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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Jamaica Producers Group Limited ("the company"), set out on pages 7 to 36, which comprise the unconsolidated balance sheet as at December 31, 2016, the unconsolidated 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 company as at December 31, 2016, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matter

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. This matter was 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 this matter.

Impairment of investment in subsidiaries

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
The carrying value of the company's investments in subsidiaries may not be recoverable due to changes in the business and economic environment in which specific subsidiaries operate. These factors create inherent uncertainty in forecasting and require significant judgement in estimating and discounting future cash flows that support the assessment of recoverability.	<p>In this area our audit procedures included testing the reasonableness of the company's forecasts and discounted cash flow calculations, including:</p> <ul style="list-style-type: none">• Comparing the company's assumptions to externally derived data as well as our own assessments of key inputs, such as projected economic growth, competition, cost inflation and discount rates, as well as performing sensitivity analysis on the assumptions.• Comparing the sum of the discounted cash flows to the carrying value of investment in subsidiaries.• Assessing the adequacy of the company's disclosures in the financial statements.



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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Financial Statements (cont'd)

Other Information

Management is responsible for the other information. The other information comprises the information in the company's annual report for the year ended December 31, 2016, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do 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 company or to cease operations, or has no realistic alternative but to do so.

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



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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Financial Statements (cont'd)

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 5 to 6, 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 Nigel Chambers.

A handwritten signature in blue ink that reads 'KPMG'.

Kingston, Jamaica
February 28, 2017



INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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.



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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Appendix to the Independent Auditors' report (continued)

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

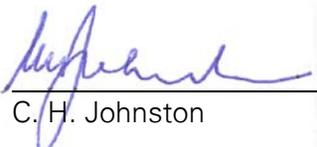
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the separate 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.

JAMAICA PRODUCERS GROUP LIMITEDCompany Balance Sheet
December 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
CURRENT ASSETS			
Cash and cash equivalents	3(b),4	72,874	81,396
Securities purchased under resale agreements	3(d)	-	355,500
Accounts receivable	5	12,207	24,222
Taxation recoverable		<u>-</u>	<u>2,153</u>
Total current assets		<u>85,081</u>	<u>463,271</u>
CURRENT LIABILITIES			
Accounts payable	6	449,623	249,316
Loans and borrowings	13	<u>530,072</u>	<u>71,480</u>
Total current liabilities		<u>979,695</u>	<u>320,796</u>
WORKING CAPITAL (DEFICIT)/SURPLUS		<u>(894,614)</u>	<u>142,475</u>
NON-CURRENT ASSETS			
Interests in subsidiary and associated companies	7	6,558,662	6,037,844
Investments	8	3,800	115,498
Property, plant and equipment	10	<u>88,515</u>	<u>50,343</u>
Total non-current assets		<u>6,650,977</u>	<u>6,203,685</u>
Total assets less current liabilities		<u>5,756,363</u>	<u>6,346,160</u>
EQUITY			
Share capital	11	112,214	18,702
Reserves	12	<u>4,408,319</u>	<u>4,649,137</u>
Total equity attributable to stockholders		<u>4,520,533</u>	<u>4,667,839</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	13	<u>1,235,830</u>	<u>1,678,321</u>
Total equity and non-current liabilities		<u>5,756,363</u>	<u>6,346,160</u>

The financial statements on pages 7 to 36 were approved by the Board of Directors on February 28, 2017 and signed on its behalf by:



C. H. Johnston Chairman



J. Hall Managing Director

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

JAMAICA PRODUCERS GROUP LIMITEDCompany Profit and Loss Account
Year ended December 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
Gross operating revenue:			
Management fees - subsidiaries		86,287	83,502
- other		22,762	29,337
Interest - subsidiaries		50,446	48,616
- other		3,579	8,393
Dividends and capital distributions	14	295,942	163,158
Rent - subsidiaries		3,749	-
- other		4,546	25,327
Royalties earned		<u>-</u>	<u>40,428</u>
		467,311	398,761
Administration and other operating expenses		<u>(461,389)</u>	<u>(382,952)</u>
Profit from operations		5,922	15,809
Net gain from fluctuation in exchange rates		90,754	89,600
Gain on disposal of investments and property, plant and equipment		16,866	681,787
Decrease/(increase) in impairment allowance on loans and receivables - subsidiaries	7	68,491	(333,640)
Sundry income		<u>-</u>	<u>6</u>
Profit before finance cost and taxation		182,033	453,562
Finance cost - interest	14	<u>(166,349)</u>	<u>(184,176)</u>
Profit before taxation	15	15,684	269,386
Taxation	16	<u>(223)</u>	<u>(120)</u>
Profit for the year		<u>15,461</u>	<u>269,266</u>

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

JAMAICA PRODUCERS GROUP LIMITEDCompany Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2016

	<u>2016</u> \$'000	<u>2015</u> \$'000
Profit for the year	<u>15,461</u>	<u>269,266</u>
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Net change in fair value of available-for-sale investments	-	1,892
Realised revaluation gains on available-for-sale investments transferred to profit and loss account	<u>(34,185)</u>	<u>(103,246)</u>
Total other comprehensive loss	<u>(34,185)</u>	<u>(101,354)</u>
Total comprehensive (loss)/income for the year	<u>(18,724)</u>	<u>167,912</u>

