CARIBBEAN PRODUCERS (JAMAICA) LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2020

CARIBBEAN PRODUCERS JAMAICA LIMITED

YEAR END JUNE 30, 2020

Consolidated Financial Results
Year End June 30, 2020

The Board of Directors of the CPJ Group are pleased to present the consolidated audited results for the year ending June 2020.

Performance

In the first six months of the current fiscal year, CPJ Group had recorded strong sales of US$59.47M and profitability of US$0.62M (post IFRS-16 adjustments) and was on track to deliver a robust financial performance for the fiscal year ending June 2020. However, the onset of Covid-19 resulted in the unexpected shut down of hotels both onshore and offshore.

CPJ Group, being the largest supplier of food and beverage to the Hospitality sector, was severely impacted by the global pandemic. Group sales plummeted from the month of March 2020 and continued to be adversely affected until the end of the fiscal year June 2020, impacting Q3 and Q4 sales and profitability, typically the Group's most profitable trading period.

As a result, Group sales in Q4 of the fiscal year 2020 were US$5.78M, down 79% compared to Q4 of the last fiscal year 2019. Group sales for the entire fiscal year were US$91.70M, down 16% compared to the last fiscal year 2019 and 26% less than expected revenue. The loss in revenue for this period was observed both in onshore and offshore operations.

EBITDA and Net Profitability

The Group's EBIDTA for the first six months of the current fiscal year 2020 had improved significantly over the same period of the prior year 2019, increasing from US$1.64M to US$3.32M. With the impact of COVID-19, the Group's EBITDA for the current fiscal year recorded a decrease of US$1.9M when compared to the prior fiscal year 2019.

The above results are prior to effecting new accounting standards IFRS 9 and 16 (accounts receivable provisions and lease liability accounting entries respectively), excess inventory provisions and foreign exchange losses. After inclusion of these accounting entries, a reported net loss of US$4.35M was observed, the impact of the IFRS entries being US$929K, the inventory provisions of US$596K and foreign exchange loss of US$130K.

Finally, the CPJ group losses from operations are US$2.7M.

Balance Sheet and Current Assets to Current Liabilities Ratio

Aggressive debtors management coupled with inventory containment resulted in decrease in current assets by US$12.82M and accordingly total assets also decreased by US$14.91M. Prudent creditors and cash flow management resulted in decrease in total liabilities by US$10.02M over the last fiscal year. The lower than usual business activity due to the ongoing pandemic also contributed to reduction in total assets and total liabilities.

The Group continued to demonstrate sound treasury management during these turbulent times with a current asset to liabilities ratio of 2.46:1 compared to 1.91:1 for the last fiscal year.

The above calculations are prior to any adjustments for IFRS 16.

Outlook

COVID-19 official travel bans, and restrictions continue to disrupt global economic activity on an otherwise booming travel and tourism sector. With the easing of the travel restrictions and bans beginning June 2020, CPJ Group has seen some increased demand for products and services in the first few months of the fiscal year 2021.

We are optimistic of a solution to the virus will be available soon and restore confidence in travel in the usual busy tourist season from December 2020 to March 2021 and beyond. Tourism is vital to the health of the nation and the well-being of the Jamaican economy. The Jamaican government is committed to restoring the capacity of the industry in the shortest possible time, while safely guarding the health of its citizens.

The Company is prepared for what we are certain will be a full recovery of the travel industry. We remain committed to our strategic goal of achieving long term shareholder value by creating scale and implementing strategic business transformation initiatives. The Group has a series of new IT initiatives lined up for implementation in the new fiscal year, the desired outcome of which is to strengthen its technology platform for further growth and to achieve operational efficiencies. The slowdown in the sales activity due to the ongoing pandemic has assisted the company in a smooth implementation of the new IT initiatives as it reduced the risk of technological related errors towards the fulfilment of its customers' obligations.

CPJ Group extends its gratitude to its vendors, suppliers, customers, employees, bondholders and shareholders for their continued support in these difficult times.

Mark Hart
Director

Thomas Tyler
Director

KPMG
Chartered Accountants
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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 9 to 61 which comprise the Group's and Company's statement of financial position as at June 30, 2020, 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, 2020, 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 International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Material Uncertainty Related to Going Concern

We draw your attention to note 31 to the financial statements, which discloses that the Group's operation has been significantly affected by the outbreak of the Coronavirus (COVID-19). As stated in note 31, the uncertainty regarding the control of the virus and restrictions on inbound tourism markets have created conditions that indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Based on the initiatives taken by the Group since the outset of the crisis, and other matters stated in the note, management has concluded that the going concern basis of accounting remains appropriate. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

KPMG

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)

1. Valuation of inventories

Key Audit Matter	*How the matter was addressed in our audit*
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 inventories being impaired. There is increased judgement involved in assessing estimates of impaired inventories as a result of the economic impacts of COVID-19 due to partial closure of tourism sector resulting in slower movement of stock items and continued low demand for the products. We therefore determined that the impairment estimates in respect of inventories have a high degree of estimation uncertainity.	Our audit procedures in response to this matter, included: • 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. • Reviewing aged expiration reports for each inventory category and sales strategy and campaigns to determine management's plan to sell items nearing expiration and whether these were being sold below costs. • Computing the net realisable value (NRV) of a sample of the inventory items. • Reviewing the slow moving inventories report and assessing the adequacy of the process given the findings from the slow moving report.

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

Key Audit Matter	*How the matter was addressed in our audit*
The determination of expected credit losses (ECL) is highly subjective and requires management to make significant judgements and estimates including the identification of significant increase in credit risk (SICR), determination of the appropriate variables and assumptions used and the application of forward-looking information. These estimates involve increased judgment as a result of the economic impacts of COVID-19 on the Group's financial assets. Management considered the following: - qualitative factors that create COVID-19 related changes to SICR. - increased uncertainty about potential future economic scenarios and their impact on credit losses.	Our audit procedures in response to this matter, included: • Obtaining an understanding of the model used by management for the calculation of expected credit losses on financial assets. • Testing the completeness and accuracy of the data used in the ECL models to the underlying accounting records on a sample basis • 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 requirements of IFRS 9, *Financial Instruments.* • Involving our financial risk management specialists to evaluate the appropriateness of economic parameters including the use of forward looking information and management overlay. • Testing the accuracy of the ECL calculation. • Testing the group's recording and ageing of accounts receivable. • Assessing the adequacy of the disclosures of the key assumptions and judgements for compliance with IFRS 9.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Other information

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

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

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

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

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

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

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

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

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 7 and 8, forms part of our auditors' report.

Report on Additional Matters as Required by the Jamaican Companies Act

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

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Rajan Trehan.

KPMG

Chartered Accountants
Montego Bay, Jamaica

August 29, 2020

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.

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, actions taken to eliminate threats or safeguards applied.

