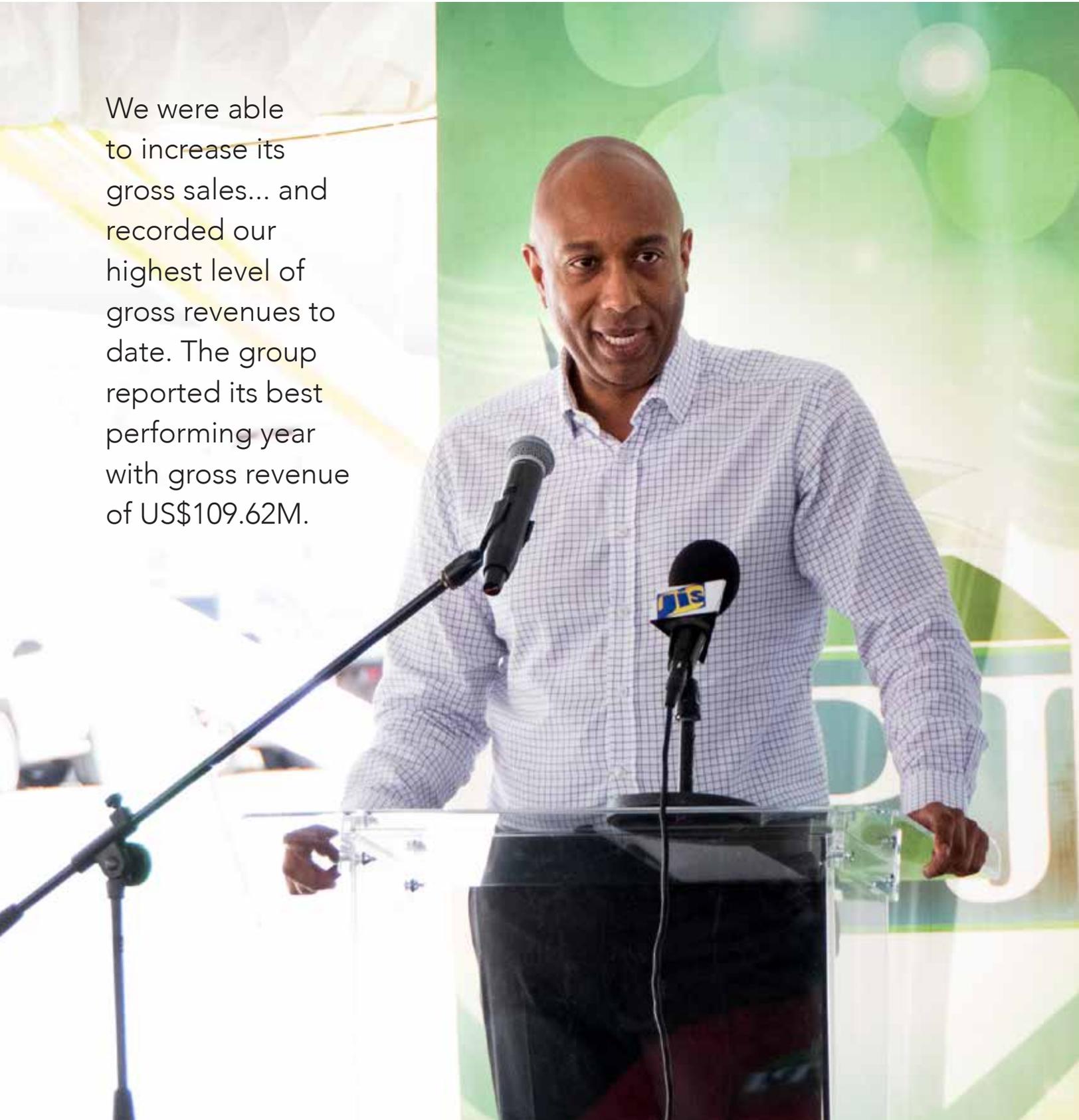
**Thomas Tyler**

Co-Chairman



A. Mark Hart

We were able to increase its gross sales... and recorded our highest level of gross revenues to date. The group reported its best performing year with gross revenue of US\$109.62M.



## CEO's Message

### Dear Shareholders

At the start of the year, we announced plans for two major capital projects that were earmarked for enabling our future growth targets and to strengthen our competitive position in the future.

- The construction of a new 56,000 square feet Distribution Centre to complement the existing 120,000 square feet of warehouse capacity.
- The implementation of new technology to enable the greater capabilities to manage the large and complex portfolio of inventory along with the integration of supply chain operations across our multiple geographic domiciles.

The Company experienced a critical failure at implementation of the new IT system at the start of the fiscal year. This event resulted in significant variable and one-off costs, in addition to disrupting the seasonal sales bid cycle for our core business, the hotel and food service sector.

The impact and recovery extended throughout the first 3 quarters which correlated with the peak tourism season. The logistic challenges created excessive delays thus impacting procurement and delivery capability to fulfil demand on a timely basis.

Nevertheless, our robust business model demonstrated resilience during the year by containing disruption to the largest and most sensitive institutional accounts at the cost of profitability to retain the business relationships and commitments.

We were able to increase its gross sales despite these extraordinary events and recorded its highest level of gross revenues to date. The group reported its best performing year with gross revenue of US\$109.62M. The management and team placed emphasis on the relationship management throughout the year and continued to execute new initiatives and portfolio offerings to remain relevant.

The Company remained focussed on competing in selected product classes with positive results. The four key tactical categories which delivered year on year growth were Spirits, RTD Beverages, Seafood, and Frozen Groceries.

We also received industry and peer accolades during the year, including recognition for "invaluable support" to the Hospitality Industry and the best corporate website from the Jamaica Hotel and Tourism Association and the Jamaica Stock Exchange respectively.

## The Outlook

Fiscal year 2019 presented the Company with invaluable lessons about the core of the business model. The experience enabled the Company to strengthen critical areas of the business including process reengineering and the introduction of new technical talent at the Senior Management and Board level.

We believe that the Company is still poised for further growth and profitability in the new fiscal year, with exciting opportunities despite the interruption to profitability in fiscal year 2019.

The core business model remains resilient and the introduction of new delivery and procurement capabilities creates opportunities for greater efficiency and economies of scale. Also, the introduction of new product categories, combined with the planned incremental growth of hotels on the island over the next 3 years also presents an attractive growth trajectory.

The launch of the new Distribution Centre is projected to enable higher operational efficiencies and ultimately support long term value in our ability to fulfill greater demands that will be required to support the growth of the hotel industry.

We remain committed to the objective to maximize long term shareholder value. By creating scale and implementing strategic business transformation initiatives, CPJ will remain ahead of the competition and ensure that it is the preferred partner and purveyor of choice.

Thank you for your continued support and commitment to our journey.

**David Lowe, Ph.D.**

Chief Executive Officer

## CPJ's growth...

- 
**1999:** CPJ entered the manufacturing arena through the construction of a beverage plant to produce and distribute juice concentrates and frozen mixes for the Beverage System programs used primarily in the hospitality industry. Today, CPJ is the leader in this category and exports to Antigua, St. Lucia, Barbados and Grenada.
- 
**2000:** CPJ moved to its current location at 1 Guinep Way. The additional Space increased our warehouse capacity by 26,000 sq. ft. and is now the houses the company's head offices.
- 
**2006:** CPJ increased its cold storage capacity through the built -out its first purpose-designed 20,000 sq. ft. refrigerated warehouse.
- 
**2011:** Multi-temperature 27,000 sq. ft. warehouse added.
- 
**2014:** CPJ expanded further and built an additional 10,000 sq. ft. warehouse to support its manufacturing facilities; in addition, a Staff wellness centre was constructed which includes a gym and a modern staff canteen.
- 
**2019:** The construction of a new 56,000 sq. ft. Distribution Centre to complement the existing 120,000 square feet of warehouse capacity.





CPJ  
complex  
today

## Tasting Notes

### 1994

CPJ was conceptualized by Thomas Tyler and Mark Hart, who envisioned a vertically integrated food service company with a focus on providing quality products consistently to the hospitality industry. CPJ started operations with a single container of toilet paper being sold from a 16,000 sq ft warehouse in the LOJ Complex located in Montego Freeport. Within two years CPJ had expanded its line of products to include the full range of paper products, dry goods, canned goods and condiments.

### 1996

CPJ grew its distribution portfolio to include wines and spirits to service the hospitality industry and is considered the leading importer of wines and spirits in Jamaica. Today, CPJ represents many of the top producers of wine and internationally recognized spirit brands.

### 1997

CPJ began supplying the hospitality industry with a complete line of slush, soft serve and daiquiri mixes along with dispensers for the Beverage System portfolio.

### 1999

CPJ entered the manufacturing arena through the construction of a beverage plant to produce and distribute juice concentrates and frozen mixes for the Beverage System programs used primarily in the hospitality industry. Today, CPJ is the leader in this category and exports to Antigua, St. Lucia, Barbados and Grenada.

### 2000

CPJ constructed a 1,000 sq. ft. freezer at the LOJ complex and began offering seafood and

dairy products. Today, CPJ's cold storage and temperature-controlled manufacturing plants are approximately 80,000 sq ft and the company sells a wide range of products including meats, seafood, dairy and frozen groceries.

### 2003

CPJ entered the energy drink market with the launch of Red Bull in Jamaica. This was a game changer for CPJ, as not only was Red Bull the only canned beverage on the market, but was also instrumental in bringing CPJ recognition in the local retail market. Red Bull sales skyrocketed and Jamaica became the 5th largest consumer in the Americas and the highest per capita of Red Bull. These were very exciting

times for the company, and we gained national recognition with marketing initiatives that brought the Red Bull Formula One race car for an exhibition run on the streets of New Kingston. Red Bull was a cultural phenomenon.

### 2006

CPJ increased its cold storage capacity through the built-out its first purpose-designed 20,000 sq. ft. refrigerated warehouse which was quickly followed by a second multi-temperature 27,000 sq. ft. warehouse in 2011.

1994



1997



2000



2003



2006



**2007**

The Company established a joint venture with the Jamaican Egg Farmers to process liquid pasteurized eggs for the Hospitality and Baking Industries. This was the first of its kind in the English-speaking Caribbean – converting an imported item to a locally produced offering.

**2011**

As part of its expansion strategy, CPJ listed on the Jamaica Junior Stock Exchange. The listing was the largest Junior Market listing of its time and was largely oversubscribed. CPJ committed to three major projects as part of its listing – a meat processing facility, CPJ Market in Kingston and establishing a regional distribution center in St. Lucia. Since listing on the JSE, CPJ has won three JSE Junior Market Best Practices awards: Overall Best Junior company 2011 and Best Website 2011 & 2013.

**2012**

The protein processing plant was constructed and CPJ now sells a wide range of beef and pork products to both the hospitality and the retail industry.

CPJ Market opened in Kingston giving the retail public access to CPJ's full range of products including CPJ branded bacon, hamburgers, sausages and ham.

CRU Bar + Kitchen opened and quickly became one of Kingston's finest rooftop bar and restaurant.

**2013**

CPJ won the Eddie Hall Award from the Jamaica Manufacturers Association (JMA) for Best New Manufacturer of the year.

**2014**

CPJ built an additional 10,000 sq ft warehouse to support its manufacturing facilities; in addition, a Staff wellness centre was constructed which includes a gym and a modern staff canteen.

CPJ St Lucia established foodservice operations in October 2014. The company became the number 1 food service entity on the island and currently has a staff complement of 90 employees.

**2015**

CPJ celebrates its 21st Anniversary! We marked the year with a glamorous event in Kingston at our newly built CRU Bar + Kitchen lounge. The company was now firmly established as an integral part of the Kingston culinary scene.

**2018**

With the rapid growth being experienced, the Company began construction of a 56,000 sq. ft. state-of-the-art distribution center on adjoining land.

**2019**

New facility opened. This has greatly enhanced our ability to grow our business and exceed the expectations of our customers.

CPJ was honored by the JHTA with a special award for the company's invaluable service to the hospitality industry.

CPJ celebrates its 25th Anniversary with a new facility and strategies to take us for the next 25-years. Part of the Company's strategy is to expand in the retail segment and additional off-shore locations.



## The Board of Directors



### A. Mark Hart

*Executive Chairman*

Mr. Hart is a founding shareholder of Caribbean Producers (Jamaica) Limited. He served as its Chief Executive Officer from 2004 until early in 2011, when he was promoted to his current position of Executive Chairman. He began his career with the Hart family's group of companies in 1982. He has also served as Chairman of Montego Bay Ice Company Limited (a JSE Main Market listed company), and is currently the Chairman of the Montego Bay Free Zone Company Limited. Mr. Hart is a member of the boards of NMIA Airports Limited, Port Authority of Jamaica, ItelBPO, Bank of Nova Scotia Jamaica Limited, Scotia Group Jamaica Limited and We Care for Cornwall Regional Hospital. Mr. Hart is a graduate of the University of Miami.

### Thomas N. Tyler

*Co-Chairman*

Thomas (Tom) Tyler co-founded Caribbean Producers Jamaica Limited with Mr. Hart in 1994. He was appointed Co-Chairman of the company in June 2016. Prior to establishing CPJ, Mr. Tyler worked at Caribbean Producers; a US based family company supplying the Caribbean hospitality sector. Mr. Tyler is a Director of CPJ Investments and Chairman of CPJ St. Lucia Limited, subsidiary companies of CPJ, and also serves as President of Hospitality Services Unlimited, a company registered in the U.S. that engages in business with CPJ. Mr. Tyler was educated at the University of South Florida and holds a degree in Gemology from the Gemological Institute of America (GIA).

### Dr. David Lowe

*Chief Executive Officer*

Dr. David Lowe was appointed Chief Executive Officer in June 2016. He originally joined CPJ as the Vice President of Marketing and Retail Sales before being promoted to Chief Revenue Officer. Dr. Lowe makes day-to-day management decisions to lead the financial, operational and strategic operations of the company. Previously, Dr. Lowe has held distinguished positions in investment banking, management consulting and government. He currently serves as a board member of the National Health Fund, Chairman of the Western Region Health Authority (WRHA) and the National Compliance Regulatory Authority (NCRA). Dr. Lowe received his Ph.D in Corporate Finance from the Manchester Business School, University of Manchester, UK.



### **Christopher Berry**

*Non-Executive Director*

Mr. Berry was appointed to the Board in February 2016. He serves on the Compensation Committee. Mr. Berry brings over 25 years of experience in the securities industry to his role on the Board. Mr. Berry is currently the Executive Chairman of Mayberry Investments Limited. A former Deputy Chairman of the Jamaica Stock Exchange, he also serves on the Boards of Lasco Financial Services, Ironrock Insurance Co. Ltd, Apex Health Care Associates Limited and Apex Pharmacy Limited. Mr. Berry holds an Honours Bachelor of Industrial Engineering from the Georgia Institute of Technology in Atlanta, Georgia.

### **Theresa Chin**

*Non-Executive Director and Company Secretary*

Mrs. Chin was appointed to the Board in September 2004. She serves on both the Audit and Compensation Committees. Previously, Mrs. Chin worked in Canada as a financial analyst for the Four Seasons Hotel, as a tax consultant for the Borough of East York, and as an auditor at Deloitte & Touche. Mrs. Chin has worked with the Hart family shareholders since 1993. She is currently Director of Cargo Handlers Limited, as well as acting as Financial Manager for most of the other Hart group companies (not including this Company). Mrs. Chin holds a Bachelor of Science in Mathematics from York University in Toronto, Ontario.

### **Konrad 'Mark' Berry**

*Non-Executive Director*

Mr. Berry was appointed to the Board in February 2016. He serves on the Audit and Corporate Governance and Nomination Committees. Mr. Berry was a founding Director of Mayberry Investments Limited and currently serves as Vice Chairman. He brings over thirty years of experience in day-to-day operations and developing management and operating systems in the securities industry to his role on the Board. Mr. Berry holds an Honours Bachelor of Science in Management and Economics from the University of the West Indies.



### **Richard 'Mark' Hall**

*Non-Executive Independent Director*

Mr. Hall was appointed to the Board in September 2011. He serves on the Corporate Governance and Nomination, Audit, and Compensation Committees. For the past 30 years, Mr. Hall has been the CEO of Hall's Investment Limited, operating the IGL filling plant franchise and Boomerang Tyre sales in western Jamaica.