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

JAMAICA PRODUCERS GROUP LIMITED

Company Statement of Changes in Equity
Year ended December 31, 2016

	Share <u>capital</u> \$'000 (note 11)	Share <u>premium</u> \$'000	Capital <u>reserves</u> \$'000	Fair value <u>reserve</u> \$'000	Retained <u>profits</u> \$'000	Total <u>equity</u> \$'000
Balances at December 31, 2014	<u>18,702</u>	<u>135,087</u>	<u>1,614,156</u>	<u>135,539</u>	<u>2,664,799</u>	<u>4,568,283</u>
Total comprehensive income:						
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>269,266</u>	<u>269,266</u>
Other comprehensive income						
Change in fair value of available- for-sale investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,892</u>	<u>-</u>	<u>1,892</u>
Realised revaluation gains on available- for-sale investments transferred to profit and loss account	<u>-</u>	<u>-</u>	<u>-</u>	<u>(103,246)</u>	<u>-</u>	<u>(103,246)</u>
Total other comprehensive loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,354)</u>	<u>-</u>	<u>(101,354)</u>
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(101,354)</u>	<u>269,266</u>	<u>167,912</u>
Transactions with owners of the company						
Unclaimed distributions to stockholders written back (note 17)	<u>-</u>	<u>-</u>	<u>6,454</u>	<u>-</u>	<u>-</u>	<u>6,454</u>
Distributions to stockholders (note 17)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(74,810)</u>	<u>(74,810)</u>
Balances at December 31, 2015	<u>18,702</u>	<u>135,087</u>	<u>1,620,610</u>	<u>34,185</u>	<u>2,859,255</u>	<u>4,667,839</u>
Total comprehensive income:						
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,461</u>	<u>15,461</u>
Other comprehensive income						
Realised revaluation gains on available- for-sale investments transferred to profit and loss account	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,185)</u>	<u>-</u>	<u>(34,185)</u>
Total comprehensive loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,185)</u>	<u>15,461</u>	<u>(18,724)</u>
Transactions with owners of the company						
Unclaimed distributions to stockholders written back (note 17)	<u>-</u>	<u>-</u>	<u>6,075</u>	<u>-</u>	<u>-</u>	<u>6,075</u>
Distributions to stockholders (note 17)	<u>-</u>	<u>-</u>	<u>(134,657)</u>	<u>-</u>	<u>-</u>	<u>(134,657)</u>
Issue of Shares – Bonus issue (note 11)	<u>93,512</u>	<u>-</u>	<u>(93,512)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balances at December 31, 2016	<u>112,214</u>	<u>135,087</u>	<u>1,398,516</u>	<u>-</u>	<u>2,874,716</u>	<u>4,520,533</u>

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

JAMAICA PRODUCERS GROUP LIMITED

Company Statement of Cash Flows
Year ended December 31, 2016

	<u>Notes</u>	<u>2016</u> \$'000	<u>2015</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		15,461	269,266
Adjustments for:			
Depreciation	10	16,557	10,002
Net unrealised exchange gains		(87,544)	(88,788)
Gain on disposal of property, plant and equipment and investments		(16,866)	(681,787)
(Decrease)/increase in provision for diminution in value of interest in subsidiaries	7	(68,491)	333,640
Impairment loss on trade receivables		4,297	2,092
Amortisation of bond issuance costs		7,509	7,634
Interest income	14	(54,025)	(57,009)
Interest expense	14	<u>166,349</u>	<u>184,176</u>
		(16,753)	(20,774)
Decrease/(increase) in current assets:			
Accounts receivable		7,178	(14,639)
Taxation recoverable		2,153	1,108
Increase in current liabilities:			
Accounts payable		138,420	68,763
Unclaimed dividends		<u>11,414</u>	<u>7,257</u>
Net cash provided by operating activities		<u>142,412</u>	<u>41,715</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Securities purchased under resale agreements		362,755	(198,455)
Additions to property, plant and equipment	10	(60,974)	(5,127)
Net movement in investments		40,975	(40,459)
Interest received		67,988	49,218
Interests in subsidiary and associated companies		(387,196)	(198,620)
Proceeds from disposal of investments and property, plant and equipment		<u>63,031</u>	<u>741,423</u>
Net cash provided by investment activities		<u>86,579</u>	<u>347,980</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution to stockholders		(74,810)	(37,405)
Interest paid		(170,866)	(189,332)
Loans and borrowings		<u>7,564</u>	<u>(92,765)</u>
Net cash used by financing activities		<u>(238,112)</u>	<u>(319,502)</u>
Net (decrease)/increase in cash and cash equivalents		(9,121)	70,193
Effect of foreign exchange movement		599	(1,942)
Cash and cash equivalents at beginning of year		<u>81,396</u>	<u>13,145</u>
Cash and cash equivalents at end of year		<u>72,874</u>	<u>81,396</u>

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements December 31, 2016

1. The company

Jamaica Producers Group Limited (the company) is incorporated and domiciled in Jamaica. The company's registered office is located at 6A Oxford Road, Kingston 5.

Its principal activities are the provision of administration services to its subsidiaries (note 22) and the holding of investments.

During the year the company's investment in Kingston Wharves Limited (KW), which had previously been accounted for as an associate, met the required parameters for recognition as a subsidiary and was recognised as such effective June 23, 2016.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

Certain new, revised and amended standards and interpretations came into effect during the current financial year. None of these pronouncements had a material impact on the financial statements.

At the date of authorisation of the financial statements, certain new, revised and amended standards and interpretations, have been issued which are not yet effective and which the company has not early-adopted. The company has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has determined that the following may be relevant:

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued) December 31, 2016

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

(a) Statement of compliance (continued):

- IFRS 15, *Revenue from Contracts with Customers* is effective for periods beginning on or after January 1, 2018. It replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services*.