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Financial Position
June 30, 2020
(Presented in United States dollars)

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
CURRENT ASSETS					
Cash and cash equivalents	5	6,050,144	4,212,776	5,819,566	4,182,025
Accounts receivable	6	8,388,879	15,889,156	7,735,988	14,519,281
Inventories	7	24,113,750	31,865,641	19,424,904	26,216,658
		38,552,773	51,967,573	32,980,458	44,917,964
CURRENT LIABILITIES					
Bank overdraft	5	122,060	1,067,854	-	-
Short-term loans	8	1,900,000	5,150,000	1,900,000	5,150,000
Accounts payable	9	8,417,693	15,520,287	6,566,890	13,335,864
Short-term promissory notes	10	4,317,794	4,317,794	4,317,794	4,317,794
Current portion of lease liabilities	14(b)	861,405	-	803,488	-
Current portion of long-term borrowings	19	1,068,964	1,070,490	1,022,794	1,026,347
Taxation payable		74,962	70,648	142,514	142,757
		16,762,878	27,197,073	14,753,480	23,972,762
NET CURRENT ASSETS		21,789,895	24,770,500	18,226,978	20,945,202
NON-CURRENT ASSETS					
Investments		67,885	71,581	67,885	71,581
Interest in subsidiary	11	-	-	3,031,308	3,050,406
Deferred tax asset	12	2,296,001	1,096,001	2,296,001	1,096,001
Property, plant and equipment	13	12,200,012	14,303,532	9,767,596	11,611,467
Right-of-use assets	14(a)	7,394,234	-	6,304,000	-
Intangible asset	15	50,798	32,585	32,179	6,000
		22,008,930	15,503,699	21,498,969	15,835,455
		$43,798,825	40,274,199	39,725,947	36,780,657
EQUITY					
Share capital	16	4,898,430	4,898,430	4,898,430	4,898,430
Accumulated surplus		13,007,189	17,074,870	13,187,025	16,963,578
Equity attributable to shareholders		17,905,619	21,973,300	18,085,455	21,862,008
Non-controlling interest	17	(137,161)	141,254	-	-
		17,768,458	22,114,554	18,085,455	21,862,008
NON-CURRENT LIABILITIES					
Lease liabilities	14(b)	7,018,056	-	5,921,418	-
Long-term promissory notes	18	9,272,356	7,270,669	9,272,356	7,270,669
Long-term borrowings	19	6,596,164	7,832,373	6,446,718	7,647,980
Due to related company	20(a)	3,143,791	3,056,603	-	-
		26,030,367	18,159,645	21,640,492	14,918,649
		$43,798,825	40,274,199	39,725,947	36,780,657

The financial statements on pages 9 to 61 were approved for issue by the Board of Directors on August 29, 2020 and signed on its behalf by:

Director — Mark Hart

Director — Thomas Tyler

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended June 30, 2020
(Presented in United States dollars)

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
Gross operating revenue	21	91,703,310	109,620,529	78,525,705	94,576,574
Cost of operating revenue	22(a)	(70,931,125)	(83,397,830)	(60,709,530)	(71,671,765)
Gross profit		20,772,185	26,222,699	17,816,175	22,904,809
Selling and administration expenses	22(b)	(19,265,895)	(22,861,791)	(16,520,417)	(20,014,280)
Depreciation and amortisation	13,14,15	(4,336,133)	(2,466,027)	(3,737,909)	(2,032,658)
Expected credit losses		(443,496)	1,842	(393,893)	43,337
Write-off of intangible asset	15	-	(679,713)	-	(679,713)
Other operating income, net	23(a)	128,448	175,059	102,480	98,452
Operating (loss)/profit		(3,144,891)	392,069	(2,733,564)	319,947
Finance income	23(b)	3,724	569	3,724	569
Finance costs	23(c)	(2,404,929)	(1,677,861)	(2,246,713)	(1,602,679)
Loss before taxation		(5,546,096)	(1,285,223)	(4,976,553)	(1,282,163)
Taxation	24	1,200,000	117,354	1,200,000	116,485
Loss for the year, being total comprehensive loss		$(4,346,096)	(1,167,869)	(3,776,553)	(1,165,678)
Attibutable to:					
Shareholders		(4,067,681)	(1,168,829)	(3,776,553)	(1,165,678)
Non-controlling interest		(278,415)	960	-	-
		$(4,346,096)	(1,167,869)	(3,776,553)	(1,165,678)
Earnings per stock unit (cents)	25	(0.37)	(0.11)		

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Changes in Equity
Year ended June 30, 2020
(Presented in United States dollars)

	Group			
	Share capital (note 16)	Accumulated surplus	Non-controlling interest (note 17)	Total
Balances at June 30, 2018	4,898,430	18,606,749	140,294	23,645,473
Adjustment on initial application of IFRS 9	-	(363,050)	-	(363,050)
Adjusted balances as at July 1, 2018	4,898,430	18,243,699	140,294	23,282,423
Total Comprehensive Loss for the year:				
Loss for the year, being total comprehensive loss	-	(1,168,829)	960	(1,167,869)
Balances at June 30, 2019	4,898,430	17,074,870	141,254	22,114,554
Total Comprehensive Loss for the year:				
Loss for the year, being total comprehensive loss	-	(4,067,681)	(278,415)	(4,346,096)
Balances at June 30, 2020	$4,898,430	13,007,189	(137,161)	17,768,458

	Company			
Balances at June 30, 2018	4,898,430	18,477,473	-	23,375,903
Adjustment on initial application of IFRS 9	-	(348,217)	-	(348,217)
Adjusted balances as at July 1, 2018	4,898,430	18,129,256	-	23,027,686
Total Comprehensive Loss for the year:				
Loss for the year, being total comprehensive loss	-	(1,165,678)	-	(1,165,678)
Balances at June 30, 2019	4,898,430	16,963,578	-	21,862,008
Total Comprehensive Loss for the year:				
Loss for the year, being total comprehensive loss	-	(3,776,553)	-	(3,776,553)
Balances at June 30, 2020	$4,898,430	13,187,025	-	18,085,455

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Cash Flows
Year ended June 30, 2020
(Presented in United States dollars)