### **L. Camille Shields**

*Non-Executive Independent Director*

Ms. Shields was appointed to the Board in February 2014. She serves on the Audit, Compensation, and Corporate Governance and Nomination Committees. A Notary Public, Barrister and Attorney-at-Law, Ms. Shields has a private practice specializing in commercial, land, and estate law. Her client base spans multiple industries representing companies and individuals in Jamaica and overseas. She holds a Bachelor of Arts from the University of Western Ontario and a Bachelor of Laws from the University of London. She was called to the Bar of England and Wales and entered as a member of the Honourable Society of Lincoln's Inn, thereafter enrolling as an Attorney-at-Law in Jamaica.



### **Ronald Schrager**

*Non-Executive Director*

Mr. Schrager was appointed to the Board in June 2011. He serves on the Audit and Compensation Committees. Mr. Schrager is co-founder and a principal of Eightfold Real Estate Capital LP. Prior to forming Eightfold, he served in the United States as the COO of LNR Property LLC and held positions at Lennar and Chemical Bank (now JP Morgan Chase). Mr. Schrager holds a Master of Business Administration from Harvard Business School.



### **Frank O'Dowd**

*Non-Executive Director*

Mr. O'Dowd has held multiple senior management positions and is currently Managing Director of BFC Advisors, a foodservice consulting firm. Most recently he was CIO and CAO of Chefs Warehouse from 2007-2017. During that time period the Company grew from \$200M to over a billion in annual revenues and had an IPO and is listed on the Nasdaq. Prior to Chefs Warehouse, Frank was the CIO at GAF Materials Corporation the largest roofing manufacturer in North America. Frank also worked in the pharmaceutical and publishing industries. He has an undergraduate degree from University of Dayton and a graduate degree from the State University of New York at Stony Brook.



In 2012, CPJ Market opened in Kingston giving the retail public access to CPJ's full range of products.

## Senior Managers



**Other members: Mark Hart, Executive Chairman; Thomas Tyler, Co-Chairman; and Dr. David Lowe, Chief Executive Officer**

*Vivek Gambhir*

*Kesha-Ann Harper*

### Vivek Gambhir

*Chief Finance Officer*

Vivek Gambhir was appointed as the Chief Finance Officer in the new Fiscal Year 2018/2019. Mr. Gambhir's new role will oversee the company's Financial operations. Mr. Gambhir is a Fellow of the Institute of Chartered Accountants of India and an Associate member of the Institute of Company Secretaries of India. He has over twenty-five years of diversified professional experience in operational and corporate finance having held senior roles across the industries of hospitality, banking and fast-moving consumer goods.

Throughout Mr. Gambhir's career he has specialised in business transformation having navigated several multinational corporations such as RBS India, RPG Itochu, MEN -ESPN, East India Hotels-The Oberoi as well as Misy's Plc in capitalising on growth opportunities. He is a graduate of the University of New Delhi with a Bachelor of Commerce and possesses a Diploma in Hotel Management from the Institute of Hotel Management Catering & Nutrition of New Delhi.

### Kesha-Ann Harper

*Director of Finance*

Ms. Harper was appointed Director of Finance in September 2014. She brings close to 20 years' experience in finance and auditing to CPJ, where she is responsible for the day-to-day operations of the finance department, overseeing the Accounts Payable, Receivable, and Inventory teams. Prior to joining the company, Ms. Harper held several key positions in public and private entities. She served as the Vice President of Corporate Strategies Limited and as Assistant Vice President of Finance at the Port Authority of Jamaica with responsibility for six of its subsidiaries. Ms. Harper is a Certified Public Accountant (CPA) and an accredited Certified Information Systems Auditor. She holds a Bachelor of Science in Chemistry and Management Studies from the University of the West Indies and a Master of Business Administration in Banking and Finance from the University of the West Indies (Mona).



*Hugh Logan*

*Debbie Clarke*

*Xavier Martinez Perez*

## **Hugh Logan**

*Director of Hospitality Sales and Export*

Mr. Logan was appointed Director of Hospitality Sales and Export in 1997. He originally joined CPJ in February 1997 as the Beverage Systems Manager and was awarded increasingly senior roles in management. Mr. Logan acts as a liaison between the company and its client base, ensuring quality service resulting in company growth. Prior to joining the company, Mr. Logan held various management positions in the hotel sector. He graduated from Seneca College and Queen's University (both of Ontario, Canada) where he received a Bachelor of Science in Psychology.

## **Debbie Clarke**

*Director of Human Resources*

Debbie Clarke was appointed Director of Human Resources in February 2016. She brings over 20 years of human resources and administrative experience to CPJ, where she is responsible for both day-to-day human resources needs and developing strategic

initiatives jointly with the Executive team to integrate HR policies into the organization's overall mission and operational strategy. Prior to joining CPJ, Ms. Clarke worked with Island Entertainment Brands. She holds a Master of Science in Hospitality & Tourism Management from Revans University and is currently completing her Executive Master in Public Administration (UCC).

## **Xavier Martinez Perez**

*Director Procurement, Logistics and Supply Chain*

Mr. Xavier Martinez Perez was appointed Director Procurement, Logistics and Supply Chain in April 1st 2019. Xavier has previously worked in the tourism industry for 25 years, accumulating 18 years of experience in managerial positions in the hotel industry focusing on daily operations in both F&B and rooms division, and also at procurement in the capacity of Director of Procurement for English speaking Caribbean islands. He is highly oriented to provide outstanding service to both internal and external customers, targeting the balance in quality and profitability, also believe and work towards teams motivation.

# CPJ St. Lucia

continued its trend of revenue growth in fiscal year 2019, with strong performances in most product categories. Several infrastructure projects were completed including the construction of a new warehouse and a retail store favorably called 'CPJ Fresh Market', which opened in December 2018. The first phase of a renewable energy initiative was implemented, supplying 25% of the company's electricity with solar power. Significantly, the company attained Freezone status, which grants exemption from duties on specific product classes and other tax benefits, opening export opportunities in the Caribbean. Although the company had a loss for fiscal year 2019, CPJ St. Lucia will continue to target an aggressive growth trajectory, while focusing on supply chain optimization and operational efficiency to yield increased profitability.



Tony DuBoulay (Director), Richard DuBoulay (Director), Dunstan DuBoulay (Director)

## Board of Directors

Thomas Tyler (Chairman)  
Mark Hart (Director)

Richard DuBoulay (Director)  
Tony DuBoulay (Director)  
Dunstan DuBoulay (Director)

## Senior Management

Richard DuBoulay  
General Manager

Glenroy Regis  
Finance Manager







## Corporate Data

### JAMAICA

#### HEADQUARTERS

**Montego Bay**  
 Caribbean Producers  
 (Jamaica) Limited  
 1 Guinep Way  
 Montego Freeport  
 St. James, Jamaica

#### Mailing Address:

P.O. Box 302, Montego Bay  
 St. James, Jamaica W.I.  
 Tel: (876) 979-8134 / 8136  
 Fax: (876) 953-6898

**Email:** [info@cpj.com](mailto:info@cpj.com)

**Websites:** [www.cpj.com](http://www.cpj.com)  
[www.cpjmarketonline.com](http://www.cpjmarketonline.com)

#### Kingston

CPJ Market & CRU bar  
 71 Lady Musgrave Road  
 Kingston 10, Jamaica  
 Tel: (876) 633-5973 / 633-5976  
 Tel: (876) 618-0852 (CRU)

#### REGISTERED OFFICE

Shop#14,  
 Montego Freeport  
 Shopping Center  
 Montego Freeport,  
 St. James, Jamaica

#### AUDITORS

**KPMG**  
 6 Duke Street,  
 Kingston, Jamaica

#### INTERNAL AUDITORS

**PriceWaterhouseCoopers LLP**  
 Scotiabank Centre  
 Duke Street  
 Kingston, Jamaica

#### BANKERS

**The Bank of Nova Scotia**  
**Jamaica Limited**  
 Scotiabank Centre  
 Duke Street  
 Kingston, Jamaica

**National Commercial Bank**  
 Baywest Center  
 Harbour Street  
 Montego Bay, Jamaica

**Sagicor Bank Jamaica Limited**  
 17 Dominica Drive  
 Kingston 5, Jamaica

**Citibank N.A. Jamaica**  
 19 Hillcrest Avenue  
 Kingston 6, Jamaica

### SAINT LUCIA

#### HEADQUARTERS

CPJ St. Lucia  
 Cul De Sac  
 Castries, St. Lucia

#### AUDITORS

**KPMG**  
 Morgan Buiding  
 P.O. Box 1101  
 Castries, St. Lucia

#### REGISTERED OFFICE

6 Brazil Street  
 Castries, St. Lucia

#### BANKERS

**Bank of Nova Scotia**  
 Castries, St. Lucia

**RBC St. Lucia Limited**  
 Castries, St. Lucia

## Shareholders Interests

### TOP TEN (10) SHAREHOLDERS *As at 30 June 2019*

NAME	SHARES	%
Sportswear Producers Limited	248,000,000	22.5455
Mayberry Jamaican Equities Limited	218,060,075	19.8236
Wave Trading Limited	180,632,858	16.4212
Thomas Tyler	82,830,563	7.5301
Oniks Investments Limited	75,297,515	6.8452
Ho Choi Limited	33,581,579	3.0529
Beech Realty Company Limited	31,000,000	2.8182
PWL Bamboo Holdings Limited	20,536,570	1.8670
Bricks Limited	12,000,000	1.0909
SJIML A/C 3119	11,906,171	1.0824

### DIRECTORS' & SENIOR MANAGEMENT'S INTERESTS *As at 30 June 2019*

The interests of the Directors and Senior Officers, holding office at the end of the quarter, along with their connected persons, in the ordinary stock units of the Company were as follows:

DIRECTORS	POSITION	RELATIONSHIP	SHARES	%
Sportswear Producers Limited			248,000,000	22.5455
Mark Hart	Chairman	Connected party holding		
Mayberry West Indies Limited			218,299,305	19.8454
Konrad Mark Berry	Director	Connected party holding		
Christopher Berry	Director	Connected party holding		
Wave Trading Limited			180,632,858	16.4212
Mark Hart	Chairman	Connected party holding		
Thomas Tyler	Co-Chairman	Self	82,830,563	7.5301
Oniks Investments Limited			75,297,515	6.8452
Thomas Tyler	Co-Chairman	Connected party holding		
PWL Bamboo Holdings Limited			20,536,570	1.8670
Mark Konrad Berry	Director	Connected party holding		
Bricks Limited			12,000,000	1.0909
David Lowe	Director	Connected party holding		
Alpine Endeavours Limited			1,881,100	0.1710
Ronald Schragger	Director	Connected party holding		
Apex Pharmacy Limited			1,421,936	0.1292
Christopher Berry	Director	Connected party holding		
A+Medical Centre Limited			1,000,000	0.0909
Christopher Berry	Director	Connected party holding		
Konrad Mark Berry	Director	Self	500,000	0.0455
Theresa Chin	Director	Self	288,900	0.0263
Richard Mark Hall	Director	Self	114,090	0.0104
<b>SENIOR MANAGEMENT</b>				
Hugh Logan			144,343	0.0131



**2002**

- Jamaica Hotel and Tourist Association (JHTA) - Purveyor of The Year Award

**2004**

- JHTA - Purveyor of The Year Award

**2005**

- JHTA - Purveyor of The Year Award

**2006**

- JHTA - Purveyor of The Year Award

**2007**

- JHTA - Purveyor of The Year Award

**2009**

- JHTA - Purveyor of The Year Award

**2010**

- JHTA - Purveyor of The Year Award

**2011**

- JHTA - Purveyor of The Year Award
- Jamaica Stock Exchange (JSE) - Best Practices Award
- JSE - Best Junior Market Website (Winner)
- JSE - Best Practices Award
- JSE - Corporate Disclosure & Investor Relations 1st Runner Up

**2013**

- JSE - Best Practices Award
- JSE - Best Junior Market Website (Winner)

**2014**

- JSE - Best Practices Award
- JSE - Best Junior Market Website (1st Runner Up)

**2015**

- JSE - Best Practices Award
- JSE - Best Annual Report (Junior Market) Winner
- JHTA - Champion Small Exporter Award

**2016**

- JSE - Best Practices Award
- JSE - Best Junior Market Website (Winner)

- JHTA - Purveyor of The Year Award

**2017**

- JHTA - Purveyor of The Year Award
- JSE - Best Practices Award
- JSE - Best Junior Market Website (Winner)

**2019**

- JHTA - Presidents Award for Invaluable Service

## Corporate Governance

The Board of CPJ has defined a set of corporate governance best practices and guidelines that it considers to be the most appropriate for the Company and its subsidiaries. The Board's primary role is to protect the future of the Company with strategic oversight, thus, its corporate governance guidelines help to fulfil the interests of shareholders, the requirements of regulators and corporate responsibility towards its stakeholders, ensuring that the Board has the necessary authority and processes to review and evaluate the Company's operations, when required. Further, these guidelines allow the Board to make decisions that are independent of Management. The Board periodically reviews these guidelines and they can be accessed from our website [www.cpj.com](http://www.cpj.com).

This statement describes the main Corporate Governance practices in place during the year ending June 30, 2019.

## Roles and Responsibilities of the Board

Directors are accountable to shareholders for promoting and managing the performance of the Company in both the short and long term. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

### The responsibilities of the Board include:

- Contributing to the development of and approving the Company's strategy and setting financial targets;
- Monitoring the implementation and execution of strategy and performance against financial targets;
- Appointing and overseeing the performance of senior executive management;
- Monitoring the Company's culture and values.

The Board has reserved to itself, in addition to those matters reserved to it by law, the following matters and all power and authority in relation to those matters:

- Composition of the Board itself (including appointment and retirement or removal of Directors);

- Periodic evaluation of the Board, its committees and individual Directors;
- Oversight of the Company, including its control and accountability systems;
- Appointing and removing the Chief Executive Officer;
- Ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer and the Company Secretary;
- Reviewing and overseeing the operation of systems of risk management and internal compliance and control, codes of ethics and conduct, and legal and regulatory compliance;
- Input into and final approval of management's development of corporate strategy and performance objectives;
- Monitoring senior executive management's performance and implementation of strategy, and ensuring appropriate resources are available;
- Approving and monitoring the progress of major capital expenditure, capital management, and divestitures;
- Approving and monitoring financial and other reporting;
- Approving the payment of dividends to shareholders;
- Approving the Company's remuneration framework;
- Monitoring industry developments relevant to the Company and its business;
- Developing suitable key indicators of financial performance for the Company and its business;
- The overall corporate governance of the Company, including strategic direction, establishing goals for management and monitoring the achievement of these goals; and
- The oversight of Committees.

The Board has delegated specific responsibilities to three Board Committees which act, subject to the terms of their respective charters, in an advisory capacity, subject to the oversight of the Board.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer and senior executive management of the Company. These delegations are reviewed periodically as appropriate.

Senior executive management must supply the Board with information in a form, timeframe and quality that will enable the

Board to discharge its duties. Senior executive management report to the Board at Board meetings, providing updates on Company performance, initiatives and issues.

The Board generally meets on a quarterly basis, or more regularly as may be required. Further, as part of the Company's annual strategic planning process, a Board and Senior Management strategy retreat is organised, to allow the Board to deliberate on various topics related to strategic alternatives, progress of ongoing strategic initiatives, risks to strategy execution and the need for new strategic initiatives required to achieve the Company's long-term objectives. On an annual basis, the Board sets financial and non-financial performance targets for senior executive management and performance is assessed against these targets.

The Company Secretary, Theresa Chin, is accountable to the Board, through the Chair, on all matters relevant to the proper functioning of the Board. All Directors have direct access to the Company Secretary.

The Chief Executive Officer, Dr. David Lowe, is responsible for corporate strategy, planning, external contacts and all other matters related to the management of the Company. He is also responsible for achieving annual and long-term strategic business targets, maintaining awareness of the competitive landscape, opportunities for expansion, customers, markets, new industry developments and standards, and acquisitions to enhance shareholder value and implement the Company's vision, mission, and overall direction. The CEO is the link between the Board and the Management and is also responsible for leading and evaluating the work of senior executives in line with the organisation structure.