The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence. The company is assessing the impact that the standard will have on its 2018 financial statements.

- Amendments to IAS 12, *Income Taxes*, effective for accounting periods beginning on or after January 1, 2017, clarifies the following:
 - The existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
 - A deferred tax asset can be recognised if the future bottom line of the tax return is expected to be a loss, if certain conditions are met.
 - Future taxable profits used to establish whether a deferred tax can be recognised should be the amount calculated before the effect of reversing temporary differences.
 - An entity can assume that it will recover an asset for more than its carrying amount if there is sufficient evidence that it is probable that the entity will achieve this.
 - Deductible temporary differences related to unrealised losses should be assessed on a combined basis for recognition unless a tax law restricts the use of losses to deductions against income of a specific type.

The company is assessing the impact that this amendment will have on its 2017 financial statements.

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

Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 20162. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

• IFRS 16, *Leases* (continued)

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

The company is assessing the impact that this amendment will have on its 2019 financial statements.

• Amendments to IFRS 2, *Classification and Measurement of Share-based Payment Transactions*, effective for annual reporting periods beginning on or after January 1, 2018, clarifies the following:

- (i) Cash-settled share-based payment is measured using the same approach as for equity-settled share-based payments, i.e., the modified grant date method. The new requirements do not change the cumulative amount of expense that is ultimately recognised, because the total consideration for a cash-settled share-based payment is still equal to the cash paid on settlement.
- (ii) For classification purposes, an exception is made for a share-based payment transaction with employees to be accounted for as equity settled if:
 - (a) the terms of the arrangement permit or require a company to settle the transaction net by withholding a specified portion of the equity instruments to meet the statutory tax withholding requirement and;
 - (b) the entire share-based payment transaction would otherwise be classified as equity-settled if there were no net settlement feature.
- (iii) The approach in accounting for a modification of a share-based payment from cash-settled to equity-settled.

The new requirements could affect the classification and/or measurement of these arrangements – and potentially the timing and amount of expense recognised for new and outstanding awards.

The company is assessing the impact that this amendment will have on its 2018 financial statements.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 20162. Statement of compliance and basis of preparation (continued)

(b) Basis of preparation:

These non-consolidated financial statements are intended to show the affairs of the company as a stand-alone business. They are not intended to, and do not, show the consolidated financial position, results of operations, changes in equity and cash flows of the group. The company's interests in subsidiaries [note 22] are shown at cost, less provision for diminution in value [note 3(i)]. Unless otherwise indicated, references to financial statements herein are to the non-consolidated financial statements.

The financial statements are prepared on the historical cost basis, except for available-for-sale investments which are stated at fair value. The financial statements are presented in Jamaica dollars (J\$), which is the functional currency of the company.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of, and disclosures relating to assets, liabilities, contingent assets and contingent liabilities at the balance sheet 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 period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

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

(i) Impairment assessments

Impairment allowances against the carrying value of interest in subsidiaries and associated companies (note 7) are determined from a comparison between carrying amounts and an estimate of the net present value of future cash flows. That estimate is based on forecasts and an assessment of risk and uncertainty by management. Those estimates could be subject to significant variation from year to year.

(ii) Depreciation methods, useful lives and residual values

Depreciation methods, useful lives and residual values rely on judgment and estimates by management, one of which is that the relevant assets will continue to be used for their current purpose within the company. In addition, useful lives and residual values vary between individual assets and are dependent upon continuation of the current level of maintenance. Should there be a change in the present use or level of maintenance this could change the charge for depreciation and net book value of property, plant and equipment (note 10) within the next financial year.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 20163. Significant accounting policies

(a) Foreign currencies:

Except for investments in foreign subsidiaries, foreign currency balances at the reporting date are translated at the buying rates of exchange ruling at that date [note 21(b)(ii)]. Investments in foreign subsidiaries are carried at historical rates of exchange.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(b) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes.

(c) Short-term investments:

Short-term investments comprise fixed deposits with banks, money market securities and loans and receivables due within one year. They are acquired for their earnings potential and for balancing the company's risks on its investment portfolio. Their nature, liquidity and risk are similar to those of cash and cash equivalents.

(d) Securities purchased under resale agreements:

Securities purchased under resale agreements ('reverse repos') are short-term transactions in which the company makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Reverse repos are accounted for as short-term collateralised lending.

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

(e) Trade and other receivables:

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

(f) Trade and other payables:

Trade and other payables, including provisions, are stated at amortised cost. A provision is recognised in the balance sheet when the company 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 risks specific to the liability.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

3. Significant accounting policies (continued)

(g) Investments:

Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are stated at amortised cost, less impairment losses. Where the company has the positive intent and ability to hold securities to maturity, they are classified as held-to-maturity, recognised initially at cost and subsequently measured at amortised cost, less impairment losses. Other investments held by the company are classified as available-for-sale and are stated at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses, and, in the case of monetary items such as debt securities, foreign exchange gains and losses.

Where these investments are derecognised, the cumulative gain or loss previously recognised in other comprehensive income is transferred to profit or loss. Where fair value cannot be reliably measured, these investments are stated at cost. Available-for-sale investments include certain equity securities.

The fair value of quoted available-for-sale investments is their bid price.

Available-for-sale investments are recognised/derecognised by the company on the date it commits to purchase or sell the investments. Other investments are recognised/derecognised on the day they are transferred to/by the company.