	Notes	Group 2020	Group 2019	Company 2020	Company 2019
CASH FLOWS FROM OPERATING ACTIVITIES					
Loss for the year		(4,067,681)	(1,168,829)	(3,776,553)	(1,165,678)
Adjustments for:					
Depreciation and amortisation	13, 14, 15	4,336,133	2,466,027	3,737,909	2,032,658
Gain/(loss) on disposal of property, plant and equipment	23(a)	(6,487)	8,624	(6,487)	18,903
Loss on revaluation of investment		3,696	-	3,696	-
Transfer and adjustments to property, plant and equipment	13	1,167	22,309	1,167	22,309
Intangible asset write-off		-	679,713	-	679,713
Interest income	23(b)	(3,724)	(569)	(3,724)	(569)
Interest expense	23(c)	2,269,380	1,677,861	2,116,852	1,602,679
Non-controlling interest		(278,415)	960	-	-
Taxation recovered/(paid)	24	(1,200,000)	(117,354)	(1,200,000)	(116,485)
		1054,069	3,568,742	872,860	3,073,530
Decrease/(increase) in current assets:					
Accounts receivable		7,500,277	(1,060,618)	6,783,293	(1,339,828)
Inventories		7,751,891	(5,959,179)	6,791,754	(4,639,488)
Decrease/(increase) in current liability:					
Accounts payable		(7,127,448)	5,434,910	(6,793,827)	4,911,368
Cash generated from operations		9,178,789	1,983,855	7,654,080	2,005,582
Interest paid		(2,244,526)	(1,727,411)	(2,091,999)	(1,652,229)
Tax paid		4,314	(379,765)	(243)	(217,014)
Net cash provided/(used) by operating activities		6,938,577	(123,321)	5,561,838	136,339
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest in subsidiary		-	-	19,098	(131,067)
Additions to property, plant and equipment and intangible asset	13, 15	(1,041,936)	(5,061,393)	(834,499)	(4,359,474)
Proceeds from disposal of property, plant and equipment		35,053	32,387	35,053	17,694
Interest received		3,724	569	3,724	569
Net cash used by investing activities		(1,003,159)	(5,028,437)	(776,624)	(4,472,278)
CASH FLOWS FROM FINANCING ACTIVITIES					
Promissory notes received		2,001,687	1,559	2,001,687	1,559
Promissory notes repaid		-	(1,000,000)	-	(1,000,000)
Payment of lease liabilities		(753,396)	-	(694,545)	-
Long-term/short-term borrowings repaid		(13,617,809)	(9,517,159)	(13,584,889)	(9,517,159)
Due to related company		87,188	320,400	-	-
Long-term/short-term borrowings received		9,130,074	15,512,153	9,130,074	15,283,617
Net cash (used)/provided by financing activities		(3,152,256)	5,316,953	(3,147,673)	4,768,017
Net increase in cash and cash equivalents		2,783,162	165,195	1,637,541	432,078
Cash and cash equivalents at beginning of the year		3,144,922	2,979,727	4,182,025	3,749,947
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		$ 5,928,084	3,144,922	5,819,566	4,182,025
Comprised of:					
Cash and cash equivalents	5	6,050,144	4,212,776	5,819,566	4,182,025
Bank overdraft	5	(122,060)	(1,067,854)	-	-
		$ 5,928,084	3,144,922	5,819,566	4,182,025

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

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, 2020 are as follows:

Company	Principal activity	Percentage of ordinary shares held by company	Place of incorporation
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 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 16, *Leases* have been applied from July 1, 2019. Changes to significant accounting policies are described in note 3.

New and amended standards issued but not yet effective:

At the date of authorisation of the financial statements, certain new and amended standards and interpretations have been issued which are not yet effective for the current year and which the company has not early-adopted. The group has assessed the relevance of all such new and amended standards and interpretations.

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

(a) Statement of compliance (continued):

- 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 the statement of financial position 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.

- Amendments to IFRS 3 Business Combinations, applicable to businesses acquired in annual reporting periods beginning on or after January 1, 2020, provides more guidance on the definition of a business. The amendments include:

  - An election to use a concentration test by way of an assessment that results in an asset acquisition, if substantially all of the fair value of the gross asset is concentrated in single identifiable asset or a group of similar identifiable assets.

  - Otherwise, the assessment focuses on the existence of a substantive process. A business consists of inputs and processes applied to those inputs to create outputs.

- Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual reporting periods beginning on or after January 1, 2020, and provides a 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.”

Management is evaluating the impact that the foregoing standards, amendments to standards may have on its financial statements when they are adopted.

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 (u) 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 conformity with IFRS assumes that the group will continue in operational existence for the foreseeable future. This means, in part, that the statements of financial position and profit or loss and other comprehensive income assume no intention or necessity to liquidate or curtail the scale of operations. As detailed in note 31, the group was affected by the outbreak of the Coronavirus (COVID-19) pandemic which resulted in the groups revenue from sales to hotels falling for the period March 23, 2020 to June 30, 2020. On July 2, 2020, following the Government of Jamaica's national plan put in place to facilitate tourist arrivals to the country, the group's revenue from sales to hotels increased. The full impact of the pandemic on the group remains unknown as it is uncertain how long it will take to fully control the virus and return to normalcy.

Continuation as a going concern therefore may be in doubt. However, based on the matters stated in Note 31, management has concluded that the going concern basis of accounting remains appropriate in the preparation of the financial statements.

If, for any reason the group is unable to continue as a going concern, then this could have an impact on the group's ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

(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.

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

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

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:

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.

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:

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(q) and 4(r), which also set out key sensitivities of the ECL to changes in these elements.

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):

Allowance for impairment losses on financial assets:

Measurement of the expected credit loss allowance (continued)

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.

(iii) Net realisable value of inventories:

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

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

(iv) Judgement in evaluation of contingencies:

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

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

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:

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, 2020.

(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.

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:

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

The group and the company initially applied IFRS 16 *Leases* from July 1, 2019. A number of other new standards are also effective from January 1, 2019 but they do not have a material effect on the group's financial statements.

The group and the company applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised at July 1, 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

(Presented in United States dollars)

3. Changes in significant accounting policies (continued)

The details of the changes in accounting policies are disclosed in note 4(e). Additionally, the disclosure requirements in IFRS 16 have not generally been applied to comparative information.

(a) The group and the company used a number of practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17. In particular, the group:

– did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

– did not recognise right-of-use assets and liabilities for leases of low value assets;

– excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and

– used hindsight when determining the lease term.

Leases classified as finance leases under IAS 17

The company did not have any leases that were classified as finance lease under IAS 17 Leases.

(b) Impact on financial statements

Impact on transition

(i) On adoption of IFRS 16 on July 1, 2019, the group and the company recognised right-of-use assets and lease liabilities at the same amount. Consequently, there was no impact on the accumulated surplus at the date of transition.

(ii) In measuring lease liabilities for leases that were classified as operating leases, the group discounted lease payments using its incremental borrowing rate at July 1, 2019. The weighted- average rate applied is 8.10% for the group and 7.88% for the company.

	Group July 1, 2019	Company July 1, 2019
Operating lease commitment at June 30, 2019	11,130,711	9,578,034
Discounted using the incremental borrowing rate at at July 1, 2019	(2,497,854)	(2,158,583)
Lease liability recognised at July 1, 2019	$ 8,632,857	7,419,451

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.

4. Significant accounting policies (continued)

(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(r)].

(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.

(Presented in United States dollars)

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.

(iv) Impairment:

The carrying amount of the company's property and equipment is reviewed at each reporting date to determine whether there is any indication of impairment. The recoverable amount is assessed when there is an indication of impairment. An asset's carrying amount is written down immediately to its recoverable amount, if the carrying amount is greater than its estimated recoverable amount.

(e) Leases:

Policy applicable from July 1, 2019

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after July 1, 2019.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

4. Significant accounting policies (continued)

(e) Leases (continued):

This policy is applied to contracts entered into, on or after July 1, 2019 (continued)

i. As a lessee (continued):

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

4. Significant accounting policies (continued)

(e) Leases (continued):

i. As a lessee (continued)

Short-term leases and leases of low-value assets

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases classified as Operating leases under IAS 17 – policy before July 1, 2019

Assets held under other leases were classified as operating leases and were not recognised in the group's balance sheet. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

The group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17.