The Chairman, A. Mark Hart, is responsible for fostering and promoting the integrity of the Board while nurturing a culture where the Board can work harmoniously for the long-term benefit of the Company and all its stakeholders. The Chairman is primarily responsible for ensuring that the Board provides effective governance and in so doing, presides over meetings of the Board and of the shareholders of the Company at its Annual General Meeting. The Chairman takes a lead role in managing the Board and facilitating effective communication among directors. He is responsible for matters pertaining to governance, including the organisation, composition and effectiveness of the Board and its committees, and the performance of individual directors in fulfilling their responsibilities.

The Chairman actively works with the Corporate Governance and Nomination Committee in the event of retirement or resignation of directors, to help identify new candidates, induct new directors to the Board, plan for director succession, participate in the Board effectiveness evaluation process and meet as necessary with individual directors to provide feedback and advice.

## Ethical Leadership

The Company is committed to upholding the highest legal, moral and ethical standards in all its corporate activities. The

Board's Charter sets out the five moral duties of Directors:

- i. To act with intellectual honesty in the best interest of the Company and all its stakeholders. Conflicts of interest should be avoided. Independence of mind should prevail to ensure the best interest of the Company and its stakeholders is served.
- ii. To devote serious attention to the affairs of the Company, obtaining relevant information required for exercising effective control and providing innovative direction to the Company.
- iii. To use and acquire the knowledge and skills required for being effective and continuously developing competence; to be willing to be regularly evaluated to assess competence.
- iv. To be diligent in performing Directors' duties, devoting sufficient time to attend to Company affairs, and
- v. To have the courage to take the risks associated with directing and controlling a successful sustainable enterprise, but also the courage to act with integrity in all Board decisions and activities.

### Conflicts of Interest

To ensure that any personal interests of a Director in a matter to be considered by the Board are brought to the attention of the Board, the Company has developed protocols that require each Director to disclose any contracts, interests in transactions and other directorships which may involve any potential conflict. Appropriate procedures have been adopted to ensure that, where

the possibility of a material conflict arises, the Director does not participate in discussion on the issue or vote in respect of the matter at the meeting where the matter is considered

## Board Composition

In accordance with its charter, the Board is comprised of Directors with a mix of skills and expertise to enable the Board to effectively oversee all aspects of the Company's operations and enhance its performance. These include but are not limited to the following skills and experience:

- Industry
- Strategy
- Finance/ Audit/ Risk
- Legal
- International Business
- Corporate Governance
- Brand and Marketing
- Mergers and Acquisitions
- Distributions and Logistics

The Board considers that it has a good mix of skills which provide good corporate governance and oversight and are aligned with the Company's strategy "To drive our profitability through strong supplier relationships by delivering great products with exceptional service". The areas of expertise possessed by directors are shown in the Table below.

## Board Member Qualifications, Skills & Experience

Name of Director	Area of expertise							
	Industry	Strategy & Leadership	Finance & Audit	Legal	Int'l Business	Governance	Brand & Marketing	Mergers & Acquisitions
A. Mark Hart	•	•	•		•	•	•	
Dr. David Lowe	•	•	•		•	•	•	•
Thomas Tyler	•	•				•	•	
Theresa Chin	•	•	•			•		•
Richard M. Hall	•	•			•	•	•	•
L. Camille Shields		•	•	•		•		•
Frank O'Dowd	•	•	•		•			•
Ronald Schrager	•	•	•		•	•	•	•
Christopher Berry		•	•		•	•	•	•
Konrad Mark Berry		•	•		•	•	•	•

## CORPORATE GOVERNANCE

The Board is also structured so that it has an appropriate mix of executive, non-executive and independent directors to maintain its independence, and separate the functions of governance and management. The composition of the Board adheres to the following principles:

- The Board must comprise members with a broad range of experience, expertise, skills and contacts relevant to the Company and its business;
- The number of Directors may be increased where the Board considers that additional expertise is required in specific areas or when an outstanding candidate is identified;
- At least half of the Board must be non-executive Directors, at least two of whom must also be independent.

As at June 30, 2019, the Board consisted of nine Directors: three Executive Directors, including the Executive Chairman, the Co-Chairman and the Chief Executive Officer and six Non-Executive Directors, among them two Independent Directors. One third of Directors (excluding the CEO and a Director appointed to fill a casual vacancy and rounded down to the nearest whole number) will retire at the next annual general meeting. Other than the CEO, no Director may remain in office for more than three years without resigning and standing for re-election.

### Directors' Independence

The Board has adopted specific principles in relation to Directors' independence and based on these principles, the Directors deemed to be independent as at June 30, 2019 are:

- o Richard M. Hall, and
- o L. Camille Shields

### Induction Programme for New Directors and on-going training for Directors

A formal induction programme is provided to all new Directors, enabling them to actively participate in Board decision-making as soon as they are appointed. Induction ensures that they have a full understanding of the Company's financial position, strategies, operations and risk management policies. It also elaborates on the respective rights, duties, responsibilities and roles of the Board.

New Directors are invited to one-on-one meetings with the Chairman and management and a tour of the Company's offices, retail outlets, warehouses and manufacturing facilities in Kingston and Montego Bay. All Directors are regularly updated

on relevant industry and governance issues. Heads of Business Units regularly make presentations to the Board on their areas of responsibility.

### Independent Professional Advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, but this approval will not be unreasonably withheld. The advice obtained is expected to be made available to all Board members in due course, where appropriate.

### Code of Conduct

The Company has developed a Code of Conduct which has been approved by the Board and applies to all Directors and employees. The Code is reviewed by the Board and updated as necessary. The Code draws together all the Company's practices and policies.

The Code reflects the Company's values and reinforces the need for Directors, employees, consultants and all other representatives of the Company to always act in good faith, in the Company's best interests and in accordance with all applicable policies, procedures, laws and regulations relevant to the countries in which the Company operates.

### Trading in Company Securities by Directors, Senior Executive Management & Employees

The Company has a Securities Trading Policy which regulates dealings by Directors, senior executive management and employees in shares, and other securities issued by the Company.

The Securities Trading Policy provides that Restricted Persons, including the Directors and senior executive management, are normally precluded from trading in the Company's securities during Blackout Periods. The Policy also imposes an over-riding restriction on Directors and employees who may not trade in the Company's securities whilst in possession of price sensitive information.

Trading in the Company's securities during Blackout Periods may be authorised under the Policy where the Restricted Person is in severe financial hardship or there are other extenuating circumstances.

### Disclosure and Transparency

The Company is committed to timely disclosure of material information to shareholders and the market and has a Disclosure Policy that identifies matters that may have a material effect on the price of the Company's securities including ensuring that any required market announcements are reported to the Jamaica Stock Exchange (JSE) in a timely manner.

# 25

Yellow Tail was born from the need for wine not to seem so complex and sophisticated, they therefore made a wine that was fun, vibrant and easy drinking.

Being one of CPJ's core Yellow Tail is the number one retail wine in Jamaica, selling over 8000 cases per year.



## CORPORATE GOVERNANCE

The Company aims to keep shareholders informed of the Company's performance and all major developments related to its operations and information is communicated to shareholders through:

- The Annual Report and Financial Statements, including the Annual Report, and quarterly Financial Statements which are uploaded to the Jamaica Stock Exchange's platform and the Company's website. A copy of the Annual Report, either in printed or electronic form, is distributed to all shareholders on record;

- The Annual General Meeting, and any other formally convened Company meetings; and
- All other information released to the JSE and subsequently posted on the Company's website [www.cpj.com](http://www.cpj.com).

In addition, the Company's website is regularly updated to provide information about the Company and its governance, including but not limited to, information about its history, Board and senior management, key policies and Company documents and copies of announcements to the market.

## Meetings of the Board July 2019 to June 2019

During the year, the Board formally met on five occasions. Details of each director's attendance at the meetings and the Annual General Meeting are outlined below.

Director's Name	Meetings Eligible to attend	Total Meetings Attended	Gross Director Fees	% of eligible meetings attended
Theresa Chin	13	11	2,750.00	85%
Mark Hall	16	14	3,500.00	88%
Robert Hooker Jr.	7	4	1,000.00	57%
Ronald Schragar	13	13	3,250.00	100%
L. Camille Shields	16	16	4,000.00	100%
Konrad Berry	13	9	2,250.00	69%
Chris Berry	7	6	1,500.00	86%
Frank O'Dowd	3	3	750.00	100%
			19,000.00	

The agenda for meetings is prepared in conjunction with the Chairman, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary. Standing items include the CEO's report, division operating reports, committee minutes and reports, financial reports, strategic matters and governance and compliance updates. All submissions are circulated in advance of the meetings to allow the Board time to review and give due consideration to each report. Every Board member can suggest the inclusion of additional items on the agenda.

The Board meets at least once a quarter to review the quarterly results and other items on the agenda, and on the occasion of the AGM. Additional meetings are held when necessary. In

the event that Directors are unable to travel to Montego Bay for Board meetings, directors may join the meeting by video / teleconferencing to enable their participation.

Committees of the Board usually meet prior to or after the day of the Board meeting. Board members are expected to rigorously prepare for, attend and participate in Board and meetings of committees on which they serve.

Members of the senior management team are regularly invited to participate in Board deliberations and Directors have other opportunities to interact with management and employees during visits to the plant for Board meetings.

Director's Name	AGM	Board meeting number					Eligible to attend (A)	Attended (B)	% attendance (B/A)
	Feb. 11, 2019	1	2	3	4	5			
A. Mark Hart, Executive Chairman	.	.	.	.	.	.	5	5	100%
Thomas Tyler, Co-Chairman	.	.	.	.	.	.	5	5	100%
Dr. David Lowe, Chief Executive Officer	.	.	.	.	.	.	5	5	100%
Theresa Chin	.	.	.	.	A	.	5	4	80%
Mark Hall	.	.	.	.	.	.	5	5	100%
Robert Hooker Jr.	.	.	.	.	.	.	5	3	60%
Ronald Schragger	.	.	.	.	.	.	5	5	100%
Camille Shields	.	.	.	.	.	.	5	5	100%
Konrad Berry	.	.	A	.	.	.	5	3	60%
Christopher Berry	.	.	.	.	.	.	5	4	80%
Frank O'Dowd	.	.	.	.	.	.	5	3	60%

## Board Committees

The Board has established standing Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. There are three current standing Committees of the Board, viz:

- Corporate Governance and Nomination Committee
- Audit Committee
- Compensation Committee, and

Each of these Committees has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All matters determined by the Committees are submitted to the Board as recommendations for Board consideration. Each Director has unrestricted access to all committee meetings and records. Details of the committees may be found on the Company's website at:

[www.cpj.com/investor-relations/corporate-governance](http://www.cpj.com/investor-relations/corporate-governance)

## Corporate Governance and Nomination Committee

The Board has a Corporate Governance and Nominations Committee to assist the Board and make recommendations to it in

relation to the search for and appointment of new Directors (both executive and non-executive) and senior executive management. The Nominations Committee consists of the following Directors:

- L. Camille Shields, Chairman and Independent Director
- Richard Mark Hall, Independent Director
- Konrad Mark Berry, Director

During the reporting period, the Audit Committee met four times, on August 28, 2018, November 12, 2018 and May 14, 2019.

## NUMBER OF MEETINGS HELD = 3

Name	# of meetings attended	% of eligible meetings attended
<b>Committee Chairman:</b>		
L. Camille Shields	3	100%
<b>Committee Members:</b>		
Richard M. Hall	2	66%
Konrad Mark Berry	2	66%

The committee meeting focused on reviewing and approving policies, the new organizational chart and the Board Evaluation format.

## CORPORATE GOVERNANCE

### Audit Committee

The Board has established an Audit Committee to advise on the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of the Company. The Audit Committee consists of the following Directors:

- Ronald Schrager, Chair
- Theresa Chin, Director & Company Secretary
- Richard M. Hall, Independent Director
- L. Camille Shields, Independent Director
- Konrad Berry, Director

During the year, the Committee:

- Reviewed and recommended to the Board for approval, the operational and capital budgets;
- Reviewed the recommendations for Internal Audit and discussed the audit plan submitted by both companies; BDO Chartered Accountants, PriceWaterHouseCoopers and Baker Tilly International.
- Reviewed and recommended to the Board the approval of quarterly unaudited and annual audited financial statements and releases to shareholders;
- Reviewed the updating and implementation of Company policies and procedures;
- Assessed the independence and effectiveness of the external auditor, KPMG, reviewed and agreed on their audit plan and fee proposal and received their audit report and management letter;
- Discussed with external consultant, PricewaterhouseCoopers, their evaluation and recommendations regarding the impact of IFRS standards on the Company's financials;
- Reviewed and reported to the Board on compliance with regulatory disclosures and the filing and payment of all taxes and statutory deductions.

### External Auditor

KPMG is the Company's external auditor, and, on the invitation of the Audit Committee, the Lead Audit Partner attended a meeting of the Committee to present the firm's audit findings and discuss the draft audited financial statements. The external auditor also attended the Annual General Meeting to present the audited financial statements to shareholders and was available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### Managing Risk

The Company has several risk management policies for the oversight and management of financial and non-financial material business risks, as well as related internal compliance systems that are designed to:

- protect the interests of stakeholders;
- safeguard the Company's assets and maintain its reputation;
- improve the Company's operating performance; and
- fulfil the Company's strategic objectives.

Although the Board ultimately has responsibility for internal compliance and control, the Audit Committee is responsible for oversight of the company's risk management and internal control framework. The Audit Committee, in conjunction with management, regularly reports to the Board on the effectiveness of the company's management of its material business risks and whether the risk management framework and systems of internal compliance and control are operating efficiently and effectively in all material respects.

The Company's internal audit function is outsourced to Price-waterhouseCoopers, which carries out targeted internal audits on a quarterly basis. An annual internal audit plan is presented to and approved by the Audit Committee and, generally, four times a year, the Committee receives an internal audit report. The Audit Committee reviews the company's risk management framework annually to satisfy itself that it continues to be sound.

During the reporting period, the Audit Committee met four times, on August 28, 2018, November 12, 2018, February 11, 2019 and May 14, 2019.

### NUMBER OF MEETINGS HELD = 4

Name	# of meetings attended	% of eligible meetings attended
<b>Committee Chairman:</b>		
Ronald Schrager	4	100%
<b>Committee Members:</b>		
Richard M. Hall	3	75%
Theresa Chin	3	75%
L. Camille Shields	4	100%
Konrad Mark Berry *	3	75%

## Compensation Committee

The Compensation Committee assists the Board in fulfilling its fiduciary responsibilities relating to the fair and competitive compensation of non-executive Directors, executives and other key employees of the Company, and in connection with the administration of the general employee welfare plans of the company. The Compensation Committee has a solid understanding of the role of compensation in attracting, motivating and retaining senior executives in particular and all employees in general. The Committee is primarily responsible for providing recommendations to the Board regarding the remuneration strategy, policies and practices applicable to non-executive Directors, the CEO, and senior management.

During the year, the Committee considered the following matters:

- An independent industry-wide salary survey undertaken by an external HR Consultant which concluded that certain categories of staff within the management and clerical teams were not being paid commensurate with the current market rate. On the basis of a recommendation from the Consultant salary increases of between 5% and 7% were proposed to the Board for these members of staff.
- A Performance Management Reporting Format that would tie into the company's strategy to drive excellence in performance. This reporting format would support the achievement of Key Performance Indicators.
- Proposals for the annual salary increase to the general staff, as well as annual incentive gratuities to the staff and performance incentives for senior managers.
- Restructuring of the company's organizational structure.

During the reporting period, the committee met twice, on August 28, 2018 and November 12, 2018 with 100% attendance of all director members.

### NUMBER OF MEETINGS HELD = 2

Name	# of meetings attended	% of eligible meetings attended
<b>Committee Chairman:</b>		
Richard M. Hall	2	100%
<b>Committee Members:</b>		
Ronald Schrager	2	100%
L. Camille Shields	2	100%
Theresa Chin	2	100%
Christopher Berry	2	100%

## Director Remuneration

Remuneration for executive Directors and senior executive management is appropriately structured for each position and individual based on the duties allocated to them, the size of the Company's business and the industry in which the Company operates.