(h) Property, plant and equipment:

(i) Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets, are recognised as part of the cost of those qualifying assets.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and it can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss, as it is incurred.

(ii) Depreciation

Property, plant and equipment, with the exception of freehold land on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write-off the assets over their expected useful lives. Depreciation methods, useful lives and residual values are reassessed at each reporting date. The depreciation rates are as follows:

Leasehold land and buildings	5%
Freehold buildings	5%
Furniture and equipment	10%
Motor vehicles	20%
Computer software and equipment	33⅓%

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 20163. Significant accounting policies (continued)

(i) Impairment:

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

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated. Objective evidence that financial assets are impaired can include default or delinquency by a customer or counterparty or indicators that the customer or counterparty will enter bankruptcy.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. When a decline in the fair value of an available-for-sale investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the investment has not been derecognised.

The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment losses previously recognised in profit or loss.

[i] Calculation of recoverable amount

The recoverable amount of the company's investments in held-to-maturity securities, loans and receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

[ii] Reversals of impairment

An impairment loss in respect of a held-to-maturity security, loan or receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 20163. Significant accounting policies (continued)

(j) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and housing; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner:

- short-term employee benefits are recognised as a liability, net of payments made, and charged as expense.
- the expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.
- post-employment benefits are pensions provided through a defined contribution pension plan in which the company participates. The company's contributions to the plan are charged to profit or loss in the period in which they are due.

(k) Revenue:

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date.

(l) Finance costs:

Finance costs represent interest payable on borrowings together with amortised upfront borrowing costs and are recognised in profit or loss using the effective interest method.

(m) Interest income:

Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

(n) Dividend income:

Dividend income is recognised on the date that the company's right to receive payment is established.

(o) Royalty income:

Royalty income is recognised in profit or loss on an accrual basis in accordance with the substance of the relevant agreement.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

3. Significant accounting policies (continued)

(p) Taxation:

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

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

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

A deferred tax 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) Loans payable:

Loans payable are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method.

(r) Subsidiary and associated companies:

Interests in subsidiary and associated companies are stated at cost, less allowance for impairment.

4. Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Cash and bank balances	<u>72,874</u>	<u>81,396</u>

5. Accounts receivable

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Staff receivables	4,661	1,948
Other receivables and prepayments	<u>13,935</u>	<u>24,366</u>
	18,596	26,314
Less: Allowance for impairment	<u>(6,389)</u>	<u>(2,092)</u>
	<u>12,207</u>	<u>24,222</u>

The number of ordinary stock units (note 11) held by the ESOP at December 31, 2016 was 81,845,976 (2015 restated: 94,678,740).

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

5. Accounts receivable (continued)

The movement in the allowance for impairment in respect of accounts receivable during the year is as follows:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Balance at January 1	2,092	-
Impairment losses recognised	<u>4,297</u>	<u>2,092</u>
Balance at end of year	<u>6,389</u>	<u>2,092</u>

An allowance for impairment in respect of accounts receivable is used to record impairment losses, unless the company is satisfied that no recovery of the amount owing is possible, at which point the amount considered irrecoverable is written-off against the receivable directly.

6. Accounts payable

	<u>2016</u> \$'000	<u>2015</u> \$'000
Dividends payable	134,657	74,810
Accrued staff costs	88,896	47,481
Accrued expenses	65,966	43,534
Interest payable	38,532	42,096
Loan from ESOP	83,173	14,438
Trade payables	15,130	6,873
Unclaimed dividends	11,414	6,075
Other	<u>11,855</u>	<u>14,009</u>
	<u>449,623</u>	<u>249,316</u>

7. Interests in subsidiary and associated companies

	<u>2016</u> \$'000	<u>2015</u> \$'000
Subsidiary companies:		
Shares, at cost	4,129,526	859,710
Less: Impairment allowance	<u>-</u>	<u>(510)</u>
	4,129,526	859,200
Loan accounts receivable	520,616	561,007
Current accounts receivable	2,755,682	2,387,080
Less: Impairment allowance	<u>(350,051)</u>	<u>(410,833)</u>
Loan accounts payable	<u>(443,793)</u>	<u>(432,910)</u>
Current accounts payable	<u>(96,388)</u>	<u>(224,765)</u>
Interest in subsidiaries	<u>6,515,592</u>	<u>2,738,779</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

7. Interests in subsidiary and associated companies (continued)

	<u>2016</u> \$'000	<u>2015</u> \$'000
Interest in subsidiaries	<u>6,515,592</u>	<u>2,738,779</u>
Associated companies:		
Shares	43,070	3,269,816
Loan accounts receivable	<u>-</u>	<u>29,249</u>
Interest in associated companies	<u>43,070</u>	<u>3,299,065</u>
Interests in subsidiary and associated companies	<u>6,558,662</u>	<u>6,037,844</u>

Shares held in a subsidiary are pledged as security against corporate bonds (note 13).

The recoverable amount of the company's investment in each subsidiary is reviewed annually for impairment. The impairment review at the end of the year resulted in a decrease in the impairment allowance by \$68,491,000 (2015: increase of \$333,640,000).

8. Investments

	<u>2016</u> \$'000	<u>2015</u> \$'000
Available-for-sale securities:		
Quoted	-	70,717
Unquoted	-	40,674
Loans and receivables:		
Corporate bonds 2020/(2019)	<u>3,800</u>	<u>4,107</u>
	<u>3,800</u>	<u>115,498</u>

During the prior year the company obtained a 4% equity interest in Shipping Association of Jamaica Property Limited (SAJP) by a distribution-in-kind from Shipping Association of Jamaica. During the year, the company acquired additional shares in SAJP, bringing its investment to 21%. Consequently, SAJP is being accounted for as an associate (note 7).