(f) 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.

(g) Accounts payable:

Trade and other payables are measured at amortised cost

(h) 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.

4. Significant accounting policies (continued)

(i) Related parties:

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

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

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

(iii) is a member of the key management personnel of the group or of a parent of the group.

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

(i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel sevices 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.

(j) 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.

4. Significant accounting policies (continued)

(k) 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.

(l) 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.

(m) 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.

(n) Revenue:

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.

4. Significant accounting policies (continued)

(n) Revenue (continued):

Performance obligations and revenue recognition policies (continued):

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:

Type of product	Wholesale and distribution of food and beverage, the distribution of non-food supplies and the manufacturing and distribution of fresh juices and meats.
Nature and timing of satisfaction of performance obligations, including significant payment terms.	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. Invoices are usually payable within 30 days. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered. 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. 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. The company gives rebates to select customers based on the volume of purchase made. Certain major customers receive volume rebates based on purchases made. Rebates are included in other payables and payments are made to the customers.

4. Significant accounting policies (continued)

(o) 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) 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.

(p) 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.

4. Significant accounting policies (continued)

(p) 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.

(q) 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, 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

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.

4. Significant accounting policies (continued)

(q) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets (continued)

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).

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 are recognised initially at fair value.

4. Significant accounting policies (continued)

(q) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets and liabilities – Subsequent measurement and gains and losses:

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.

(iii) Derecognition

Financial assets

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.

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.

4. Significant accounting policies (continued)

(q) Financial instruments (continued):

(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.

(r) Impairment:

Financial assets

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.

4. Significant accounting policies (continued)

(r) Impairment (continued):

Financial assets (continued)

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.

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.

4. Significant accounting policies (continued)

(s) 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.

(t) 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.

(u) 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.

(Presented in United States dollars)

5. Cash and cash equivalents

	Group		Company	
	2020	2019	2020	2019
Cash	10,387	8,526	4,866	5,324
Bank balances	6,039,757	4,204,250	5,814,700	4,176,701
	6,050,144	4,212,776	5,819,566	4,182,025
Bank overdraft (a)	(122,060)	(1,067,854)	-	-
	$5,928,084	3,144,922	5,819,566	4,182,025

(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 19.

6. Accounts receivable

	Group		Company	
	2020	2019	2020	2019
Trade receivables (a)	4,865,054	11,175,116	4,296,934	9,748,404
Other receivables (b)	4,135,047	5,138,121	3,904,968	4,995,503
	9,000,101	16,313,237	8,201,902	14,743,907
Less: Allowance for impairment losses	(611,222)	(424,081)	(465,914)	(224,626)
	$8,388,879	15,889,156	7,735,988	14,519,281

(a) Trade receivables include due from directors amounting to $1,135 (2019: $6,035) for the group and the company; and $317,668 (2019: $213,190) due from related companies, which are controlled by directors for the group and the company.

(b) Other receivables include due from directors amounting to $200 (2019: $14,382) for the group and the company; and $18,605 (2019: $18,605) due from related companies, which are controlled by directors for the group and the company.

(c) Information about the Group's and the company's exposure to credit and market risks and impairment losses for trade receivables is included at note 29(a).

7. Inventories

	Group		Company	
	2020	2019	2020	2019
Goods held for resale – duty paid	17,443,147	23,445,155	13,571,816	19,420,789
Goods held in bonded warehouse	4,341,457	772,149	3,841,843	165,925
Goods in transit	890,731	5,764,560	747,301	4,898,070
Raw materials	649,921	1,161,769	629,881	1,144,741
Others	788,494	722,008	634,063	587,133
	$24,113,750	31,865,641	19,424,904	26,216,658

(Presented in United States dollars)

7. Inventories (continued)

During the year, expenses relating to inventory write-offs amounted to $2,756,009 (2019: $2,394,334) for the group and $2,336,104 (2019: $1,998,410) for the company.

During the year inventories of $68,681,648 (2019: $82,937,004) for the group and $58,367,103 (2019: $70,417,782) for the company were recognised as an expense in cost of sales.

8. Short-term loans

	Group and Company	
	2020	2019
The Bank of Nova Scotia Jamaica Limited loans	$1,900,000	5,150,000

These are US$ revolving loans that bear interest at 4.25% and are secured as disclosed in note 19. Total draw-down during the year was $9,050,000 (2019: $12,300,000) and total repayments $12,300,000 (2019: $8,850,000).

9. Accounts payable

	Group		Company	
	2020	2019	2020	2019
Trade payables (a)	5,436,104	12,560,329	4,438,046	10,887,027
Other payables (b)	2,981,589	2,959,958	2,128,844	2,448,837
	$8,417,693	15,520,287	6,566,890	13,335,864

(a) Trade payables include due to related companies, which are controlled by directors amounting to $64,728 (2019: $459,184) for the group and $30,065 (2019: $338,208) for the company.

(b) Other payables include $30,283 (2019: $12,533) due to related companies which are controlled by directors for the group and the company.

10. Short-term promissory notes

	Group and Company	
	2020	2019
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	146,128	146,128
	$4,317,794	4,317,794

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

(b) The related company is controlled by directors.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2020
(Presented in United States dollars)

11. Interest in subsidiary

Interest in subsidiary comprises:

	Company	
	2020	2019
Shares, at cost	10,000	10,000
Advances (see note below)	3,257,067	3,182,252
	3,267,067	3,192,252
Less: Impairment allowance	(235,759)	(141,846)
	$3,031,308	3,050,406

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:

	Group					
	2018	Recognised in equity	Recognised in income [note 24(a)]	2019	Recognised in income [note 24(a)]	2020
Accounts payable	62,494	-	(15,205)	47,289	1,169	48,458
Accounts receivable	-	23,345	(7,330)	16,015	21,483	37,498
Lease liabilities	-	-	-	-	1,953,727	1,953,727
Provision for obsolete inventory	-	-	-	-	74,392	74,392
Unrealised foreign exchange gains	(15,390)	-	6,640	(8,750)	8,750	-
Tax effect of losses carried forward	168,339	-	(159,542)	8,797	747,897	756,694
Property, plant and equipment	739,859	-	292,791	1,032,650	241,082	1,273,732
Right-of-use asset	-	-	-	-	(1,848,500)	(1,848,500)
	$955,302	23,345	117,354	1,096,001	1,200,000	2,296,001

	Company					
	2018	Recognised in equity	Recognised in income [note 24(a)]	2019	Recognised in income [note 24(a)]	2020
Accounts payable	62,494	-	(15,205)	47,289	1,169	48,458
Accounts receivable	-	23,345	(7,330)	16,015	21,483	37,498
Lease liabilities	-	-	-	-	1,681,227	1,681,227
Provision for obsolete inventory	-	-	-	-	74,392	74,392
Unrealised foreign exchange gains	(15,390)	-	6,640	(8,750)	8,750	-
Tax effect of losses carried forward	-	-	8,797	8,797	747,897	756,694
Property, plant and equipment	909,067	-	123,583	1,032,650	241,082	1,273,732
Right-of-use asset	-	-	-	-	(1,576,000)	(1,576,000)
	$956,171	23,345	116,485	1,096,001	1,200,000	2,296,001