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-executive Directors' fees and payments are reviewed annually by the Board. Each Non-Executive Director is paid a fee of US\$250.00 based on their attendance at each meeting of the Board and the committee(s) on which they serve.

The maximum aggregate amount of fees paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. The total remuneration paid to the members of the Board for the year ending June 30, 2019 is detailed below.

What's  
new!

Over the years, CPJ has introduced many new products to the Jamaican market. Meet Ginter Soft Drinks – one of our new items.





# 25

## MANAGEMENT DISCUSSION & ANALYSIS

# Five-Year Financial Review

## Gross Operating Revenue

Gross operating revenue grew by 26.22% from US\$86.85M in 2015 to US\$109.62M in fiscal year 2019. The gross operating revenue reflects a 1.69% increase for the year which was less favourable than the previous year's growth of 9.67%. The compound annual growth rate (CAGR) over the last five years is 4.77%. The Group's revenue growth was steady over the five-year period. This was achieved through organic and inorganic growth, by expanding into the Caribbean region with its subsidiary CPJ St. Lucia hence increasing its customer base; setting up a food processing plant and growing its sales in the retail trade by adding new categories of products and growing its product offerings.

in \$US Millions



## Operating Expenses

Selling and Administration Expenses increased from US\$17.59M to US\$23.54M or 33.82% primarily related to Utilities, Data processing, Insurance, Security, Professional fees and Motor Vehicles expenses which increased by 11.97% over that of the prior year. Cost of Operating Revenue increased from US\$62.13M to US\$83.40M or a 34.24%. There was a 5.08% increase in cost of operating revenue from the previous year consistent with the increase in revenue due to the current economic and regulatory environment. Operating Expenses increased by a CAGR of 6%. The subsidiary, food processing and expansion in the retail division were the primary reasons for the change noted.



## EBITDA Earnings before Interest, Taxes and Depreciation

Earnings before Interest, Taxes and Depreciation decreased from US\$7.13M in financial year 2015 to US\$2.68M in financial year 2019 or 62.39%. The year 2019 shows a net loss of US\$1.17M which was the first loss the company has experienced in the past 14 years. The company entered the Junior Stock Exchange on July 20th, 2011 and as such enjoys a 10-year tax benefit as follows:

Years 1 - 5	100%
Years 6 - 10	50%



## Important Ratios

	2019	2018	2017	2016	2015
Debt to Equity	2.1	1.5	1.5	1.9	1.8
Return on Equity	-5.3%	9.8%	11.8%	5.5%	18.3%
Profit before Taxation/Sales	-1.2%	2.4%	2.9%	0.8%	3.8%
Return on Asset	-1.7%	4.0%	4.7%	1.9%	6.5%
Current Ratio	1.91	2.49	2.69	2.22	2.34
Earnings per Stock Unit (US Cents)	0.19	0.19	0.23	0.10	0.32
Weighted Avg. Exchange Rate J\$:U\$	129.96	130.33	128.62	126.08	116.67

The Board of Directors are pleased to present the company's consolidated audited results for the year ended June 30, 2019.

A challenging fiscal year due to extraordinary impact of failed implementation of new technology

At the start of the year, CPJ announced plans for two major capital projects that were earmarked for meeting its future growth targets and to strengthen its competitive position in the future.

- The construction of a new 56,000 square feet Distribution Centre to compliment the existing 120,000 square feet of warehouse capacity. This project was completed on time and budget.
- The implementation of new technology to enable the greater capabilities to manage the large and complex portfolio of inventory along with the integration of supply chain operations across our multiple geographic domiciles.

The CPJ Group experienced a critical failure at implementation of the new IT system at the start of the FY. This event resulted in significant variable and one-off costs, along with the lost bids and annual contract opportunities for servicing its core business, the hotel and food service markets.

The impact and the recovery extended throughout the first 3 quarters which correlated with the peak tourism season. The logistic challenges created excessive delays and challenges for smooth procurement and delivery capability to fulfil demand.

Nevertheless, the robust 25 year business model demonstrated resilience during the year by containing disruption to the largest and most sensitive hospitality and food service accounts at the cost of profitability to retain the business relationships and commitments.

### Gross Revenue – highest to date

The Group was still able to increase its gross sales despite these extraordinary events and recorded its highest level of gross revenues to date. The group reported its best performing year with gross revenue of US\$109.62M [compared to PY US\$107.80M]. The management and team placed emphasis on the relationship management throughout the year and continued to execute new initiatives and portfolio offerings to remain relevant.

The Group focussed on competing in selected product classes with positive results. The four key tactical categories which delivered year on year growth were Spirits (33%), RTD beverages (13%), Seafood (7%), and Frozen groceries (7%).

### Recognition

The Company also received industry and peer accolades during the year, including recognition for “invaluable support”

The group reported its best performing year with gross revenue of US\$109.62M [compared to PY US\$107.80M].



33%

Increase in sales in Spirits over last year.

**7%** Increase in sales  
in Seafood



to the Hospitality Industry and the best corporate website from the Jamaica Hotel and Tourism Association and the Jamaica Stock Exchange respectively.

The compressed margins and the consequential increase in non-budgeted variable costs along with the extraordinary write off of the IT asset, resulted in a loss of US\$1.17M for the group.

### Earnings per share

The earnings per share decreased from 0.19 cents to a loss per share of 0.11 cents. The stock price for the CPJ share was at \$4.88 as at June 30, 2019.

### Balance Sheet

The Balance Sheet of the Group and current ratio as at end of June 30, 2019:

**Current assets** increased by US\$7.09M (15.80%) from US\$44.88M to US\$51.97M.

**Total assets** increased by US\$9.08M (16%) when compared to 2018.

**Total liabilities** increased by US\$10.61M (30.5%) when compared to prior year.

The Group demonstrated continues efficient to execute strong treasury management to enable the despite the construction of the new infrastructure including the new 56,000 square feet distribution centre build out of its new distribution in Montego Bay centre in Jamaica and the new retail outlet in St. Lucia. The the Group remains liquid with a current ratio of 1.91:1 when compared to 2.49:1 prior year.

## Financial Highlights

*Subsidiary is represented in these figures.*

	June 2018 YTD	June 2017 YTD	Change	% Change
	US\$'000	US\$'000	US\$'000	
Gross Revenue	109,621	107,796	1,825	2%
Gross Profit %	26,223	28,428	1,825	6%
Gross Profit	24%	26%		-2%
Operating Expenses	23,540	21,949	1,590	7%
EBITDA	2,683	6,478	(3,795)	
Finance Cost, Net, Depreciation & Taxation	3,851	4,168	(317)	-8%
Non-controlling Interest	1	212	(211)	
Net Profit - Equity Holders	(1,168)	2,311	(3,478)	-151%



## Outlook

FY 2019 presented the Company with multiple challenges to navigate the disruptive impact to the business during its most sensitive earning season. The experience enabled the Company to strengthen a number of critical areas of the business including process reengineering and the introduction of new technical talent at the senior management and Board level.

Management believes that the Group is still poised for further growth and profitability in the new fiscal year, with exciting opportunities despite the interruption to profitability in FY 2019.

The core business model remains resilient and the introduction of new delivery and procurement capabilities creates opportunities for greater efficiency and economies of scale. Also, the introduction of new product categories, combined with the planned incremental growth of hotels on the island over the next 3 years also presents an attractive growth trajectory.

The launch of the new Distribution Centre is projected to enable higher operational efficiencies and ultimately support long term value in our ability to fulfill greater demands that will be required, to support the growth of the hotel industry.

The Management remains committed to the objective to maximize long term shareholder value. By creating scale and implementing strategic business transformation initiatives, CPJ remains ahead of the competition and ensuring that it is the preferred partner and purveyor of choice.

The Management expresses its sincere gratitude to its vendors, suppliers, customers, employees and shareholders for their continued support and belief in the CPJ brand.



# 7%

Increase  
in sales  
in Frozen  
Groceries  
over last year.

# Human Resources Report



Members of the Accounts Receivables department (department of the year)

The success of financial year ending June 30, 2019 was an excellent catalyst to continue with the challenges of 2019.

The Human Resource department was kept rigorously challenged with the rapid expansion of the Company by way of the new Distribution Centre, yet we were also able to achieve the targets set for staff development and employee engagement. The most valuable part of our company is the people and any strategy for growth must begin there. Our focus remains on motivating and empowering our workforce to achieve the company's mission of providing the highest levels of service to ensure the success of our customers.

## Recruitment & Staffing

As a company, we continue to subscribe to our mantra of "Best People with the best fit, Best Practices". Over the past fiscal year, we continued to streamline our manning to ensure the right talent was engaged for every vacant position. We continue to benchmark best practices to ensure that CPJ's compensation and benefits policy remains competitive and in line with industry standards.

## A Great Place to Work

CPJ cares about the mental, physical, and financial health of our employees and their families. Every year, CPJ collaborates with several companies for the well-being of our valued team members.

Staff facilities at CPJ includes a fitness centre and cafeteria to keep team members healthy and energized. CPJ stands out in the region as an employer who cares.

## Training & Development

Ongoing training and development is one of the main initiatives by the company to ensure that our employees growth is in sync with that of the company. The main focus will be on developing talent and consistent training of staff to uphold industry best practices across the company. The HR department aims to create more awareness and greater sensitivity to workplace issues.

## Recognizing Excellence

In celebration of our employees, our team members and their families travelled to Cool Runnings Water Park for a combined Employee Awards Ceremony and Family fun day during the month of July. Over 45 persons received awards for being selected as the Top Performer in their department, Manager of the Year, Employee of the Year among others.



*Manager of the Year Terry-Ann Johnson collecting her award.*



Caption needed

*Purchasing Supervisor Kevin Sewell collecting his award for Top Performer of the year 2018.*

Key trainings offered and undertaken by most if not all CPJ employees over the year in-clude:

- Cyber Security Awareness
- Occupational Health & Safety
- Food Handlers' Clinics
- Customer Service Training
- HACCP Food Safety System for the Warehouse & Distribution Centre including Product recall training.
- International Food Safety & Quality Network (IFSQN) Online Webinars – including Food Safety Fridays
- Food Defense Training
- Wine course (WSET) Training



GIVING  
BACK

## Corporate Social Responsibility

CPJ continues to uphold its reputation as a responsible corporate citizen by giving back to the communities in which we work. We are proud to support the following ventures:

### Education:

CPJ Scholarship and Book List Programme is geared exclusively to the children of company employees who have excelled academically and express a desire to succeed in their chosen field. Over the fiscal year we awarded \$2,000,000 combined to 46 recipients for our Scholarship and Book List programmes. CPJ staff continue to support the Kiwanis Club of Montego Bay with the "Read Across Jamaica" initiative, where staff volunteered on behalf of the company to read to children at Montego Bay Infant, Norwood, Railway and Paradise Basic School.

### Labour Day 2019

For the 2019 Labour Day Project, CPJ Sports & Social Club focused on the Glendevon Primary & Infant School. The scope of work included painting and general beautification of specific areas to enhance the surroundings; and to ensure the security of the school and students.

In keeping with the theme of "Child Safety", donations were made to the following schools:

- Norwood Basic School
- Buckingham Primary & Infant
- Granville All Age School

### Health:

Full support was given to the Committee for the Upliftment of the Mentally Ill (CUMI) 5K and 10K Fun Run hosted at Tryall Club each year.

Support was also rendered to high school athletes in Western Jamaica through the Jamaica Independent School Association (JISA) Annual Invitational Friendship meet over the last 5 years in the capacity of title sponsor.

### Moving Forward

At CPJ, we want the corporate social responsibility initiatives we support to align with our business mission, vision and values and have the greatest possible impact in our communities. As a company that cares, CPJ will continue to seek out areas in which to serve, to do our part as a socially responsible corporate citizen.







Since its opening in 2012, CRU Bar + Kitchen has established itself as one of Kingston's finest rooftop bar and restaurants.

*Audited Financial Statements*





KPMG  
Chartered Accountants  
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Alice Eldemire Drive  
Montego Bay  
Jamaica, W.I.  
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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 59 which comprise the Group's and Company's statement of financial position as at June 30, 2019, 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, 2019, 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.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tsun-Hande  
Cynthia L. Lavrance  
Rajan Trehan  
Norman O. Rainford  
Nigel R. Chambers

Thyssa A. Johnson  
W. Ghlan C. de Mel  
Wilbert A. Spence  
Roshale N. Stephenson  
Sandra A. Edwards

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. Valuation of inventories**

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>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>	<p>Our audit procedures in response to this matter, included:</p> <ul style="list-style-type: none"> <li>• Checking management's process of identifying obsolete inventory during the count and observing the year end count to ascertain if the process is employed and if the process, by design, is adequate to identify stock items which may be impaired.</li> <li>• Reviewing sales campaigns subsequent to the year-end to determine if items nearing expiration were being sold below costs.</li> <li>• Computing the net realisable value (NRV) of a sample of the inventory items.</li> <li>• Reviewing the slow moving inventories report and assessing the adequacy of the process given the findings from the slow moving report.</li> </ul>



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. Measurement of Expected Credit Losses**

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>IFRS 9, <i>Financial Instruments</i>, was implemented by the Group effective July 1, 2018. The standard is new and complex and requires the Group to recognise expected credit losses ('ECL') on financial assets measured at amortised cost. The determination of ECL is highly subjective and requires management to make significant judgements and estimates and the application of forward-looking information.</p>	<p>Our audit procedures in response to this matter, included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the model used by management for the calculation of expected credit losses on financial assets.</li> <li>• Testing the completeness and accuracy of the data used in the models to the underlying accounting records.</li> <li>• Involving our financial risk management specialist, to review the ECL model, assess the appropriateness of the Group's impairment methodology, management's assumptions and compliance with the new requirements of IFRS 9, <i>Financial Instruments</i>.</li> <li>• Involving our financial risk management specialists to evaluate the appropriateness of economic parameters including the use of forward looking information.</li> <li>• Testing the accuracy of the ECL calculation.</li> <li>• Testing the group's recording and ageing of accounts receivable.</li> <li>• Assessing the adequacy of the disclosures of the key assumptions and judgements as well as the details of the transition adjustment for compliance with IFRS 9.</li> </ul>



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)*

*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 28, 2019

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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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INDEPENDENT AUDITORS' REPORT (CONTINUED)

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.