9. Deferred tax asset

Deferred tax is attributable to the following:

	<u>Deferred tax</u>					
	<u>Asset</u>		<u>Liability</u>		<u>Net</u>	
	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000	<u>2016</u> \$'000	<u>2015</u> \$'000
Other assets	<u>10,058</u>	<u>15,782</u>	<u>(10,058)</u>	<u>(15,782)</u>	<u>-</u>	<u>-</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

10. Property, plant and equipment

	<u>Work -in- progress</u> \$'000	<u>Freehold land and buildings</u> \$'000	<u>Leasehold land and buildings</u> \$'000	<u>Equipment, vehicles and furniture</u> \$'000	<u>Total</u> \$'000
Cost:					
December 31, 2014	-	55,337	27,140	132,506	214,983
Additions	1,471	274	-	3,382	5,127
Disposals	<u>-</u>	<u>(47,949)</u>	<u>(15,840)</u>	<u>(22,984)</u>	<u>(86,773)</u>
December 31, 2015	1,471	7,662	11,300	112,904	133,337
Additions	-	38,719	-	22,255	60,974
Transfers	(1,471)	1,471	-	-	-
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,743)</u>	<u>(14,743)</u>
December 31, 2016	<u>-</u>	<u>47,852</u>	<u>11,300</u>	<u>120,416</u>	<u>179,568</u>
Depreciation:					
December 31, 2014	-	14,283	19,057	83,826	117,166
Charge for the year	-	-	76	9,926	10,002
Eliminated on disposals	<u>-</u>	<u>(14,283)</u>	<u>(10,014)</u>	<u>(19,877)</u>	<u>(44,174)</u>
December 31, 2015	-	-	9,119	73,875	82,994
Charge for the year	-	345	565	15,647	16,557
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,498)</u>	<u>(8,498)</u>
December 31, 2016	<u>-</u>	<u>345</u>	<u>9,684</u>	<u>81,024</u>	<u>91,053</u>
Net book values:					
December 31, 2016	<u>-</u>	<u>47,507</u>	<u>1,616</u>	<u>39,392</u>	<u>88,515</u>
December 31, 2015	<u>1,471</u>	<u>7,662</u>	<u>2,181</u>	<u>39,029</u>	<u>50,343</u>
December 31, 2014	<u>-</u>	<u>41,054</u>	<u>8,083</u>	<u>48,680</u>	<u>97,817</u>

11. Share capital

Authorised:

1,500,000,000 ordinary shares at no par value

Stated capital, comprising issued and fully paid stock units:

	<u>2016</u>		<u>2015</u>	
	Stock units	Carrying Value \$'000	Stock units	Carrying Value \$'000
At beginning of year	187,024,006	18,702	187,024,006	18,702
Bonus issue	<u>935,120,030</u>	<u>93,512</u>	<u>-</u>	<u>-</u>
At end of year	<u>1,122,144,036</u>	<u>112,214</u>	<u>187,024,006</u>	<u>18,702</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

11. Share capital (continued)

The company's stated capital does not include share premium which is retained in capital reserves (note 12) in accordance with Section 39 (7) of the Companies Act.

On July 12, 2016, the company completed a bonus issue of shares. Stock holders were issued 5 new shares for every one share held at that date, which increased the number of shares in issue from 187,024,006 to 1,122,144,036. A sum of \$93,512,003 of capital reserves was applied in making a full payment for the issue of 935,120,030 shares at \$0.10 per share.

12. Reserves

	<u>2016</u> \$'000	<u>2015</u> \$'000
Capital:		
Share premium (note 11)	135,087	135,087
Fair value reserves	-	34,185
Other	<u>1,398,516</u>	<u>1,620,610</u>
Total capital	1,533,603	1,789,882
Revenue:		
Retained profits	<u>2,874,716</u>	<u>2,859,255</u>
	<u>4,408,319</u>	<u>4,649,137</u>

Other capital reserves comprise gains on disposal of property, plant and equipment and investments until December 31, 2001, unrealised exchange gains and unclaimed dividends to stockholders (note 17).

The company declared a special capital distribution of \$0.12 per share unit effective December 14, 2016 (note 17).

13. Loans and borrowings

	<u>2016</u> \$'000	<u>2015</u> \$'000
Corporate bonds	1,660,072	1,771,480
Bank loans	<u>120,000</u>	<u>-</u>
	1,780,072	1,771,480
Less upfront borrowing costs:		
Balance at start of the year	(21,679)	(29,313)
Amortised in interest expense for the year	<u>7,509</u>	<u>7,634</u>
	<u>(14,170)</u>	<u>(21,679)</u>
Total carrying value of long-term loans	1,765,902	1,749,801
Less: Current portion long term loan	<u>(530,072)</u>	<u>(71,480)</u>
	<u>1,235,830</u>	<u>1,678,321</u>

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 201613. Loans and borrowings (continued)

During the year the company entered into a loan with principal of \$120,000,000 payable over a period of 12 months. The interest rate is fixed at 8.5% for the first seven (7) months, after which the interest rate shall be determined in accordance with the six (6) months Weighted Average Treasury Bill Yield applicable to treasury notes issued by the Government of Jamaica plus a margin of 250 basis points.