(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, 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 15)	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	10,163,670	14,710,489	2,285,499	1,864,005	3,406,250	32,429,913
Additions	36,951	705,503	65,684	162,864	27,231	998,233
Disposals	-	(162,559)	(351,922)	(136,574)	-	(651,055)
Transfer	3,030,186	259,230	-	-	(3,289,416)	-
June 30, 2020	13,230,807	15,512,663	1,999,261	1,890,295	144,065	32,777,091
Depreciation:						
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	6,507,079	8,359,401	1,941,277	1,242,763	75,861	18,126,381
Charge for the year	1,317,258	1,335,443	189,169	230,150	-	3,072,020
Disposals	-	(142,004)	(351,922)	(128,563)	-	(622,489)
Adjustments	43	821	303	-	-	1,167
June 30, 2020	7,824,380	9,553,661	1,778,827	1,344,350	75,861	20,577,079
Net book values:						
June 30, 2020	$ 5,406,427	5,959,002	220,434	545,945	68,204	12,200,012
June 30, 2019	$ 3,656,591	6,351,088	344,222	621,242	3,330,389	14,303,532

	Company					
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Construction in progress	Total
Cost:						
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	8,856,471	12,649,817	2,103,823	1,312,356	3,301,458	28,223,925
Additions	36,951	567,075	64,749	98,489	27,231	794,495
Disposals	-	(162,559)	(351,922)	(136,574)	-	(651,055)
Transfers	3,030,186	259,230	-	-	(3,289,416)	-
June 30, 2020	11,923,608	13,313,563	1,816,650	1,274,271	39,273	28,367,365
Depreciation:						
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	6,211,775	7,606,332	1,850,012	944,339	-	16,612,458
Charge for the year	1,186,020	1,108,564	162,951	151,098	-	2,608,633
Disposals	-	(142,004)	(351,922)	(128,563)	-	(622,489)
Adjustments	43	821	303	-	-	1,167
June 30, 2020	7,397,838	8,573,713	1,661,344	966,874	-	18,599,769
Net book values:						
June 30, 2020	$ 4,525,770	4,739,850	155,306	307,397	39,273	9,767,596
June 30, 2019	$ 2,644,696	5,043,485	253,811	368,017	3,301,458	11,611,467

(Presented in United States dollars)

14. Leases

The group and the company leases property and vehicles. The leases typically run for 3 to 10 years, with options to renew. Previously, these leases were classified as operating leases under IAS 17. The group and the company has elected not to recognise right-of-use assets and lease liabilities for leases that are short- term and/or leases of low-value items.

Information about leases for which the group and the company owe a lessee is presented below:

	2020	
	Group	Company
(a) Right-of-use assets:		
Balance at July 1, 2019	8,632,857	7,419,451
Depreciation charge for the year	(1,238,623)	(1,115,451)
Balance at June 30, 2020	$7,394,234	6,304,000
(b) Lease liabilities:		
Maturity analysis – contractual undiscounted cash flows:		
Less than one year	1,461,317	1,304,889
One to five years	3,848,182	3,097,326
More than 5 years	7,909,635	7,127,493
Total undiscounted lease liabilities at June 30, 2020	13,219,134	11,529,708
Interest expense	(5,339,673)	(4,804,802)
Lease liabilities included in the statement of financial position at June 30, 2020.	7,879,461	6,724,906
Current	861,405	803,488
Non-current	7,018,056	5,921,418
	$ 7,879,461	6,724,906
(c) Amounts recognised in profit/(loss):		
Depreciation	1,238,623	1,115,451
Interest on lease liabilities [Note 23(c)]	648,612	543,214
Expenses relating to short-term leases [Note 23(b)]	63,000	63,000
	$ 1,950,235	1,721,665
(d) Amounts recognised in the statement of cash flows:		
Total cash outflow for leases excluding interest	$(753,396)	(694,545)

(Presented in United States dollars)

15. Intangible asset

	Computer software	
	Group	Company
Cost:		
June 30, 2018	792,106	760,830
Addition	12,340	6,000
Transfer from property, plant and equipment (note 13)	22,009	-
Write-off	(679,713)	(679,713)
June 30, 2019	146,742	87,117
Addition	43,703	40,004
June 30, 2020	190,445	127,121
Amortisation:		
June 30, 2018	85,015	58,585
Charge for the year	29,142	22,532
June 30, 2019	114,157	81,117
Charge for the year	25,490	13,825
June 30, 2020	139,647	94,942
Carrying amount:		
June 30, 2020	$ 50,798	32,179
June 30, 2019	$ 32,585	6,000

16. Share capital

	Group and Company	
	2020	2019
Authorised:		
176,000,000,000 ordinary shares of no par value		
Stated capital, issued and fully paid:		
1,100,000,000 ordinary shares of no par value	5,117,611	5,117,611
Less: Transaction costs of share issue	(219,181)	(219,181)
	$4,898,430	4,898,430

(Presented in United States dollars)

17. 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:

	The group	
	2020	2019
	$	$
Percentage ownership interest	**49%**	**49%**
Non-current assets	3,541,269	2,718,650
Current assets	5,808,580	7,384,078
Non-current liabilities	(7,539,135)	(6,406,137)
Current liabilities	(1,530,794)	(3,408,318)
Net assets (100%)	(279,920)	288,273
Non-controlling interest share of net assets	(137,161)	141,254
Revenue	13,724,081	15,837,112
Net (loss)/profit from continuing operations	(568,193)	1,960
(Loss)/profit allocated to Non-controlling interest (NCI)	(278,415)	960
Cash flows from operating activities	1,376,739	(277,363)
Cash flows from investing activities	(226,535)	(666,824)
Cash flows from financing activities	(4,583)	677,302
Net increase/(decrease) in cash and cash equivalents	1,145,621	(266,885)

18. Long-term promissory notes

	Group and Company	
	2020	2019
Due to related companies:		
6% loan	100,000	100,000
8% loan	500,000	500,000
9% loan	6,000,000	6,000,000
4.5% loan	2,000,000	-
Due to related company:		
Non-interest bearing loans	650,000	650,000
Due to third party:		
8% loan	22,356	20,669
	$9,272,356	7,270,669

(a) These US$ loans are unsecured and not repayable before June 30, 2021.