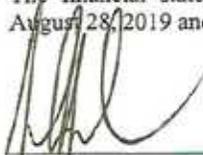


## Statement of Financial Position

Year ended June 30, 2019 ( Presented in United States dollars)

	Notes	Group		Company	
		2019	2018	2019	2018
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	5	4,212,776	3,756,720	4,182,025	3,749,947
Accounts receivable	6	15,889,156	15,214,933	14,519,281	13,422,406
Inventories	7	<u>31,865,641</u>	<u>25,906,462</u>	<u>26,216,658</u>	<u>21,577,170</u>
		<u>51,967,573</u>	<u>44,878,115</u>	<u>44,917,964</u>	<u>38,749,523</u>
<b>CURRENT LIABILITIES</b>					
Bank overdraft	5	1,067,854	776,993	-	-
Short-term loans	8	5,150,000	1,700,000	5,150,000	1,700,000
Accounts payable	9	15,520,287	10,134,927	13,335,864	8,474,046
Short-term promissory notes	10	4,317,794	4,317,794	4,317,794	4,317,794
Current portion of long-term borrowings	18	1,070,490	615,127	1,026,347	615,127
Taxation payable		<u>70,648</u>	<u>450,413</u>	<u>142,757</u>	<u>359,771</u>
		<u>27,197,073</u>	<u>17,995,254</u>	<u>23,972,762</u>	<u>15,466,738</u>
<b>NET CURRENT ASSETS</b>		<u>24,770,500</u>	<u>26,882,861</u>	<u>20,945,202</u>	<u>23,282,785</u>
<b>NON-CURRENT ASSETS</b>					
Investments		71,581	71,581	71,581	71,581
Interest in subsidiary	11	-	-	3,050,406	3,047,948
Deferred tax asset	12	1,096,001	955,302	1,096,001	956,171
Property, plant and equipment	13	14,303,532	11,776,693	11,611,467	9,327,025
Intangible asset	14	<u>32,585</u>	<u>707,091</u>	<u>6,000</u>	<u>702,245</u>
		<u>15,503,699</u>	<u>13,510,667</u>	<u>15,835,455</u>	<u>14,104,970</u>
		<u>\$40,274,199</u>	<u>40,393,528</u>	<u>36,780,657</u>	<u>37,387,755</u>
<b>EQUITY</b>					
Share capital	15	4,898,430	4,898,430	4,898,430	4,898,430
Accumulated surplus		<u>17,074,870</u>	<u>18,606,749</u>	<u>16,963,578</u>	<u>18,477,473</u>
Equity attributable to shareholders		21,973,300	23,505,179	21,862,008	23,375,903
Non-controlling interest	16	<u>141,254</u>	<u>140,294</u>	-	-
		<u>22,114,554</u>	<u>23,645,473</u>	<u>21,862,008</u>	<u>23,375,903</u>
<b>NON-CURRENT LIABILITIES</b>					
Long-term promissory notes	17	7,270,669	8,269,110	7,270,669	8,269,110
Long-term borrowings	18	7,832,373	5,742,742	7,647,980	5,742,742
Due to related company	19(a)	<u>3,056,603</u>	<u>2,736,203</u>	-	-
		<u>18,159,645</u>	<u>16,748,055</u>	<u>14,918,649</u>	<u>14,011,852</u>
		<u>\$40,274,199</u>	<u>40,393,528</u>	<u>36,780,657</u>	<u>37,387,755</u>

The financial statements on pages 8 to 59 were approved for issue by the Board of Directors on August 28, 2019 and signed on its behalf by:

  
 \_\_\_\_\_ Director  
 Mark Hart

  
 \_\_\_\_\_ Director  
 David Lowe

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

## Statement of Profit or Loss and Other Comprehensive Income

Year ended June 30, 2019 (Presented in United States dollars)

	Notes	Group		Company	
		2019	2018	2019	2018
Gross operating revenue	20	109,620,529	107,795,501	94,576,574	93,306,931
Cost of operating revenue	21(a)	( 83,397,830)	( 79,367,737)	(71,671,765)	(68,312,666)
Gross profit		26,222,699	28,427,764	22,904,809	24,994,265
Selling and administration expenses	21(b)	( 22,861,791)	( 21,949,403)	(20,014,280)	(19,498,758)
Depreciation and amortisation	13,14	( 2,466,027)	( 2,460,328)	( 2,032,658)	( 2,108,914)
Expected credit losses		1,842	-	43,337	-
Write-off of intangible asset	14	( 679,713)	-	( 679,713)	-
Other operating income, net	22(a)	<u>175,059</u>	<u>99,145</u>	<u>98,452</u>	<u>74,142</u>
Operating profit		392,069	4,117,178	319,947	3,460,735
Finance income	22(b)	569	191,791	569	185,895
Finance costs	22(c)	( 1,677,861)	( 1,670,924)	( 1,602,679)	( 1,628,669)
(Loss)/profit before taxation		( 1,285,223)	2,638,045	( 1,282,163)	2,017,961
Taxation	23	<u>117,354</u>	( 327,439)	<u>116,485</u>	( 140,273)
(Loss)/profit for the year, being total comprehensive (loss)/income		<u>\$ ( 1,167,869)</u>	<u>2,310,606</u>	<u>( 1,165,678)</u>	<u>1,877,688</u>
Attributable to:					
Shareholders		( 1,168,829)	2,098,476	( 1,165,678)	1,877,688
Non-controlling interest		<u>960</u>	<u>212,130</u>	<u>-</u>	<u>-</u>
		<u>\$ ( 1,167,869)</u>	<u>2,310,606</u>	<u>( 1,165,678)</u>	<u>1,877,688</u>
Earnings per stock unit (cents)	24	( <u>0.11</u> )	<u>0.19</u>	( <u>0.11</u> )	<u>0.17</u>

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

*Statement of Changes in Equity*

Year ended June 30, 2019 ( Presented in United States dollars)

	Group			
	Share capital (note 15)	Accumulated surplus	Non- controlling interest (note 16)	Total
Balances at June 30, 2017	4,898,430	17,030,012	( 71,836)	21,856,606
<b>Transaction with owners:</b>				
Dividends (note 27)	-	( 521,739)	-	( 521,739)
<b>Total Comprehensive Income for the year:</b>				
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	4,898,430	18,606,749	140,294	23,645,473
Adjustment on initial application of IFRS 9 (note 3)	<u>-</u>	<u>( 363,050)</u>	<u>-</u>	<u>( 363,050)</u>
Adjusted balances as at July 1, 2018	4,898,430	18,243,699	140,294	23,282,423
<b>Total Comprehensive Loss for the year:</b>				
Loss for the year, being total comprehensive loss	<u>-</u>	<u>( 1,168,829)</u>	<u>960</u>	<u>( 1,167,869)</u>
Balances at June 30, 2019	<u>\$4,898,430</u>	<u>17,074,870</u>	<u>141,254</u>	<u>22,114,554</u>
	Company			
Balances at June 30, 2017	4,898,430	17,121,524	-	22,019,954
<b>Transaction with owners:</b>				
Dividends (note 27)	-	( 521,739)	-	( 521,739)
<b>Total Comprehensive Income for the year:</b>				
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	4,898,430	18,477,473	-	23,375,903
Adjustment on initial application of IFRS 9 (note 3)	<u>-</u>	<u>( 348,217)</u>	<u>-</u>	<u>( 348,217)</u>
Adjusted balances as at July 1, 2018	4,898,430	18,129,256	-	23,027,686
<b>Total Comprehensive Loss for the year:</b>				
Loss for the year, being total comprehensive loss	<u>-</u>	<u>( 1,165,678)</u>	<u>-</u>	<u>( 1,165,678)</u>
Balances at June 30, 2019	<u>\$4,898,430</u>	<u>16,963,578</u>	<u>-</u>	<u>21,862,008</u>

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

## Statement of Cash Flows

Year ended June 30, 2019 (Presented in United States dollars)

	Notes	Group		Company	
		2019	2018	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
(Loss)/profit for the year		( 1,168,829)	2,098,476	(1,165,678)	1,877,688
Adjustments for:					
Depreciation and amortisation	13, 14	2,466,027	2,460,328	2,032,658	2,108,914
Loss on disposal of property, plant and equipment	22(a)	8,624	41,935	18,903	41,935
Transfer and adjustments to property, plant and equipment		22,309	( 6,798)	22,309	( 6,798)
Intangible asset write-off		679,713	-	679,713	-
Interest income	22(b)	( 569)	( 882)	( 569)	( 882)
Interest expense	22(c)	1,677,861	1,670,924	1,602,679	1,628,669
Non-controlling interest		960	212,130	-	-
Taxation	23	( 117,354)	327,439	( 116,485)	140,273
		3,568,742	6,803,552	3,073,530	5,789,799
Increase in current assets:					
Accounts receivable		( 1,060,618)	( 1,306,169)	( 1,339,828)	( 884,200)
Inventories		( 5,959,179)	( 1,281,115)	( 4,639,488)	( 588,156)
Increase in current liability:					
Accounts payable		5,434,910	2,853,972	4,911,368	2,474,843
Cash generated from operations		1,983,855	7,070,240	2,005,582	6,792,286
Interest paid		( 1,727,411)	( 1,627,044)	( 1,652,229)	( 1,584,789)
Tax paid		( 379,765)	( 613,841)	( 217,014)	( 582,930)
Net cash (used)/provided by operating activities		( 123,321)	4,829,355	136,339	4,624,567
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest in subsidiary		-	-	( 131,067)	( 43,676)
Additions to property, plant and equipment and intangible asset	13, 14	( 5,061,393)	( 2,613,999)	( 4,359,474)	( 1,825,347)
Proceeds from disposal of property, plant and equipment		32,387	42,962	17,694	42,962
Interest received		569	882	569	882
Net cash used by investing activities		( 5,028,437)	( 2,570,155)	( 4,472,278)	( 1,825,179)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividends paid		-	( 521,739)	-	( 521,739)
Promissory notes received		1,559	1,442	1,559	1,442
Promissory notes repaid		( 1,000,000)	( 1,000,000)	( 1,000,000)	( 1,000,000)
Long-term/short-term borrowings received		15,512,153	12,668,254	15,283,617	12,668,254
Due to related company		320,400	( 7,801)	-	-
Long-term/short-term borrowings repaid		( 9,517,159)	( 12,939,675)	( 9,517,159)	( 12,910,112)
Net cash provided/(used) used by financing activities		5,316,953	( 1,799,519)	4,768,017	( 1,762,155)
Net increase in cash and cash equivalents		165,195	459,681	432,078	1,037,233
Cash and cash equivalents at beginning of the year		2,979,727	2,520,046	3,749,947	2,712,714
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<u>\$ 3,144,922</u>	<u>2,979,727</u>	<u>4,182,025</u>	<u>3,749,947</u>
Comprised of:					
Cash and cash equivalents	5	4,212,776	3,756,720	4,182,025	3,749,947
Bank overdraft		( 1,067,854)	( 776,993)	-	-
		<u>\$ 3,144,922</u>	<u>2,979,727</u>	<u>4,182,025</u>	<u>3,749,947</u>

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

*Notes to the Financial Statements*

Year ended June 30, 2019 ( 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 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 Group’s principal activities are 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 details of the company’s subsidiaries as at June 30, 2019 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	Wholesale and distribution of food and beverages and distribution of non-food supplies	51	St. Lucia

2. Statement of compliance and basis of preparation

## (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.

**New and amended standards that came into effect during the current financial year:**

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the group’s annual financial statements in which IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, have been applied from July 1, 2018. Changes to significant accounting policies are described in note 3.

**New and amended standards and interpretations not yet effective:**

At the date of approval of the financial statements, there were certain new and amended standards and interpretations to existing standards, which were in issue, but were not yet effective and had not been early adopted by the group. Those which management considered may be relevant to the group are as follows:

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 2. Statement of compliance and basis of preparation (continued)

#### (a) Statement of compliance (continued):

##### **New and amended standards and interpretations not yet effective (continued):**

- The group will adopt IFRS 16, *Leases*, effective July 1, 2019. IFRS 16 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.

Entities 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 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.

The group plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balances of retained earnings as of July 1, 2019 with no restatement of comparative information.

- Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual 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.

#### (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 the amendment will have on its 2020 financial statements.

2. Statement of compliance and basis of preparation(continued)

## (a) Statement of compliance (continued):

**New and amended standards and interpretations not yet effective (continued):**

- Amendment to IAS 28, *Investments in Associates and Joint Ventures* is effective for annual periods beginning on or after January 1, 2019 and addresses equity-accounted loss absorption by long-term interests. It will affect companies that finance associates and joint ventures with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests) and involves the dual application of IAS 28 and IFRS 9, *Financial Instruments*. The Group is required to apply both IFRS 9 and IAS 28 in a three-step annual process:
  1. Apply IFRS 9 independently - prior years' IAS 28 loss absorption is ignored.
  2. If necessary, prior years' IAS 28 loss allocation is trued-up in the current year, because the IFRS 9 carrying value may have changed.
  3. Any current year IAS 28 losses are allocated to the extent that the remaining long-term interests balance allows. Any unrecognised prior years' losses are reversed by current year IAS 28 profits.

The Group is assessing the impact that the amendment will have on its 2020 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 that tax treatments that have yet to be accepted by tax authorities are to be applied in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty.

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.

The group is assessing the impact that the interpretation will have on its 2020 financial statements.

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 2. Statement of compliance and basis of preparation (continued)

#### (a) Statement of compliance (continued):

##### **New and amended standards and interpretations not yet effective (continued):**

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides the following definition of ‘material’ to guide preparers of financial statements in making judgements about information to be included in financial statements.

*“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”*

The group is assessing the impact that this new amendment will have on its 2021 financial statements.

- Annual Improvements to IFRS Standards 2015-2017 cycle contain amendments to IFRS 3, *Business Combinations*, IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs* that are effective for annual periods beginning on or after January 1, 2019.
  - (i) The amendments to IFRS 3 and IFRS 11 clarify how an increased interest in a joint operation should be accounted for. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, this is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
  - (ii) IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently (either in profit or loss, OCI or equity) with the transactions that generated the distributable profits.

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

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New ‘bundle of rights’ approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The group is assessing the impact that this new amendment will have on its 2021 financial statements.

2. Statement of compliance and basis of preparation (continued)

(b) Basis of preparation and measurement:

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

The significant accounting policies stated in note 4(a) to (t) have been applied in the period presented in these financial statements and conform in all material aspects with IFRS.

(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:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

– Applicable from July 1, 2018:

Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual cash flows from a financial asset are solely payments of principal and interest (SPPI) on the principal amount requires management to make certain judgements on its business operations.

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 2. Statement of compliance and basis of preparation (continued)

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

##### (i) Judgements (continued):

- Applicable from July 1, 2018 (continued):

##### Impairment of financial assets:

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

##### (ii) Key assumptions concerning the future and other sources of estimation uncertainty:

- Applicable from July 1, 2018:

##### Allowance for impairment losses on financial assets:

##### *Measurement of the expected credit loss allowance*

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 4(p) and 4(q), which also set out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

2. Statement of compliance and basis of preparation (continued)

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

(ii) Key assumptions concerning the future and other sources of estimation uncertainty (continued):

*Applicable before July 1, 2018*

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.

(iii) Net realisable value of inventories:

*Applicable for 2019 and 2018*

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.

(iv) Judgement in evaluation of contingencies:

*Applicable for 2019 and 2018*

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.

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 2. Statement of compliance and basis of preparation (continued)

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

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

*Applicable for 2019 and 2018*

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.

(e) 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, 2019.

- (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. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain or bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issued debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, generally, are recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus

2. Statement of compliance and basis of preparation (continued)

(e) Basis of consolidation (continued):

(iii) (Continued)

The Group measures goodwill at the acquisition date as (continued):

- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
  - the net recognised amount (generally, fair value) of the identifiable assets acquired and liabilities assumed.
- (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.

- (vi) When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. Changes in accounting policies

The group has initially adopted IFRS 9 *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* from July 1, 2018.

A number of other new standards were also effective from July 1, 2018 but they do not have a material effect on the group's financial statements.

Due to the transition method chosen by the group in applying IFRS 15 and IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect the requirements of these new standards.

The effect of initially applying these standards is mainly attributed to the following:

- additional disclosures related to IFRS 9 [see notes 4(p), 4(q), 6 and 28(a)(i)];
- additional disclosures related to IFRS 15 [see note 4(m)].

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 3. Changes in accounting policies (continued)

#### IFRS 15, *Revenue from Contract with Customers*

Under IFRS 15, an entity recognises revenue to reflect the transfer of promised goods or services to customers exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was adopted on July 1, 2018, and supersedes all existing guidance on revenue recognition.

The adoption of IFRS 15 did not impact the timing or amount of sales from contracts with customers and the related assets and liabilities recognised by the group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

#### IFRS 9, *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented separately in the statement of profit or loss and OCI.

Additionally, the group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

The impact, net of tax, of transition to IFRS 9 on the opening retained earnings and other reserve is as follows:

	<u>Accumulated surplus</u>	
	<u>Group</u>	<u>Company</u>
Closing balance under IAS 39 (June 30, 2018)	18,606,749	18,477,473
Recognition of expected credit losses under IFRS 9:		
Accounts receivable and amounts due from subsidiary company	( 386,395)	( 371,562)
Deferred tax on transition	<u>23,345</u>	<u>23,345</u>
Opening balance under IFRS 9 (July 1, 2018)	<u>\$18,243,699</u>	<u>18,129,256</u>

*Notes to the Financial Statements*

Year ended June 30, 2019 (Presented in United States dollars)

3. Changes in accounting policies (cont'd)IFRS 9, *Financial Instruments* (continued)*Classification and measurement of financial assets and financial liabilities*

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets as at July 1, 2018. The effect of adopting IFRS 9 on the carrying amount of financial assets at July 2018 date solely to the new impairment requirements. There is no change to the classification of financial liabilities.