Corporate bond 1 represents a \$1,000,000,000 loan, secured by certain shares in Kingston Wharves Limited, a subsidiary (see note 7). The loan was restructured effective September 30, 2014 and is repayable by the year 2020 in yearly instalments of \$50,000,000 for the first four years, the sixth year and the seventh year, with lump sum payments of \$400,000,000 and \$300,000,000 in the fifth and final year respectively. The interest was fixed at 8.9% until March 31, 2015, after which it increases to 9.5% until March 31 2017 and thereafter it will be at the Weighted Average Treasury Bill Yield (WATBY) plus 250 basis points. The WATBY rate will reset at each interest payment date but the effective interest rate is capped at 14%.

Corporate bond 2 represents a \$1,000,000,000 loan, secured on shares in Kingston Wharves Limited (see note 7) and is repayable by the year 2019 in annual instalments of \$50,000,000 for the first four years and a lump sum payment of \$800,000,000 in the final year on September 30, 2019. The applicable interest rate is the Weighted Average Treasury Bill Yield (WATBY) plus 250 basis points. The WATBY will reset at each semi-annual interest payment but the effective interest rate is capped at a rate of 12% for the first two years and thereafter at 14% until maturity.

14. Financial income and expenses

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Financial income:		
Interest income on bank deposits, loans and receivables	54,025	57,009
Dividend income on available-for-sale financial assets	295,942	163,158
Net foreign exchange gain	<u>90,754</u>	<u>89,600</u>
	<u>440,721</u>	<u>309,767</u>
Financial expenses:		
Interest expense on financial liabilities measured at amortised cost	(166,349)	(184,176)
Net financial income	<u>274,372</u>	<u>125,591</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

15. Disclosure of expenses

Profit before taxation is stated after charging:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Directors' emoluments		
- Fees	8,990	8,408
- For management	110,247	78,593
Auditors' remuneration	10,105	9,433
Depreciation	16,557	10,002
Staff costs	<u>241,079</u>	<u>205,029</u>

16. Taxation

(a) The taxation charge is based on the company's results for the year, as adjusted for tax purposes and comprises:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Current tax expense:		
Withholding tax at source on dividend	133	-
Minimum Business Tax	<u>90</u>	<u>120</u>
	<u>223</u>	<u>120</u>

(b) Reconciliation of actual taxation charge:

The effective tax rate for 2016 was 1.4% (2015: 0.04%) compared to a statutory rate of 25% (2015: 25%). The actual tax charge differs from the "expected" tax charge for the year as follows:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Profit before taxation	<u>15,684</u>	<u>269,386</u>
Computed "expected" tax charge at 25%	3,921	67,347
Taxation difference between profit for financial statements and tax reporting purposes on:		
Gain on sale of investment and property, plant and equipment	(4,217)	(170,447)
Foreign currency gain on capital items	(25,379)	(20,069)
Capital adjustments	(17,123)	83,410
Disallowed income and expenses, depreciation and other items	<u>43,021</u>	<u>39,879</u>
Actual tax charge recognised in the profit and loss account	<u>223</u>	<u>120</u>

(c) At December 31, 2016, taxation losses subject to agreement by the Commissioner General, Tax Administration Jamaica, available for relief against future taxable profits amounted to approximately \$1,197,755,000 (2015: \$803,591,000). As of January 1, 2014, tax losses may be carried forward indefinitely; however, the amounts that can be utilised is restricted to 50% of chargeable income (before prior year losses) in any one year.

A deferred tax asset of \$299,439,000 (2015: \$200,898,000) has not been recognised as management considers its realisation within the foreseeable future to be too uncertain.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

17. Distributions to stockholders

	<u>2016</u> \$'000	<u>2015</u> \$'000
Ordinary dividends:		
First interim paid in respect of 2016 - \$0.12¢ (2015 restated: 6.7¢) per stock unit - gross	134,657	74,810
Unclaimed dividends written back to capital reserves (note 12)	(6,075)	(6,454)
	<u>128,582</u>	<u>68,356</u>

During the year the company completed a bonus issue of 5 shares for every existing one share held by registered shareholders of the company (note 11).

18. Contingent liabilities

The company has given a commitment to one of its subsidiaries of its intention to provide financial support as is necessary for its operations throughout 2017. That subsidiary has a net shareholders' deficit at December 31, 2016 of \$648.7 million (2015: \$541.9 million).

19. Operating lease arrangements

Non-cancellable operating lease receivables

Operating leases relate to property owned by the company or property leased from its subsidiaries with lease or sub-lease terms of between 3 to 5 years, with options to extend for a further 1 to 5 years. The lessees do not have the option to purchase the property at the expiry of the lease period.

The company earned property rental income of \$8,295,000 (2015:\$25,243,000) under operating leases. Direct operating expenses arising on the property in the period was \$1,421,000 (2015: \$4,698,000). Commitments for income under non-cancellable operating leases at year-end are as follows:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Within one year	13,927	3,003
In the second to fifth year inclusive	<u>48,708</u>	<u>1,496</u>
	<u>62,635</u>	<u>4,499</u>

20. Related parties

(a) Identity of related parties:

The company has related party relationships with its directors and officers. The company's executive directors and officers are collectively referred to as "key management personnel".

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 201620. Related parties (continued)

(b) Transactions with directors and other key management personnel:

Directors and officers of the company, their immediate relatives and entities over which they have significant influence control 32.4% (2015: 30.6%) of the voting shares of the company. In addition to their salaries, the company contributes to various post-employment benefit plans on behalf of key management personnel.