(b) Related companies are controlled by directors.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
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19. Long-term borrowings

		Group		Company	
		2020	2019	2020	2019
8% Bonds	(a)	3,571,145	3,814,808	3,571,145	3,814,808
10.5% Sagicor Bank Jamaica Limited [J$ 2,121,341 (2019: J$4,434,649)]	(b)	15,151	33,835	15,151	33,835
10.9% Sagicor Bank Jamaica Limited [J$Nil (2019: J$6,995,620)]	(c)	-	53,374	-	53,374
10.9% Sagicor Bank Jamaica Limited [J$261,284 (2019: J$1,733,535)]	(d)	1,866	13,226	1,866	13,226
10.5% Sagicor Bank Jamaica Limited [J$515,693 (2019: J$1,078,053)]	(e)	3,683	8,225	3,683	8,225
9.25%Bank of Nova Scotia Jamaica Limited [J$53,345,750 (2019: J$75,419,852)]	(f)	381,011	575,425	381,011	575,425
4.75% Bank of Nova Scotia Jamaica Limited	(g)	725,000	1,025,000	725,000	1,025,000
9.5% Bank of Nova Scotia Jamaica Limited [J$10,000,016 (2019: J$14,615,408)]	(h)	70,793	111,510	70,793	111,510
10% Bank of Nova Scotia Jamaica Limited [J$8,666,632 (2019: J$12,666,640)]	(i)	61,890	96,642	61,890	96,642
9.5% Bank of Nova Scotia Jamaica Limited [J$Nil (2019: J$3,630,918)]	(j)	-	27,703	-	27,703
9.5% Bank of Nova Scotia Jamaica Limited [J$513,331 (2019: J$1,393,327)]	(k)	3,666	10,631	3,666	10,631
9% Bank of Nova Scotia Jamaica Limited [J$1,044,000 (2019: J$2,436,000)]	(l)	7,457	18,586	7,457	18,586
8.75% Bank of Nova Scotia Jamaica Limited [J$750,000 (2019: J$1,875,000)]	(m)	5,357	15,260	5,357	15,260
7% Bank of Nova Scotia Jamaica Limited [J$3,296,667 (2019: J$4,216,667)]	(n)	23,546	32,172	23,546	32,172
7% Bank of Nova Scotia Jamaica Limited [J$3,637,500 (2019: J$4,607,500)]	(o)	25,980	34,565	25,980	34,565
7% Bank of Nova Scotia Jamaica Limited [J$5,145,833 (2019: J$5,792,738)]	(p)	35,073	45,991	35,073	45,991
4.35% Bank of Nova Scotia Jamaica Limited	(q)	2,467,952	2,750,000	2,467,952	2,750,000
6.95% Bank of Nova Scotia Jamaica Limited [J$12,551,786 (2019: J$14,673,214)]	(r)	89,649	111,971	89,649	111,971
6.95% Bank of Nova Scotia Jamaica Limited [J$9,816,786 (2019: J$Nil)]	(s)	67,161	-	67,161	-
4.5% First Caribbean International Bank Limited	(t)	195,616	228,536	-	-
		7,751,996	9,007,460	7,556,380	8,778,924
Less: Current portion		(1,068,964)	(1,070,490)	(1,022,794)	(1,026,347)
		6,683,032	7,936,970	6,533,586	7,752,577
Debt issuance costs:	(u)				
At beginning of the year		(104,597)	(108,928)	(104,597)	(108,928)
Additional costs incurred in the year		(9,484)	(17,327)	(9,484)	(17,327)
Debt costs amortised during the year		27,213	21,658	27,213	21,658
At the end of the year		(86,868)	(104,597)	(86,868)	(104,597)
		$6,596,164	7,832,373	6,446,718	7,647,980

19. Long-term borrowings (continued)

(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.

(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 represented 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 loan was fully repaid during the year.

(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 represents 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 was 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 July, 2020. The loan was refinanced and is payable in 30 equal monthly installments.

(g) This represents the balance due on an initial loan of $2,000,000. The applicable rate of interest was 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, 2020. The loan was refinanced and is payable in 30 equal monthly installments.

(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 represented the balance due on an initial loan of J$7,625,000. The applicable rate of interest was 9.5% per annum for years 1 to 5 and thereafter the 6 months WATBY plus 3% for years 6 and 7. The loan was 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 was fully repaid during the period.

19. Long-term borrowings (continued)

(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.

(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 due on an initial loan of J$10,850,000 received in October 2019. The interest rate of 6.95% per annum is fixed for the term. The loan is repayable in eighty-four (84) monthly installments of principal and interest of J$129,167; the final installment being due in October 2026.

(t) This represents the balance outstanding on a revolving loan facility of US$650,000 received in April 2019. Total drawdown for the period was $195,616. The interest rate of 4.5% per annum is fixed for the term.

(u) 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.

19. Long-term borrowings (continued)

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

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

The borrowings at (f) to (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 18).

- 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 Investments Limited.

In respect of these credit facilities except (f) and (g), the bank allowed the company a 6 months postponement of the principal payments due from April to September 2020 resulting in new maturity dates being 6 months after the disclosed original maturity dates.

The borrowings at (t) 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 $7,537,360 as at June 30, 2020. These loans contain convenants 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 EBITDA cannot exceed 3:1. The Group is in breach of these ratios. However, management obtained a waiver from the respective institutions in August 2020. Accordingly, the loans were not payable on demand at June 30, 2020 (see note 32).

(Presented in United States dollars)

20. 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 18.

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

	Group		Company	
	2020 $	2019 $	2020 $	2019 $
Sales to related companies/parties	(651,172)	(829,212)	(651,172)	(829,212)
Sales to subsidiary	-	-	(546,476)	(793,157)
Interest expense paid to related companies/parties	621,688	646,000	621,688	646,000
Rent paid to related companies- included in right-of-use-assets and lease liabilities	911,128	762,145	746,824	516,488
Agency fee paid to a related company	1,199,000	1,410,000	1,199,000	1,410,000
Directors' emoluments:				
Fees	15,500	21,000	15,500	21,000
Management remuneration	311,017	637,757	311,017	637,757
Compensation for key management:				
Short-term benefits	980,660	853,524	699,342	578,443

Related companies are controlled by directors.

21. Gross operating revenue

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

22. 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.

(Presented in United States dollars)

22. Nature of expenses (continued)

(b) Selling and administration expenses:

	Group		Company	
	2020	2019	2020	2019
Advertising	866,221	1,109,746	816,461	1,027,143
Audit fees	110,700	111,745	94,500	96,290
Bank charges	178,931	150,615	164,372	134,389
Cleaning and sanitation	65,301	57,910	57,473	50,012
Data processing	758,448	604,107	758,448	604,107
Garbage disposal	130,647	131,203	112,499	117,217
GCT irrecoverable	125,239	-	125,239	-
Insurance	447,791	560,282	399,644	514,962
Miscellaneous	841,214	756,995	197,812	276,122
Motor vehicle expenses	2,026,170	2,622,285	1,943,689	2,537,194
Penalties and interest	27,213	22,253	27,213	22,253
Pest control	19,622	18,139	14,249	14,934
Printing, postage and stationery	161,431	185,102	137,798	156,368
Professional fees	1,637,062	1,687,183	1,574,210	1,677,514
Rates and taxes	132,659	149,955	122,406	139,082
Rental of premises [notes 14(c), 26]	63,000	1,238,969	63,000	1,050,887
Repairs and maintenance	967,952	918,969	807,419	734,878
Security	451,542	527,657	388,420	470,610
Staff costs:				
Salaries, wages, and other payroll costs	7,107,855	8,436,585	6,044,174	7,280,249
Payroll taxes	738,003	818,728	698,273	773,704
Staff welfare	444,876	490,116	421,940	470,291
Subscriptions	39,431	66,075	35,789	60,623
Travel and entertainment	380,207	386,623	319,052	340,955
Utilities	1,544,380	1,810,549	1,196,337	1,464,496
	$19,265,895	22,861,791	16,520,417	20,014,280