The Group					
	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at June 30, 2018	Remeasurement	IFRS 9 carrying amount at July 1, 2018
<b>Financial assets</b>					
Investments	Loans and receivables	Amortised cost	71,581	-	71,581
Cash and cash equivalents	Loans and receivables	Amortised cost	3,756,720	-	3,756,720
Accounts receivable	Loans and receivables	Amortised cost	<u>15,214,933</u>	<u>(386,395)</u>	<u>14,828,538</u>
<b>Total</b>			<u>\$19,043,234</u>	<u>(386,395)</u>	<u>18,656,839</u>
<b>Financial liabilities</b>					
Bank overdraft	Other financial liabilities	Other financial liabilities	776,993	-	776,993
Short-term loans	Other financial liabilities	Other financial liabilities	1,700,000	-	1,700,000
Short-term promissory notes	Other financial liabilities	Other financial liabilities	4,317,794	-	4,317,794
Long-term promissory notes	Other financial liabilities	Other financial liabilities	8,269,110	-	8,269,110
Long-term and short-term borrowings	Other financial liabilities	Other financial liabilities	6,357,869	-	6,357,869
Due to related company	Other financial liabilities	Other financial liabilities	2,736,203	-	2,736,203
Accounts payable	Other financial liabilities	Other financial liabilities	<u>10,134,927</u>	<u>-</u>	<u>10,134,927</u>
<b>Total</b>			<u>\$34,292,896</u>	<u>-</u>	<u>34,290,896</u>

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 3. Changes in accounting policies (cont'd)

IFRS 9, *Financial Instruments* (continued)

*Classification and measurement of financial assets and financial liabilities* (continued)

The Company					
	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at June 30, 2018	Remeasurement	IFRS 9 carrying amount at July 1, 2018
<b>Financial assets</b>					
Investments	Loans and receivables	Amortised cost	71,581	-	71,581
Cash and cash equivalents	Loans and receivables	Amortised cost	3,749,947	-	3,749,947
Accounts receivable	Loans and receivables	Amortised cost	13,422,406	(242,953)	13,179,453
Advances to subsidiary	Loans and receivables	Amortised cost	<u>3,047,948</u>	<u>(128,609)</u>	<u>2,919,339</u>
<b>Total</b>			<u>\$20,291,882</u>	<u>(371,562)</u>	<u>19,920,320</u>
<b>Financial liabilities</b>					
Short-term loans	Other financial liabilities	Other financial liabilities	1,700,000	-	1,700,000
Short-term promissory notes	Other financial liabilities	Other financial liabilities	4,317,794	-	4,317,794
Long-term promissory notes	Other financial liabilities	Other financial liabilities	8,269,110	-	8,269,110
Long-term and short- term borrowings	Other financial liabilities	Other financial liabilities	6,357,869	-	6,357,869
Accounts payable	Other financial liabilities	Other financial liabilities	<u>8,474,046</u>	<u>-</u>	<u>8,474,046</u>
<b>Total</b>			<u>\$29,118,819</u>	<u>-</u>	<u>29,118,819</u>

A deferred tax credit of \$23,345 was recognised for the group and the company on transition to IFRS 9 arising from the income in impairment allowance.

The impact, net of tax, of transition to IFRS 9 on the opening accumulated surplus at July 2018 is as follows:

	<u>Group</u>	<u>Company</u>
Impairment allowance on:		
Accounts receivable	386,395	242,953
Interest in subsidiary	-	128,609
Related deferred tax (note 12)	<u>(23,345)</u>	<u>(23,345)</u>
	<u>\$363,050</u>	<u>348,217</u>

3. Changes in accounting policies (continued)IFRS 9, *Financial Instruments* (continued)*Impairment of financial assets*

IFRS 9 replace the “incurred loss” model in IAS 39 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

For an explanation of how the group classifies and measures financial instruments under IFRS 9, see note 4(p).

*Transition*

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The group has determined that application of IFRS 9’s impairment requirements at July 1, 2018 resulted in an additional allowance for impairment as follows:

	<u>Group</u>	<u>Company</u>
Loss allowance at June 30, 2018 under IAS 39	89,068	73,264
Increase in impairment recognised at July 1, 2018:		
Accounts receivable	386,395	242,953
Advances to subsidiary	<u>-</u>	<u>128,609</u>
Loss allowance at July 1, 2018 under IFRS 9	<u>\$475,463</u>	<u>444,826</u>

Additional information about how the group measures allowance for impairment is described in note 28(a)(i).

The company had no transition adjustment for impairment losses as a result of the adoption of IFRS 9.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at July 1, 2018. Accordingly, the information presented for 2018, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 4. Significant accounting policies

Except for the changes in note 3, the group has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

#### (a) 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.

#### (b) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses [see note 4(q)].

#### (c) 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.

#### (d) 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.

The carrying amount of an asset is written down immediately to its recoverable amount if the amount is greater than its estimated recoverable amount.

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.

4. Significant accounting policies (continued)

## (d) Property, plant and equipment (continued):

## (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.

## (e) 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.

## (f) Accounts payable:

Trade and other payables are measured at amortised cost

## (g) 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.

## (h) 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.

## Notes to the Financial Statements

Year ended June 30, 2019 ( Presented in United States dollars)

### 4. Significant accounting policies (continued)

#### (h) Related parties (continued):

##### (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.

#### (i) Investments:

##### (i) Interest in subsidiary:

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

##### (ii) Advances to subsidiary:

Advances to subsidiary is measured at amortised cost, less impairment losses.

#### (j) 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.

4. Significant accounting policies (continued)

(k) 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.

(l) 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.

(m) Revenue:

The effect of initially applying IFRS 15 on the group's revenue from contracts is described in note 3.

*Revenue recognition under IFRS 15 (applicable after July 1, 2018)*

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

*Notes to the Financial Statements*

Year ended June 30, 2019 ( Presented in United States dollars)

4. Significant accounting policies (continued)

## (m) Revenue (continued):

*Revenue recognition under IFRS 15 (applicable after July 1, 2018) (continued)*

<i>Type of product</i>	Wholesale and distribution of food and beverage, the distribution of non-food supplies and the manufacturing and distribution of fresh juices and meats.
<i>Nature and timing of satisfaction of performance obligations, including significant payment terms.</i>	<p>Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated and the revenue is recognised at that point in time.</p> <p>Invoices are usually payable within 30 days.</p> <p>Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered.</p> <p>Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.</p> <p>The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.</p> <p>The company gives rebates to select customers based on the volume of purchase made.</p> <p>Certain major customers receive volume rebates based on purchases made.</p> <p>Rebates are included in other payables and payments are made to the customers.</p>
<i>Revenue recognition under IFRS 15 (applicable from July 1, 2018).</i>	Revenue is recognised when the goods are delivered and have been accepted by the customers.

4. Significant accounting policies (continued)

## (m) Revenue (continued):

*Revenue recognition under IAS 18 (applicable before July 1, 2018)*

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.

## (n) 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.

## (o) 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.

## Notes to the Financial Statements

Year ended June 30, 2019 ( Presented in United States dollars)

#### 4. Significant accounting policies (continued)

##### (o) Taxation (continued):

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.

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.

##### (p) Financial instruments:

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

##### (i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

##### (ii) Classification and subsequent measurement

###### *Financial assets – Policy applicable from July 1, 2018*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

4. Significant accounting policies (continued)

## (p) Financial instruments (continued):

## (ii) Classification and subsequent measurement (continued)

*Financial assets – Policy applicable from July 1, 2018*

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Amortised cost represents the net present value (“NPV”) of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Investments
- Cash and cash equivalents
- Accounts receivable
- Interest in subsidiary

Due to their short-term nature, the group initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

*Financial liabilities*

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs. The group’s financial liabilities, which includes accounts payable are recognised initially at fair value.

*Financial assets and liabilities – Subsequent measurement and gains and losses: Policy applicable from July 1, 2018*

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in the individual policy statements associated with each item.

## Notes to the Financial Statements

Year ended June 30, 2019 ( Presented in United States dollars)

### 4. Significant accounting policies (continued)

#### (p) Financial instruments (continued):

##### (ii) Classification and subsequent measurement (continued)

###### *Financial assets and liabilities– Policy applicable before July 1, 2018*

The group classified non-derivative financial assets as *Loans and receivables*: measured at amortised cost using the effective interest method.

The company classified non-derivative financial liabilities into the other financial liabilities category. These are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

##### (iii) Derecognition

###### *Financial assets*

###### *Financial asset and liabilities – Policy applicable from July 1, 2018*

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in the consolidated statement of comprehensive income.

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

###### *Financial liabilities*

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

##### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4. Significant accounting policies (continued)

## (q) Impairment:

*Financial assets**Policy applicable from July 1, 2018*

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and at fair value through OCI.

The group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

The group assumes that the credit risk on financial assets has increased significantly if it is more than 180 days past due.

The group recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to action such as realising security if any is held; or
- the financial asset is more than 180 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

*Measurement of ECLs*

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

#### 4. Significant accounting policies (continued)

##### (q) Impairment (continued):

*Financial assets (continued)*

*Policy applicable from July 1, 2018 (continued)*

*Credit-impaired financial assets (continued)*

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECL in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

*Policy applicable before July 1, 2018*

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.

4. Significant accounting policies (continued)

## (q) Impairment (continued):

*Financial assets (continued)**Policy applicable before July 1, 2018 (continued)*

## (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.

## (r) Operating segments:

An operating segment is a component of the group:

- (i) 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.
- (ii) whose operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and
- (iii) for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The group has primarily geographical segments determined by the countries in which the group operates. Transactions between business segments have been eliminated.

## (s) 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.

## (t) 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.

*Notes to the Financial Statements*

Year ended June 30, 2019 (Presented in United States dollars)

5. Cash and cash equivalents

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Cash	8,526	7,743	5,324	6,234
Bank balances	4,204,250	3,742,759	4,176,701	3,737,495
Deposits	-	6,218	-	6,218
	4,212,776	3,756,720	4,182,025	3,749,947
Bank overdraft (a)	(1,067,854)	( 776,993)	-	-
	<u>\$3,144,922</u>	<u>2,979,727</u>	<u>4,182,025</u>	<u>3,749,947</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 5% and is secured as disclosed in note 18.

6. Accounts receivable

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Trade receivables (a)	11,175,116	11,651,440	9,748,404	9,988,991
Other receivables (b)	<u>5,138,121</u>	<u>3,652,561</u>	<u>4,995,503</u>	<u>3,506,679</u>
	16,313,237	15,304,001	14,743,907	13,495,670
Less: Allowance for impairment losses	( 424,081)	( 89,068)	( 224,626)	( 73,264)
	<u>\$15,889,156</u>	<u>15,214,933</u>	<u>14,519,281</u>	<u>13,422,406</u>

(a) Trade receivables include due from directors amounting to \$6,035 (2018: \$9,374) for the group and the company; and \$213,190 (2018: \$214,231) due from related companies, which are controlled by directors for the group and the company.

(b) Other receivables include due from directors amounting to \$14,382 (2018: \$9,848) for the group and the company; and \$18,605 (2018: \$18,605) due from related companies, which are controlled by directors for the group and the company.

(c) Information about the Group's exposure to credit and market risks and impairment losses for trade receivables is included at note 28(a).

7. Inventories

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Goods held for resale – duty paid	23,445,155	17,022,561	19,420,789	13,973,320
Goods held in bonded warehouse	772,149	786,549	165,925	182,686
Goods in transit	5,764,560	5,236,655	4,898,070	4,685,632
Raw materials	1,161,769	2,250,720	1,144,741	2,236,183
Others	<u>722,008</u>	<u>609,977</u>	<u>587,133</u>	<u>499,349</u>
	<u>\$31,865,641</u>	<u>25,906,462</u>	<u>26,216,658</u>	<u>21,577,170</u>

*Notes to the Financial Statements*

Year ended June 30, 2019 ( Presented in United States dollars)

7. Inventories (continued)

During the year, expenses relating to inventory write-offs amounted to \$1,998,410 (2018: \$2,020,422) for the group and \$2,394,334 (2018: \$1,808,142) for the company.

During the year inventories of \$70,417,782 (2018: \$68,070,924) for the group and \$82,937,004 (2018: \$79,845,087) for the company were recognised as an expense in cost of sales.

8. Short-term loans

	<u>Group and Company</u>	
	<u>2019</u>	<u>2018</u>
The Bank of Nova Scotia Jamaica Limited loans	\$ <u>5,150,000</u>	<u>1,700,000</u>

These are US\$ revolving loans that bear interest at 4.25% and are secured as disclosed in note 18. Total draw-down during the year was \$12,300,000 (2018: 8,700,000) and total repayments \$8,850,000 (2018: \$9,500,000).

9. Accounts payable

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Trade payables (a)	12,560,329	7,954,102	10,887,027	6,666,005
Other payables (b)	<u>2,959,958</u>	<u>2,180,825</u>	<u>2,448,837</u>	<u>1,808,041</u>
	<u>\$15,520,287</u>	<u>10,134,927</u>	<u>13,335,864</u>	<u>8,474,046</u>

(a) Trade payables include due to related companies, which are controlled by directors amounting to \$459,184 (2018: \$246,015) for the group and \$338,208 (2018: \$127,707) for the company.

(b) Other payables include \$12,533 (2018: \$42,759) due to related companies for the group and the company which are controlled by directors.

10. Short-term promissory notes

	<u>Group and Company</u>	
	<u>2019</u>	<u>2018</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.

*Notes to the Financial Statements*

Year ended June 30, 2019 (Presented in United States dollars)

11. Interest in subsidiary

Interest in subsidiary comprises:

	<u>Company</u>	
	<u>2019</u>	<u>2018</u>
Shares, at cost	10,000	10,000
Advances (see note below)	<u>3,182,252</u>	<u>3,037,948</u>
	3,192,252	3,047,948
Less: Impairment allowance	<u>( 141,846)</u>	<u>-</u>
	<u>\$3,050,406</u>	<u>3,047,948</u>

These advances represent amounts loaned to a subsidiary company and are interest-free and unsecured. These amounts are due and repayable on June 30, 2024.