Compensation of key management personnel is as follows:

	<u>2016</u>	<u>2015</u>
	\$'000	\$'000
Short-term employment and other benefits	130,685	106,980
Post-employment benefits	12,251	13,060
Termination benefits	<u>18,569</u>	<u>-</u>
Total remuneration, included in directors' emoluments and staff costs, where applicable (note 15)	<u>161,505</u>	<u>120,040</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

20. Related parties (continued)

(c) Transactions with other related parties, directors and key management personnel in other capacities:

<u>Category and nature of relationship</u>	<u>Nature of transactions</u>	<u>Transactions in year</u>		<u>(Payable)/receivable</u>		<u>Terms and conditions</u>	<u>(Expense)/recovery</u>	
		<u>(income)/expense</u>		<u>at end of year</u>			<u>during the year</u>	
		<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>		<u>2016</u>	<u>2015</u>
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	*	<u>\$'000</u>	<u>\$'000</u>
Transactions with joint venture and associate:								
50% joint venture partner	Management services charged by company	(22,762)	(29,337)	-	28,869	2,3,4	-	-
50% joint venture partner	Interest on loans charged by company	(442)	-	-	-	2,3,4	-	-
42% Associate (note 1)	Dividend income	-	(120,147)	-	-	3	-	-
Transactions with directors and key management personnel or entities under their control and/or significant influence:								
Company under their control	Insurance premiums charged to company by broker	1,717	2,049	-	-	1,2,3	N/A	N/A

* The number in each row represents the terms and conditions that are applicable to the stated transactions and their meanings are as follows:

1. Credit of up to 30 days
2. Unsecured
3. Settlement in cash
4. Credit over 30 days

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 2016

21. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, securities purchased under resale agreements, accounts receivable and investments. Financial liabilities include long-term loans and accounts payable.

(a) Fair value of financial instruments:

Fair value amounts represent estimates of the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties who are under no compulsion to act. Fair value is best evidenced by a quoted market price, if one exists.

The fair value of cash and cash equivalents, securities purchased under resale agreements, accounts receivable and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature. The fair value of long-term loans is assumed to approximate the carrying value as the interest rate reflects the market rate. Fair value of quoted investments is the market value. This method falls within the level 1 fair value hierarchy and is defined as quoted prices (unadjusted) in an active market for identical assets. The fair values of other investments are assumed to be cost, less allowance for impairment.

(b) Financial instrument risks:

The company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk, currency risk and price risk. Information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk is detailed below.

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

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. Management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the company if counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from amounts due from customers, securities purchased under resale agreements, other investments and cash and cash equivalents.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 201621. Financial instruments (continued)

(b) Financial instrument risks (continued):

(i) Credit risk (continued)

The maximum exposure to credit risk at the reporting date is equal to its carrying value:

The company manages this risk as follows:

- Cash and cash equivalents and short-term investments

The company maintains cash resources and short-term deposits with reputable financial institutions. The credit risk is considered to be low.

No allowance for impairment is deemed necessary.

- Securities purchased under resale agreements

Assigned collateral, with a fair value of \$Nil (2015: \$388,270,000) for the company, was held for securities purchased under resale agreements [note 3(d)].

No allowance for impairment is deemed necessary.

- Accounts receivable

The company has a credit policy in place to minimize exposure to credit risk inherent in trade accounts receivable. Credit terms are negotiated based on a mix of terms acceptable to both parties.

The company has a policy in place to provide for impairment on all debts more than ninety (90) days past due, except for specific balances that relate to special circumstances that provide fresh evidence that recovery is not in doubt.

Staff and other receivables are subject to credit terms consistent with staff guidelines and other factors, including Jamaican GCT. These guidelines include the provision of collateral as security for credit extended.

Impairment allowances are made for specific balances that are inconsistent with staff guidelines or the terms relating to other receivables.

- Non-current investments

Credit risk on non-current investments is considered to be minimal. No allowance for impairment is deemed necessary.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

21. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on assets.

The company manages this risk by conducting research and monitoring the price movement of securities on the local and international markets.

There were no changes in the company's approach to managing market risk during the year.

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 company is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the Pound Sterling (GBP) and United States dollar (USD).

The company manages this risk by matching foreign currency assets with liabilities as far as possible. Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations in which the borrowings are invested. This provides an economic hedge and no derivatives are entered into.

There were no changes in the company's approach to managing foreign currency risk during the year.

The net foreign currency financial assets/(liabilities) at year-end were as follows:

	2016			2015		
	USD	GBP	EUR	USD	GBP	EUR
Cash and cash equivalents	597	2	-	653	5	-
Resale agreements	-	-	-	2,971	-	-
Accounts receivable	6	-	-	3	-	-
Accounts payable	(55)	(1)	-	(33)	(4)	-
Non-current investments				591	-	-
Loans and advances to/(from) subsidiary companies	<u>10,090</u>	<u>(4)</u>	<u>-</u>	<u>11,527</u>	<u>412</u>	<u>(1,069)</u>
Gross balance sheet exposure	<u>10,638</u>	<u>(3)</u>	<u>-</u>	<u>15,712</u>	<u>413</u>	<u>(1,069)</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

21. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity analysis

The following table details the company's sensitivity to a 10% strengthening or 2% weakening of the relevant currencies against the Jamaica dollar and the resultant net exchange gains/(losses) based on the net foreign currency assets/(liabilities) at year-end. These percentages represent management's assessment of the reasonably possible change in foreign currency rates. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis as in the previous year.