23. Disclosure of income/(expenses)

	Group		Company	
	2020	2019	2020	2019
(a) Other operating income/(expense), net:				
Gain/(loss) on disposal of property, plant and equipment	6,487	(8,624)	6,487	(18,903)
Suppliers rebate	-	69,705	-	69,705
Others	121,961	113,978	95,993	47,650
	$128,448	175,059	102,480	98,452

(Presented in United States dollars)

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

	Group 2020	Group 2019	Company 2020	Company 2019
(b) Finance income:				
Interest income - third party	3,724	569	3,724	569
	$ 3,724	569	3,724	569
(c) Finance costs:				
Foreign exchange loss, net	(135,549)	(42,297)	(129,861)	(35,589)
Interest on promissory notes	(847,757)	(914,458)	(847,757)	(914,458)
Interest on long-term and short term borrowings	(733,103)	(655,305)	(725,881)	(652,632)
Interest on lease liabilities	(648,612)	-	(543,214)	-
Overdraft interest	(39,908)	(65,801)	-	-
	$(2,404,929)	(1,677,861)	(2,246,713)	(1,602,679)

24. Taxation

(a) Taxation is based on the following:

	Group 2020	Group 2019	Company 2020	Company 2019
Current tax	-	-	-	-
Deferred tax (note 12):				
Tax losses	(747,897)	159,542	(747,897)	(8,797)
Origination and reversal of temporary differences	(452,103)	(276,896)	(452,103)	(107,688)
	(1,200,000)	(117,354)	(1,200,000)	(116,485)
Tax credit recognised during the year	$(1,200,000)	(117,354)	(1,200,000)	(116,485)

	Group 2020	Group 2019	Company 2020	Company 2019
(b) Reconciliation of actual taxation credit:				
Loss before taxation	$(5,546,096)	(1,285,223)	(4,976,553)	(1,282,163)
Computed "expected" tax (credit)/ charge at 25% and 30%	(1,386,524)	(321,459)	(1,244,138)	(320,541)
Tax effect of differences between treatment for financial statement and taxation purposes:				
Depreciation and capital allowances	241,082	258,992	241,082	258,992
Other items, net	(54,558)	(54,887)	(196,944)	(54,936)
	$(1,200,000)	(117,354)	(1,200,000)	(116,485)

(Presented in United States dollars)

24. 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%

(d) As at June 30, 2020, subject to the agreement of the Commissioner, General, Tax Administration Jamaica, tax losses available for set-off against future profits amounted to approximately $3,027,000 (2019: $166,000). If unutilised, these losses can be carried forward indefinitely. However, the amount that can be utilised is restricted to 50% of chargeable income (before prior year losses) in any one year.

25. 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:

	Group	
	2020	2019
Loss for the year attributable to the shareholders of the company	(4,067,681)	(1,168,829)
Weighed average number of ordinary stock units held during the year	$1,100,000,000	1,100,000,000
Earnings per stock unit (expressed in ¢ per share)	(0.37)	(0.11)

26. Lease commitments

Lease commitments under operating leases at June 30, 2019 were payable as follows:

	Group		Company	
	2020	2019	2020	2019
Within one year	-	1,529,134	-	1,341,052
Between one and five years	-	3,990,997	-	3,237,669
After five years	-	5,610,580	-	4,999,313
	$ -	11,130,711	-	9,578,034

The effects of the adoption of *IFRS 16*, Leases are reflected in notes 3 and 14.

27. 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 $339,259 (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 (JCA) 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. The management has had discussions with JCA and has disputed the assessment. As at the date of authourisation of these financial statements, the resolution process is still ongoing.

28. Dividends

There was no dividend declaration in the current year.

29. 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.

29. 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

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.

(Presented in United States dollars)

29. 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, 2020 (see also note 6).

	Group 2020			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	0.2%	1,023,602	3,728	No
31-60 days past due	0.4%	501,903	1,950	No
61-90 days past due	1.8%	153,222	2,735	No
91-180 days past due	10.0%	2,870,617	287,099	No
More than 180 days past due	100%	315,710	315,710	Yes
		4,865,054	611,222	

	Company 2020			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	0.2%	881,069	1,633	No
31-60 days past due	0.3%	428,609	1,217	No
61-90 days past due	1.9%	141,015	2,613	No
91-180 days past due	7.7%	2,584,017	198,227	No
More than 180 days past due	100%	262,224	262,224	Yes
		4,296,934	465,914	

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 loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
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	2.0%	483,600	9,672	No
91-180 days past due	8.0%	100,481	8,039	No
More than 180 days past due	100%	259,238	259,238	Yes
		11,175,116	424,081	

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2020
(Presented in United States dollars)

29. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

	Company 2019			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
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%	109,740	109,740	Yes
		9,748,404	224,626	

The impairment of trade receivables at the reporting date was:

	Group		Company	
	2020 $	2019 $	2020 $	2019 $
Balance at beginning of year	424,081	89,068	224,626	73,264
Amount charged, net	443,496	(1,842)	398,893	(43,337)
Recoveries	(256,355)	(49,540)	(157,605)	(48,254)
Transition adjustment	-	386,395	-	242,953
Balance at end of year	611,222	424,081	465,914	224,626

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.

(Presented in United States dollars)

29. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

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 2020			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Bank overdraft	122,060	122,060	122,060	-
Short-term loans	1,900,000	1,980,750	1,980,750	-
Accounts payable	8,417,693	8,417,693	8,417,693	-
Short-term promissory notes	4,317,794	4,653,428	4,653,428	-
Lease liabilities	7,879,461	7,879,461	861,405	7,018,056
Long-term promissory notes	9,272,356	10,431,933	-	10,431,933
Long-term borrowings	7,665,128	9,699,791	1,133,096	8,566,695
Due to related company	3,143,791	3,143,791	-	3,143,791
Total financial liabilities	$42,718,283	46,328,907	17,168,432	29,160,475

	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	10,887,944	2,221,422	8,666,522
Due to related company	3,056,603	3,056,603	-	3,056,603
Total financial liabilities	$45,286,070	49,004,968	28,831,867	20,173,101

(Presented in United States dollars)

29. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

	Company 2020			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Short-term loans	1,900,000	1,980,750	1,980,750	-
Accounts payable	6,566,890	6,566,890	6,566,890	-
Short-term promissory notes	4,317,794	4,653,428	4,653,428	-
Lease liabilities	6,724,096	6,724,906	803,488	5,921,418
Long-term promissory notes	9,272,356	10,451,933	-	10,451,933
Long-term borrowings	7,469,512	9,495,372	1,084,848	8,410,524
Total financial liabilities	$36,250,648	39,873,279	15,089,404	24,783,875

	Company 2019			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
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	8,674,327	10,703,551	2,221,422	8,482,129
Total financial liabilities	$38,748,654	42,511,695	25,579,590	16,932,105

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

(iii) Market risk:

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on assets. The nature of the group's exposures to market risk and its objectives, policies and processes for managing these risks have not changed significantly over the prior year. For each of the major components of market risk, the group has policies and procedures in place which detail how the risk is managed and monitored.