12. 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>2017</u>	<u>Recognised in income</u>	<u>2018</u>	<u>Recognised in equity</u>	<u>Recognised in income</u>	<u>2019</u>
		[note 23(a)]		(note 3)	[note 23(a)]	
Accounts payable	49,000	13,494	62,494	-	( 15,205)	47,289
Accounts receivable	-	-	-	23,345	( 7,330)	16,015
Unrealised foreign exchange gains	( 20,000)	4,610	( 15,390)	-	6,640	( 8,750)
Tax effect of losses carried forward	271,345	(103,006)	168,339	-	(159,542)	8,797
Property, plant and equipment	<u>496,946</u>	<u>242,913</u>	<u>739,859</u>	<u>-</u>	<u>292,791</u>	<u>1,032,650</u>
	<u>\$797,291</u>	<u>158,011</u>	<u>955,302</u>	<u>23,345</u>	<u>117,354</u>	<u>1,096,001</u>
	<u>Company</u>					
	<u>2017</u>	<u>Recognised in income</u>	<u>2018</u>	<u>Recognised in equity</u>	<u>Recognised in income</u>	<u>2019</u>
		[note 23(a)]		(note3)	[note 23(a)]	
Accounts payable	49,000	13,494	62,494	-	( 15,205)	47,289
Accounts receivable	-	-	-	23,345	( 7,330)	16,015
Unrealised foreign exchange gains	( 20,000)	4,610	( 15,390)	-	6,640	( 8,750)
Tax effect of losses carried forward	-	-	-	-	8,797	8,797
Property, plant and equipment	<u>685,000</u>	<u>224,067</u>	<u>909,067</u>	<u>-</u>	<u>123,583</u>	<u>1,032,650</u>
	<u>\$714,000</u>	<u>242,171</u>	<u>956,171</u>	<u>23,345</u>	<u>116,485</u>	<u>1,096,001</u>

## Notes to the Financial Statements

Year ended June 30, 2019 ( Presented in United States dollars)

13. Property, plant and equipment

	Group					
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Construction in progress	Total
Cost:						
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)
Adjustments	( 391)	7,189	-	-	-	6,798
June 30, 2018	9,492,268	13,356,752	2,396,222	1,732,644	804,046	27,781,932
Additions	129,259	815,420	101,480	288,130	3,714,764	5,049,053
Disposals	( 11,824)	( 243,868)	( 13,784)	( 92,857)	-	( 362,333)
Transfers (note 14)	551,716	504,274	34,561	-	(1,112,560)	( 22,009)
Adjustments	2,251	277,911	( 232,980)	( 63,912)	-	( 16,730)
June 30, 2019	<u>10,163,670</u>	<u>14,710,489</u>	<u>2,285,499</u>	<u>1,864,005</u>	<u>3,406,250</u>	<u>32,429,913</u>
Depreciation:						
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	5,789,890	7,101,512	1,947,175	1,090,801	75,861	16,005,239
Charge for the year	691,538	1,240,851	221,532	282,964	-	2,436,885
Disposals	( 7,291)	( 219,170)	( 13,784)	( 81,077)	-	( 321,322)
Adjustments	32,942	236,208	( 213,646)	( 49,925)	-	5,579
June 30, 2019	<u>6,507,079</u>	<u>8,359,401</u>	<u>1,941,277</u>	<u>1,242,763</u>	<u>75,861</u>	<u>18,126,381</u>
Net book values:						
June 30, 2019	<u>\$ 3,656,591</u>	<u>6,351,088</u>	<u>344,222</u>	<u>621,242</u>	<u>3,330,389</u>	<u>14,303,532</u>
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>
	Company					
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Construction in progress	Total
Cost:						
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)
Adjustments	( 391)	7,189	-	-	-	6,798
June 30, 2018	8,801,584	11,830,327	2,267,125	1,197,439	119,913	24,216,388
Additions	64,460	785,447	83,462	238,560	3,181,545	4,353,474
Disposals	( 11,824)	( 243,868)	( 13,784)	( 59,731)	-	( 329,207)
Adjustments	2,251	277,911	( 232,980)	( 63,912)	-	( 16,730)
June 30, 2019	<u>8,856,471</u>	<u>12,649,817</u>	<u>2,103,823</u>	<u>1,312,356</u>	<u>3,301,458</u>	<u>28,223,925</u>
Depreciation:						
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	5,598,176	6,544,320	1,887,694	859,173	-	14,889,363
Charge for the year	587,948	1,044,974	189,748	187,456	-	2,010,126
Disposals	( 7,291)	( 219,170)	( 13,784)	( 52,365)	-	( 292,610)
Adjustments	32,942	236,208	( 213,646)	( 49,925)	-	5,579
June 30, 2019	<u>6,211,775</u>	<u>7,606,332</u>	<u>1,850,012</u>	<u>944,339</u>	<u>-</u>	<u>16,612,458</u>
Net book values:						
June 30, 2019	<u>\$2,644,696</u>	<u>5,043,485</u>	<u>253,811</u>	<u>368,017</u>	<u>3,301,458</u>	<u>11,611,467</u>
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>

*Notes to the Financial Statements*

Year ended June 30, 2019 (Presented in United States dollars)

14. Intangible asset

	<u>Computer software</u>	
	<u>Group</u>	<u>Company</u>
Cost:		
June 30, 2017	214,498	188,413
Addition	<u>577,608</u>	<u>572,417</u>
June 30, 2018	792,106	760,830
Addition	12,340	6,000
Transfer from property, plant and equipment (note 13)	22,009	-
Write-off	<u>(679,713)</u>	<u>(679,713)</u>
June 30, 2019	<u>146,742</u>	<u>87,117</u>
Amortisation:		
June 30, 2017	55,948	31,546
Charge for the year	<u>29,067</u>	<u>27,039</u>
June 30, 2018	85,015	58,585
Charge for the year	<u>29,142</u>	<u>22,532</u>
June 30, 2019	<u>114,157</u>	<u>81,117</u>
Carrying amount:		
June 30, 2019	\$ <u>32,585</u>	<u>6,000</u>
June 30, 2018	<u>\$707,091</u>	<u>702,245</u>

15. Share capital

	<u>Group and Company</u>	
	<u>2019</u>	<u>2018</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	<u>( 219,181)</u>	<u>( 219,181)</u>
	<u>\$4,898,430</u>	<u>4,898,430</u>

*Notes to the Financial Statements*

Year ended June 30, 2019 ( Presented in United States dollars)

16. Non-controlling interest

This represents non-controlling interest of 49% in the company's subsidiary CPJ (St. Lucia) Ltd.

The following table summarises the financial information of CPJ (St. Lucia) Ltd., the group's subsidiary that has non-controlling interest, before any intra-group eliminations:

	<u>The group</u>	
	<u>2019</u>	<u>2018</u>
	\$	\$
<b>Percentage ownership interest</b>	<b><u>49%</u></b>	<b><u>49%</u></b>
Non-current assets	2,718,650	2,453,645
Current assets	7,384,078	6,261,256
Non-current liabilities	( 6,406,137)	( 5,772,977)
Current liabilities	( 3,558,787)	( 2,662,053)
Net assets (100%)	<u>137,804</u>	<u>279,871</u>
Non-controlling interest share of net assets	<u>67,524</u>	<u>137,137</u>
Revenue	<u>15,837,112</u>	<u>15,207,661</u>
Net profit from continuing operations	1,960	432,918
Intra-group eliminations	-	-
	<u>1,960</u>	<u>432,918</u>
Profit allocated to Non-controlling interest (NCI)	<u>960</u>	<u>212,130</u>
Cash flows from operating activities	( 277,363)	199,688
Cash flows from investing activities	( 666,824)	( 788,652)
Cash flows from financing activities	<u>677,302</u>	<u>11,413</u>
Net decrease in cash and cash equivalents	<u>( 266,885)</u>	<u>( 577,551)</u>

17. Long-term promissory notes

	<u>Group and Company</u>	
	<u>2019</u>	<u>2018</u>
Due to related companies:		
6% loan	100,000	100,000
8% loan	500,000	1,500,000
9% loan	6,000,000	6,000,000
Due to related company:		
Non-interest bearing loans	650,000	650,000
Due to third party:		
8% loan	<u>20,669</u>	<u>19,110</u>
	<u>\$7,270,669</u>	<u>\$8,269,110</u>

(a) These US\$ loans are unsecured and not repayable before June 30, 2020.

(b) Related companies are controlled by directors.

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 18. Long-term borrowings

		Group		Company	
		2019	2018	2019	2018
8% Bonds	(a)	3,814,808	3,834,597	3,814,808	3,834,597
10.5% Sagicor Bank Jamaica Limited [J\$4,434,649 (2018: J\$6,518,329)]	(b)	33,835	49,990	33,835	49,990
10.9% Sagicor Bank Jamaica Limited [J\$6,995,620 (2018: J\$9,709,770)]	(c)	53,374	74,466	53,374	74,466
10.9% Sagicor Bank Jamaica Limited [J\$1,733,535 (2018: J\$3,054,398)]	(d)	13,226	23,425	13,226	23,425
10.5% Sagicor Bank Jamaica Limited [J\$1,078,053 (2018: J\$1,584,591)]	(e)	8,225	12,153	8,225	12,153
9.25% Bank of Nova Scotia Jamaica Limited [J\$75,419,852 (2018: J\$103,012,483)]	(f)	575,425	747,700	575,425	747,700
4.75% Bank of Nova Scotia Jamaica Limited	(g)	1,025,000	1,325,000	1,025,000	1,325,000
9.5% Bank of Nova Scotia Jamaica Limited [J\$14,615,408 (2018: J\$19,230,800)]	(h)	111,510	147,431	111,510	147,431
10% Bank of Nova Scotia Jamaica Limited [J\$12,666,640 (2018: J\$16,666,648)]	(i)	96,642	127,820	96,642	127,820
9.5% Bank of Nova Scotia Jamaica Limited [J\$3,630,918 (2018: J\$4,720,196)]	(j)	27,703	36,200	27,703	36,200
9.5% Bank of Nova Scotia Jamaica Limited [J\$1,393,327 (2018: J\$2,273,323)]	(k)	10,631	17,435	10,631	17,435
9% Bank of Nova Scotia Jamaica Limited [J\$2,436,000 (2018: J\$3,828,000)]	(l)	18,586	29,358	18,586	29,358
8.75% Bank of Nova Scotia Jamaica Limited [J\$1,875,000 (2018: J\$5,375,000)]	(m)	15,260	41,222	15,260	41,222
7% Bank of Nova Scotia Jamaica Limited [J\$4,216,667 (2018: J\$Nil)](n)		32,172	-	-	-
7% Bank of Nova Scotia Jamaica Limited [J\$4,607,500 (2018: J\$Nil)](o)		34,565	-	-	-
7% Bank of Nova Scotia Jamaica Limited [J\$5,792,738 (2018: J\$Nil)](p)		45,991	-	-	-
4.35% Bank of Nova Scotia Jamaica Limited	(q)	2,750,000	-	2,750,000	-
6.95% Bank of Nova Scotia Jamaica Limited [J\$14,673,214 (2018: J\$Nil)]	(r)	111,971	-	111,971	-
4.5% First Caribbean International Bank Limited	(s)	<u>228,536</u>	<u>-</u>	<u>-</u>	<u>-</u>
		9,007,460	6,466,797	8,778,924	6,466,797
Less: Current portion		<u>(1,070,490)</u>	<u>( 615,127)</u>	<u>(1,026,347)</u>	<u>( 615,127)</u>
		<u>7,936,970</u>	<u>5,851,670</u>	<u>7,752,577</u>	<u>5,851,670</u>
Debt issuance costs:	(t)				
At beginning of the year		( 108,928)	( 80,147)	( 108,928)	( 80,147)
Additional costs incurred in the year		( 17,327)	( 68,149)	( 17,327)	( 68,149)
Debt costs amortised during the year		<u>21,658</u>	<u>39,368</u>	<u>21,658</u>	<u>39,368</u>
At the end of the year		<u>( 104,597)</u>	<u>( 108,928)</u>	<u>( 104,597)</u>	<u>( 108,928)</u>
		<u>\$7,832,373</u>	<u>5,742,742</u>	<u>7,647,980</u>	<u>5,742,742</u>

- (a) 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. These bonds mature in May 2023.

*Notes to the Financial Statements*

Year ended June 30, 2019 (Presented in United States dollars)

18. Long-term borrowings (continued)

- (b) This represents the balance due on an initial loan of J\$13,195,000. The loan is repayable in eighty-four monthly instalments of principal and interest of J\$222,477; the final instalment being due in April 2021.
- (c) This represents the balance due on an initial loan of J\$17,768,000. The loan was repayable in eighty-four monthly instalments of principal and interest of J\$303,298; the final instalment being due in August 2021.
- (d) This represents the balance due on an initial loan of J\$6,976,000. The loan is repayable in seventy-two monthly instalments of principal and interest of J\$132,425; the final instalment being due in August 2020.
- (e) This represented the balance due on an initial loan of J\$2,880,006. The loan is repayable in seventy-two monthly instalments of principal and interest of J\$54,084; the final instalment being due in August 2021.
- (f) This represents the balance due on an initial loan of J\$147,160,689. 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 4.82% per annum (with a floor of 9% per annum), reset quarterly. The loan matures in November, 2020.
- (g) 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.
- (h) This represents the balance due on an initial loan of J\$30,000,000, 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 J\$384,616 and one final payment of J\$384,568. The loan matures on August 8, 2022.
- (i) This represents the balance due on an initial loan of J\$26,000,000, funded by the DBJ. The DBJ's authorised lending rate for its regular J\$ 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 J\$333,334 and one final payment of J\$333,282. The loan matures on August 12, 2022.
- (j) This represents the balance due on an initial loan of J\$7,625,000. 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 J\$90,841 followed by eighty-three monthly payments of J\$90,773. The loan matures on October 29, 2022.
- (k) This represents the balance due on the initial loan of J\$4,400,000. 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.

## Notes to the Financial Statements

Year ended June 30, 2019 ( Presented in United States dollars)

### 18. Long-term borrowings (continued)

- (l) 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.
- (m) 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.
- (n) This represents the balance due on an initial loan of J\$4,600,000 received in January 2019. The interest rate of 7% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of J\$76,667; the final installment being due in January 2024.
- (o) This represents the balance due on an initial loan of J\$4,850,000 received in January 2019. The interest rate of 7% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of J\$80,833; the final installment being due in April 2024.
- (p) This represents the balance due on an initial loan of J\$6,175,000 received in April 2019. The interest rate of 7% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of J\$73,512; the final installment being due in May 2024.
- (q) This represents the balance due on an initial loan of US\$2,750,000 received in May 2019. The interest rate of 4.35% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of US\$35,246; the final installment being due in May 2024.
- (r) This represents the balance due on an initial loan of J\$14,850,000 received in May 2019. The interest rate of 6.95% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of J\$176,785; the final installment being due in May 2024.
- (s) This represents the balance outstanding on a revolving loan facility of \$650,000 received in April 2019. Total drawdown for the period was \$228,536. The interest rate of 4.5% per annum is fixed for the term.
- (t) 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.

18. Long-term borrowings (continued)

The borrowings at (f) to (r) and short-term loans (note 8) with the Bank of Nova Scotia Jamaica Limited are primarily secured as follows:

- Demand debenture stamped to cover US\$14,112,000 and J\$50,000,000, 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.
- Subordination and postponement agreement for \$6,000,000 due to a related company (note 17).
- 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.
- Unsupported guarantee of CPJ Investment Limited.

The borrowings at (s) with First Caribbean International Bank (Barbados) Limited is primarily secured as follows:

- Supported by a first legal mortgage of \$6,375,000 over certain immovable property.

Breach of loan covenants:

- The Group has certain loans totalling \$8,670,264 as at June 30, 2019. These loans contain covenants which are to be tested annually/semi-annually. If the covenants are not met, the loans can be repayable on demand.
- According to the agreements, the debt service coverage ratio cannot be less than 1.5:1 and the debt to EBTDA cannot exceed 3:1. The Group is in breach of these ratios. However, management obtained a waiver from the respective institutions in August 2019. Accordingly, the loans were not payable on demand at June 30, 2019 (see note 30).

*Notes to the Financial Statements*

Year ended June 30, 2019 ( Presented in United States dollars)

19. 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 6, 9, 10, 11 and 17.

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

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Sales to related companies/parties	( 829,212)	( 498,721)	( 829,212)	( 498,721)
Sales to subsidiary	-	-	(793,157)	( 719,091)
Interest expense paid to related companies/parties	646,000	729,136	646,000	729,136
Rent paid to a related company	762,145	241,251	516,488	57,218
Agency fee paid to a related company	1,410,000	1,224,000	1,410,000	1,224,000
Directors' emoluments:				
Fees	21,000	14,780	21,000	14,750
Management remuneration	637,757	703,074	637,757	703,074
Compensation for key management:				
Short-term benefits	<u>853,524</u>	<u>979,133</u>	<u>578,443</u>	<u>619,584</u>

Related companies are controlled by directors.

20. Gross operating revenue

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

21. 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.