(i) 10% (2015: 10%) Depreciation of JMD

	Effect on profit	
	2016	2015
	\$'000	\$'000
USD	135,616	187,991
GBP	(49)	7,263
EUR	-	(13,896)

(ii) 2% (2015: 2%) Appreciation of JMD

	Effect on profit	
	2016	2015
	\$'000	\$'000
USD	(27,123)	(37,598)
GBP	10	(1,453)
EUR	-	2,779

Buying exchange rates at:

	December 31	
	2016	2015
USD 1 to JMD 1	127.48	119.64
GBP 1 to JMD 1	157.03	175.74
EUR 1 to JMD 1	129.76	129.97

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.

Bank loans and overdrafts are subject to interest rates which may be varied by appropriate notice from the lender.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

21. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Currency risk (continued)

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

	<u>2016</u> \$'000	<u>2015</u> \$'000
Fixed rate instrument		
Financial assets	<u>-</u>	<u>355,500</u>
Financial liabilities	<u>1,660,072</u>	<u>1,771,480</u>

There were no changes in the company's approach to managing interest rate risk during the year.

Other market price risk

The company is exposed to equity price risks arising from available-for-sale equity investments. Equity investments are held for strategic purposes and capital gains.

The company's equity securities are all listed on the Jamaica Stock Exchange. An increase or decrease of 20% (2015: 20%) in share prices would result in an increase or an equal decrease, respectively, in equity of \$Nil (2015: \$14,143,000).

There would be no impact on profit or loss at the reporting date, as there were no impaired investments or investments designated as fair value through profit or loss.

(iii) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the company will not be able to meet its financial obligations as they fall due and/or encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities.

The management of the company aims at maintaining flexibility in funding by ensuring that sufficient cash resources are held or placed in short-term marketable instruments to meet financial obligations when they fall due.

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

21. Financial instruments (continued)

(b) Financial instrument risks (continued):

(iii) Liquidity risk (continued)

The following tables show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the company can be required to pay. The analysis also assumes that all other variables, in particular interest and exchange rates, remain constant.

	Weighted average interest <u>rate</u> %	Carrying <u>amount</u> \$'000	Contractual cash <u>flows</u> \$'000	0-1 <u>year</u> \$'000	1-5 <u>years</u> \$'000
<u>2016</u>					
Corporate bonds	8.9	1,660,072	2,170,331	570,293	1,600,038
Accounts payable		120,000	120,866	120,866	-
Short term loan	8.5	<u>449,623</u>	<u>449,623</u>	<u>449,623</u>	-
		<u>2,229,695</u>	<u>2,740,820</u>	<u>1,140,782</u>	<u>1,600,038</u>
<u>2015</u>					
Corporate bonds	9.15	1,771,480	2,486,707	244,696	2,242,011
Accounts payable		<u>249,316</u>	<u>249,316</u>	<u>249,316</u>	-
		<u>2,020,796</u>	<u>2,736,023</u>	<u>494,012</u>	<u>2,242,011</u>

(iv) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as total shareholders' equity, excluding minority interest. The level of dividends to ordinary shareholders is also monitored in accordance with the company's stated dividend policy.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2016

22. Subsidiary and associated companies

The company has the following subsidiary and associated companies. The results of these companies are not included in these financial statements [see note 2 (b)]. Subsidiaries of subsidiaries are indented under their respective parent in the list below. Inactive subsidiaries are excluded.

	<u>% equity held</u>		<u>Place of business</u>
	<u>2016</u>	<u>2015</u>	
<u>SUBSIDIARY COMPANIES</u>			
JP Tropical Group Limited	100	100	Jamaica
Agualta Vale Limited	100	100	Jamaica
Agri Services Limited	100	100	Jamaica
Eastern Banana Estates Limited	100	100	Jamaica
St. Mary Banana Estates Limited	100	100	Jamaica
P.S.C. Limited	100	100	Jamaica
Jamaica Producers Shipping Company Limited	60	60	Jamaica
JP Tropical Foods Limited	100	100	Jamaica
JBFS Investments Limited	100	100	Jamaica
Crescent Developments Limited	100	100	Jamaica
Central American Banana (2005) Limited	100	100	Cayman Islands
Antillean Foods, Inc.	100	100	Cayman Islands
JP Shipping Services Limited	100	100	England and Wales
Kingston Wharves Limited	42	-	Jamaica
Harbour Cold Stores Limited	100	-	Jamaica
Security Administrators Limited	67	-	Jamaica
Western Storage	100	-	Jamaica
Western terminals Limited	100	-	Jamaica
Four Rivers Mining Company Limited	51	51	Jamaica
JP International Group Limited	100	100	Cayman Islands
Coöperatief JP Foods U.A.	100	100	The Netherlands
A.L.Hoogesteger Fresh Specialist B.V.	100	100	The Netherlands
Tortuga International Holdings Limited	62	62	St. Lucia
Tortuga (Barbados) Limited (formerly Bakers Choice Inc.)	100	100	Barbados
Tortuga Imports, Inc	100	100	U.S.A
Tortuga Caribbean Rum Cake Jamaica Limited	100	100	Jamaica
Cia. Bananera del Tropic JP, S.A.	100	100	Costa Rica
<u>ASSOCIATED COMPANIES</u>			
Tortuga Cayman Limited	40	40	Cayman Islands
Kingston Wharves Limited	-	42	Jamaica
Shipping Association of Jamaica of Property Limited	30	7	Jamaica