(Presented in United States dollars)

29. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

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	
	2020	2019	2020	2019
Fixed rate instruments:				
Financial assets	1,813,009	1,058,210	1,813,009	1,058,210
Financial liabilities	(21,541,033)	(24,535,646)	(21,223,357)	(23,239,256)
	$(19,728,024)	(23,477,436)	(19,410,348)	(22,181,046)
Variable rate instruments:				
Financial assets	115,681	182,376	115,681	182,376
Financial liabilities	(1,106,011)	(1,628,127)	(1,106,011)	(1,628,127)
	$(990,330)	(1,445,751)	(990,330)	(1,445,751)

(Presented in United States dollars)

29. 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 (2019: (increased)/decreased profit) for the year by amounts shown below:

	The Group and the Company			
	2020		2019	
	Increase 100bp	Decrease 100bp	Increase 100bp	Decrease 100bp
Effect on profit (decrease)/increase	$(9,903)	9,903	(14,458)	14,458

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:

	Group and Company	
	2020	2019
Cash and cash equivalents	215,155,630	230,710,899
Accounts receivable	681,594,847	786,036,445
Accounts payable	(129,729,401)	(298,418,440)
Long-term borrowings	(611,017,928)	(661,323,718)
Net foreign currency assets	J$156,003,148	57,005,186
Equivalent to	US$ 1,129,558	438,636

(Presented in United States dollars)

29. 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:

	J$
June 30, 2020:	$139.11
June 30, 2019:	$129.96

Sensitivity analysis

Changes in exchanges rates would have the effects described below:

	Group and Company	
	Decrease/(increase) in loss for the year 2020	(Decrease)/increase in loss for the year 2019
6% (2019: 6%) strengthening against the US$	$67,773	26,318
2% (2019: 4%) weakening against the US$	$(22,591)	(17,545)

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2019.

(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.

(Presented in United States dollars)

30. 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 the products/services and segment assets based on the country in which the owner is registered.

Geographical information:

	2020			
	Jamaica	St. Lucia	Eliminations	Total
Revenue from external customers	78,525,705	13,724,081	(546,476)	91,703,310
Segment non-current assets	21,498,969	3,541,269	(3,031,308)	22,008,930
Additions to property, plant and equipment	$ 794,495	203,738	-	998,233

	2019			
	Jamaica	St. Lucia	Eliminations	Total
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	$ 4,353,474	695,579	-	5,049,053

31. Impact of COVID-19

The World Health Organization had declared the novel Coronavirus (COVID-19) outbreak a global pandemic on March 11, 2020. The Government of Jamaica seeing a surge in COVID cases declared the island a disaster zone on March 13, 2020. The government shut down the island from 29th March to 14th June 2020. The Government in St. Lucia also shut down the island earlier from the 23rd March to 4th June 2020.

Travel restrictions and lockdown on the Islands resulted in the closure of hotels since April 2020 and this resulted in a significant decrease in the group's revenue.

Effective end of March 2020, the Group had to restrict its operations to direct selling and retail market till the partial re-opening of the hotels from June 2020 onwards. Although this was new, the group adjusted to the changing landscape with ease and successfully adapted to the new economic order.

31. Impact of COVID-19 (continued)

The group performed various assessments and stress testing of its business plans under multiple scenarios, as part of its business continuity and contingency planning. Assessments revealed that there was a significant business interruption primarily due to travel restrictions and closure of hotels. This may result in the partial obsolescence of inventory held, delays in collection of trade receivables, managing the expectation of lenders and liquidity to continue the operations at reduced level. The group may also experience significant decline in sales resulting in reduced earnings and operating cash flows.

To address these challenges and risks identified, the Group management immediately resorted to implementing the following measures:

- Acted diligently on collection of its account receivables and continued monitoring leading to significant further reduction in receivables;
- Negotiated extended credit terms with its suppliers from 30 to 90 days;
- Stopped import of goods by cancelling orders where terms allowed;
- Shut down its meat and juice plants;
- Focused on selling its inventory at risk through retail and online sales strategies;
- Separation of non-critical staff;
- Deferral of planned non-essential capital expenditure;
- Reduction of non-critical overheads;
- Agreed salary reduction for all staff;
- Negotiated interest rate reduction on all related party loans to September 2020;
- Negotiated moratorium its bank loans;
- Negotiated with the banks to re-establish its two credit facilities which were expiring in July 2020;
- Negotiated reduction of rental charge on most properties for a period of 4 to 6 months;
- Obtained waiver letter from lenders regarding the breach in debt covenants at the reporting date;

All the above measures led to an improved cashflow position, a reduction in account receivables and payables and reduction in inventories to a manageable level. The group has been able to meet its obligation to its suppliers, bondholders and to its employees to date and has implemented strategic plans to continue the operations at reduced level for the next financial year.

Further, the Group used the COVID period for IT initiatives, such as the reimplementation of its ERP and a new Warehouse Management System (WMS), demand planning software etc. These massive changes to the architecture of its software would have been an enormous challenge at any other time during the normal course of business. The Group will implement the WMS with its legacy system running in parallel to minimize any risk of disruption.

31. Impact of COVID-19 (continued)

With the easing of travel restrictions and bans beginning June 2020, the Group has seen some increased demand for products and services in the first few months of the new financial year 2021. Moreover, the group is seeing low occupancies but increased offtake from the hotels, which is very encouraging.

The Group is optimistic that a solution to the virus will be available soon and restore confidence in travel during the usual busy tourist season from December 2020 to March 2021 and beyond. The governments in the countries of operations are committed to restoring the capacity of the tourism industry in the shortest possible time, while ensuring the safety protocols. The Group is prepared for what its certain, will be a full recovery of the travel industry. It remains committed to its strategic goal of achieving long term shareholder value by creating scale and implementing strategic business transformation initiatives.

The financial support required is dependent on the evolution of the pandemic and its implications on the Group's operations. Based on sales projections, reflecting the estimated impact of the stressed conditions currently experienced and other initiatives undertaken, management expects to continue in operations, meeting its obligations as and when they fall due, for at least twelve months from the reporting date. Consequently, management is of the opinion that the going concern basis of accounting, applied in preparation of these financial statements remains appropriate.

As at the date of approval of these financial statements, the ultimate impact of the pandemic on the group remains unknown as it is uncertain how long it will take to fully control the virus and return to normalcy.

32. 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, 2020 (see note 19).