*Notes to the Financial Statements*

Year ended June 30, 2019 ( Presented in United States dollars)

21. Nature of expenses (continued)

## (b) Selling and administration expenses:

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Advertising	1,109,746	1,138,412	1,027,143	1,057,090
Audit fees	111,745	79,568	96,290	66,596
Bad debts	-	60,055	-	46,314
Bank charges	150,615	128,851	134,389	107,600
Cleaning and sanitation	57,910	69,589	50,012	61,518
Data processing	604,107	465,340	604,107	465,340
Donations	575	9,001	391	350
Garbage disposal	131,203	91,773	117,217	82,664
Insurance	560,282	444,552	514,962	410,524
Miscellaneous	756,311	506,111	275,622	236,820
Motor vehicle expenses	2,622,285	2,489,444	2,537,194	2,420,830
Penalties and interest	22,253	250,408	22,253	250,408
Pest control	18,139	21,631	14,934	20,175
Printing, postage and stationery	185,102	184,353	156,368	152,051
Professional fees	1,687,183	1,472,520	1,677,514	1,464,388
Rates and taxes	149,955	163,237	139,082	151,745
Rental of premises (note 25)	1,238,969	1,202,728	1,050,887	1,018,695
Repairs and maintenance	918,969	948,658	734,878	778,872
Security	527,657	424,725	470,610	379,247
Service fees	109	5,048	109	5,048
Staff costs:				
Salaries, wages, and other payroll costs	8,436,585	8,368,872	7,280,249	7,284,357
Payroll taxes	818,728	820,735	773,704	782,984
Staff welfare	490,116	476,097	470,291	460,301
Subscriptions	66,075	36,750	60,623	32,490
Travel and entertainment	386,623	410,490	340,955	374,233
Utilities	<u>1,810,549</u>	<u>1,680,455</u>	<u>1,464,496</u>	<u>1,388,118</u>
	<u>\$22,861,791</u>	<u>21,949,403</u>	<u>20,014,280</u>	<u>19,498,758</u>

22. Disclosure of income/(expenses)

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
(a) Other operating income, net:				
Loss on disposal of property, plant and equipment	( 8,624)	( 41,935)	(18,903)	( 41,935)
Suppliers rebate	69,705	-	69,705	-
Others	<u>113,978</u>	<u>141,080</u>	<u>47,650</u>	<u>116,077</u>
	<u>\$175,059</u>	<u>99,145</u>	<u>98,452</u>	<u>74,142</u>

*Notes to the Financial Statements*

Year ended June 30, 2019 (Presented in United States dollars)

22. Disclosure of income/(expenses) (continued)

	Group		Company	
	2019	2018	2019	2018
(b) Finance income:				
Foreign exchange gains, net	-	190,909	-	185,013
Interest income - third party	<u>569</u>	<u>882</u>	<u>569</u>	<u>882</u>
	<u>\$ 569</u>	<u>191,791</u>	<u>569</u>	<u>185,895</u>
(c) Finance costs:				
Foreign exchange loss, net	( 42,297)	( - )	( 35,589)	-
Interest on promissory notes	( 914,458)	(1,056,984)	( 914,458)	(1,056,984)
Interest on long-term and short term borrowings	( 655,305)	( 573,061)	( 652,632)	( 571,685)
Overdraft interest	<u>( 65,801)</u>	<u>( 40,879)</u>	<u>-</u>	<u>-</u>
	<u>\$(1,677,861)</u>	<u>(1,670,924)</u>	<u>(1,602,679)</u>	<u>(1,628,669)</u>

23. Taxation

(a) Taxation is based on the following:

	Group		Company	
	2019	2018	2019	2018
Current tax	-	485,450	-	382,444
Deferred tax (note 12):				
Tax losses	159,542	103,006	( 8,797)	-
Origination and reversal of temporary differences	<u>( 276,896)</u>	<u>( 261,017)</u>	<u>( 107,688)</u>	<u>( 242,171)</u>
	<u>( 117,354)</u>	<u>( 158,011)</u>	<u>( 116,485)</u>	<u>( 242,171)</u>
Tax (credit)/charge recognised during the year	<u>\$( 117,354)</u>	<u>327,439</u>	<u>( 116,485)</u>	<u>140,273</u>
(b) Reconciliation of actual taxation (credit)/charge:				
(Loss)/profit before taxation	<u>\$(1,285,223)</u>	<u>2,638,045</u>	<u>(1,282,163)</u>	<u>2,017,961</u>
Computed "expected" tax (credit)/ charge at 25% and 30%	( 321,459)	690,515	( 320,541)	504,490
Tax effect of differences between treatment for financial statement and taxation purposes:				
Depreciation and capital allowances	258,992	23,599	258,992	23,599
Other items, net	( 54,887)	( 4,232)	( 54,936)	( 5,373)
Tax remission [note (c)]	<u>-</u>	<u>( 382,443)</u>	<u>-</u>	<u>( 382,443)</u>
	<u>\$( 117,354)</u>	<u>327,439</u>	<u>( 116,485)</u>	<u>140,273</u>

*Notes to the Financial Statements*

Year ended June 30, 2019 (Presented in United States dollars)

23. Taxation (continued)

(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%

24. 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
(Loss)/profit for the year attributable to the shareholders of the company	( <u>1,168,829</u> )	<u>2,098,476</u>	( <u>1,165,678</u> )	<u>1,877,668</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>0.11</u> )	<u>0.19</u>	( <u>0.11</u> )	<u>0.17</u>

25. Lease commitments

At June 30, 2019, there were unexpired operating lease commitments in relation to leasehold property, payable as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Within one year	1,529,134	1,283,275	1,341,052	1,095,561
Between one and five years	3,990,997	3,757,146	3,237,669	3,006,290
After five years	<u>5,610,580</u>	<u>5,915,846</u>	<u>4,999,313</u>	<u>5,164,990</u>
	<u>\$11,130,711</u>	<u>10,956,267</u>	<u>9,578,034</u>	<u>9,266,841</u>

During the year, the total operating lease expenses recognised in profit or loss amounted to \$1,238,969 (2018: \$1,202,728) for the group and \$1,050,887 (2018: \$1,018,695) for the company.

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 26. 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 \$365,497 (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.
- (c) In 2018, Jamaica Customs Agency Post Clearance Audit (PCA) conducted a review of the company's import declarations for the period from January 1, 2017 to July 31, 2018 and assessed the company for potential additional duty and taxes as per the Assessment Order dated January 22, 2019. During the period till date, the management has had discussions with JCA and sent a response disputing the assessment. As at the date of these financial statements, the resolution process is still ongoing.

### 27. 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. There was no dividend declaration in the current year.

### 28. 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.

28. Financial instruments (continued)

## (a) Financial risk management (continued):

## (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.

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.

*Expected credit loss assessment – Policy applicable from July 1, 2018*

The group allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and the available press information about its customers) and applying experienced credit judgement.

The group uses a provision matrix to measure ECLs on trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

### 28. Financial instruments (continued)

#### (a) Financial risk management (continued):

##### (i) Credit risk (continued):

The following table provides information about the exposure to credit risk and ECL for trade receivables as at June 30, 2019 (see also note 6).

	Group 2019			
	Weighted average <u>loss rate</u>	Gross carrying <u>amount</u> \$	Loss <u>allowance</u> \$	Credit <u>impaired</u>
Current (not past due)	1.7%	8,278,988	141,073	No
31-60 days past due	0.3%	2,052,809	6,059	No
61-90 days past due	2%	483,600	9,672	No
91-180 days past due	8%	100,481	8,039	No
More than 180 days past due	100%	<u>259,238</u>	<u>259,238</u>	Yes
		<u>11,175,116</u>	<u>424,081</u>	

	Company 2019			
	Weighted average <u>loss rate</u>	Gross carrying <u>amount</u> \$	Loss <u>allowance</u> \$	Credit <u>impaired</u>
Current (not past due)	1.3%	7,304,764	94,962	No
31-60 days past due	0.3%	1,788,122	5,278	No
61-90 days past due	2%	483,600	9,672	No
91-180 days past due	8%	62,178	4,974	No
More than 180 days past due	100%	<u>109,740</u>	<u>109,740</u>	Yes
		<u>9,748,404</u>	<u>224,626</u>	

#### *Policy applicable before July 1, 2018*

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The ageing of trade receivables at the reporting date was:

	Group 2018		Company 2018	
	<u>Gross</u> \$	<u>Impairment</u> \$	<u>Gross</u> \$	<u>Impairment</u> \$
Not past due	7,502,139	-	6,336,651	-
Past due 31-60 days	2,651,685	-	2,478,545	-
More than 60 days	<u>1,497,616</u>	<u>89,068</u>	<u>1,173,795</u>	<u>73,264</u>
	<u>11,651,440</u>	<u>89,068</u>	<u>9,988,991</u>	<u>73,264</u>

## Notes to the Financial Statements

Year ended June 30, 2019 (Presented in United States dollars)

28. Financial instruments (continued)

## (a) Financial risk management (continued):

## (i) Credit risk (continued):

*Policy applicable before July 1, 2018 (continued)*

The impairment of trade receivables at the reporting date was:

	Group		Company	
	2019	2018	2019	2018
	\$	\$	\$	\$
Balance at beginning of year	89,068	80,142	73,264	75,721
Amount charged, net	( 51,382)	8,926	( 91,591)	( 2,457)
Transition adjustment (note 3)	<u>386,395</u>	<u>-</u>	<u>242,953</u>	<u>-</u>
Balance at end of year	<u>424,081</u>	<u>89,068</u>	<u>224,626</u>	<u>73,264</u>

These balances are deemed irrecoverable based on historical experience. The provision is determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

## (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.

	Group			
	2019			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Bank overdraft	1,067,854	1,067,854	1,067,854	-
Short-term loans	5,150,000	5,368,875	5,368,875	-
Accounts payable	15,520,287	15,520,287	15,520,287	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	7,270,669	8,449,976	-	8,449,976
Long-term borrowings	8,902,863	10,887,945	2,221,422	8,666,522
Due to related company	<u>3,056,603</u>	<u>3,056,603</u>	<u>-</u>	<u>3,056,603</u>
Total financial liabilities	<u>\$45,286,070</u>	<u>49,004,969</u>	<u>28,831,867</u>	<u>20,173,101</u>

*Notes to the Financial Statements*

Year ended June 30, 2019 (Presented in United States dollars)

28. Financial instruments (continued)

## (a) Financial risk management (continued):

## (ii) Liquidity risk (continued):

	<u>Group</u>			
	<u>2018</u>			
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year or less</u>	<u>2-9 years</u>
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	<u>2,736,203</u>	<u>2,736,203</u>	<u>-</u>	<u>2,736,203</u>
Total financial liabilities	<u>\$34,292,896</u>	<u>37,299,557</u>	<u>18,067,222</u>	<u>19,232,305</u>

	<u>Company</u>			
	<u>2019</u>			
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year or less</u>	<u>2-9 years</u>
Short-term loans	5,150,000	5,368,875	5,368,875	-
Accounts payable	13,335,864	13,335,864	13,335,864	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	7,270,669	8,449,976	-	8,449,976
Long-term borrowings	<u>8,674,327</u>	<u>10,703,551</u>	<u>2,221,422</u>	<u>8,482,129</u>
Total financial liabilities	<u>\$38,748,654</u>	<u>42,511,695</u>	<u>25,579,590</u>	<u>16,932,105</u>

	<u>Company</u>			
	<u>2018</u>			
	<u>Carrying amount</u>	<u>Contractual cash flows</u>	<u>1 year or less</u>	<u>2-9 years</u>
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	<u>6,357,869</u>	<u>7,617,557</u>	<u>729,623</u>	<u>6,887,934</u>
Total financial liabilities	<u>\$29,118,819</u>	<u>32,125,450</u>	<u>15,629,348</u>	<u>16,496,102</u>

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

*Notes to the Financial Statements*

Year ended June 30, 2019 ( Presented in United States dollars)

28. Financial instruments (continued)

## (a) Financial risk management (continued):

## (iii) Market risk:

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

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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Fixed rate instruments:				
Financial assets	1,058,210	1,258,124	1,058,210	1,258,124
Financial liabilities	(24,535,646)	(18,771,845)	(23,239,256)	(17,994,853)
	\$(23,477,436)	(17,513,721)	(22,181,046)	(16,736,729)
Variable rate instruments:				
Financial assets	182,376	74,578	182,376	74,578
Financial liabilities	( 1,628,127)	( 2,108,900)	( 1,628,127)	( 2,108,900)
	\$( 1,445,751)	( 2,034,322)	( 1,445,751)	( 2,034,322)

## Notes to the Financial Statements

Year ended June 30, 2019 ( Presented in United States dollars)

### 28. Financial instruments (continued)

#### (a) Financial risk management (continued):

##### (iii) Market risk (continued):

##### *Cash flow sensitivity analysis for variable rate instruments*

An increase or decrease in basis points in interest rates at the reporting date would have (increased)/decreased loss (2018: (decreased)/increased profit) for the year by amounts shown below:

	<u>The Group and the Company</u>			
	<u>2019</u>		<u>2018</u>	
	<u>Increase</u> 100bp	<u>Decrease</u> 100bp	<u>Increase</u> 100bp	<u>Decrease</u> 50bp
Effect on profit (decrease)/increase	\$( <u>14,458</u> )	<u>14,458</u>	( <u>20,343</u> )	<u>10,172</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.

##### *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 assets/(liabilities) of the group and the company are as follows:

	<u>Group and Company</u>	
	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	230,710,899	117,249,887
Accounts receivable	786,036,445	604,850,332
Accounts payable	(298,418,440)	(212,689,346)
Long-term borrowings	(661,323,718)	(678,974,802)
Net foreign currency assets/(liabilities)	\$ <u>57,005,186</u>	( <u>169,563,929</u> )
Equivalent to	\$ <u>438,636</u>	( <u>1,301,035</u> )

*Notes to the Financial Statements*

Year ended June 30, 2019 ( Presented in United States dollars)

28. Financial instruments (continued)

## (a) Financial risk management (continued):

## (iii) Market risk (continued):

*Foreign currency risk (continued)*

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

	<u>J\$</u>
June 30, 2019:	\$129.96
June 30, 2018:	\$130.33

*Sensitivity analysis*

Changes in exchanges rates would have the effects described below:

	<u>Group and Company</u>	
	<u>Decrease/(increase) in loss for the year 2019</u>	<u>(Decrease)/increase in profit for the year 2018</u>
6% (2018: 4%) strengthening against the US\$	<u>\$26,318</u>	<u>(52,041)</u>
4% (2018: 2%) weakening against the US\$	<u>\$(17,545)</u>	<u>26,021</u>

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2018.

## (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.

*Notes to the Financial Statements*

Year ended June 30, 2019 (Presented in United States dollars)

29. Segment reporting

Segment information is presented in respect of the group's strategic business segments. The identification of business segments is based on the group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Segment information below represents segment revenue based on the country receiving the benefit of our products/services and segment assets based on the country in which the owner is registered.

Geographical information:

	2019			
	<u>Jamaica</u>	<u>St. Lucia</u>	<u>Eliminations</u>	<u>Total</u>
Revenue from external customers	94,576,574	15,837,112	( 793,157)	109,620,529
Segment non-current assets	15,835,455	2,718,650	(3,050,406)	15,503,699
Additions to property, plant and equipment	<u>\$ 4,353,474</u>	<u>695,579</u>	<u>-</u>	<u>5,049,053</u>
	2018			
	<u>Jamaica</u>	<u>St. Lucia</u>	<u>Eliminations</u>	<u>Total</u>
Revenue from external customers	93,306,931	15,207,661	( 719,091)	107,795,501
Segment non-current assets	14,104,970	2,453,645	(3,047,948)	13,510,667
Additions to property, plant and equipment	<u>\$ 1,252,930</u>	<u>783,461</u>	<u>-</u>	<u>2,036,391</u>

30. Subsequent event

The group was in breach of certain loan covenants. Subsequent to the year end, the group obtained a waiver from the respective financial institutions. Accordingly, the loans were not payable on demand as at June 30, 2019 (see note 18).



Form of Proxy

PLACE POSTAGE STAMP

I/We \_\_\_\_\_ (insert name)
of \_\_\_\_\_ (address)

being a shareholder(s) of the above-named Company, hereby appoint:

\_\_\_\_\_ (proxy name)
of \_\_\_\_\_ (address)
or failing him, \_\_\_\_\_ (alternate proxy)
of \_\_\_\_\_ (address)

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 3:00 p.m. on Monday, 10 February 2020 at Sunscape Splash, Montego Freeport, St. James and at any adjournment thereof. I desire this form to be used for/against the resolutions as follows (unless directed the proxy will vote as he sees fit):

Table with 3 columns: No., Resolution details, and Vote for or against (tick as appropriate). Contains 5 rows of resolutions regarding financial reports, director appointments, and auditor re-appointments.

The following Directors of the Board, having resigned by rotation in accordance with the Articles of Incorporation of the Company, and, being eligible, hereby offer themselves for re-election by the shareholders:

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_ : \_\_\_\_\_
Signature of Shareholder

Signed: \_\_\_\_\_ (signature of primary shareholder)

Name: \_\_\_\_\_ (print name of primary shareholder)

Signed: \_\_\_\_\_ (signature of joint shareholder, if any)

Name: \_\_\_\_\_ (print name of joint shareholder, if any)





CELEBRATING  
25 YEARS OF  
EXCELLENCE



Caribbean Producers  
(Jamaica) Limited  
1 Guinep Way  
Montego Freeport  
St. James, Jamaica