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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 consolidated financial statements of Jamaica Producers Group Limited (the company) and its subsidiaries (collectively, "the group"), set out on pages 8 to 60, which comprise the group balance sheet as at December 31, 2017, the group profit and loss account, 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 consolidated financial statements give a true and fair view of the financial position of the group as at December 31, 2017, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

#### *Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the group 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.

R. Tarun Handa  
Cynthia L. Lawrence  
Rajan Trehan  
Norman O. Rainford  
Nigel R. Chambers

W. Gihan C. De Mel  
Nyssa A. Johnson  
Wilbert A. Spence  
Rochelle N. Stephenson



INDEPENDENT AUDITORS' REPORT

To the Members of  
JAMAICA PRODUCERS GROUP LIMITED

**Report on the Audit of the Financial Statements (continued)**

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1 *Impairment of goodwill and intangible assets*

| <i>Key Audit Matter</i>  | <i>How the matter was addressed in our audit</i>  |
|--|---|
| <p>The carrying value of the group's goodwill and intangible assets 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> <p><i>See Note 14 of the consolidated financial statements.</i></p> | <p>Our audit procedures included testing the reasonableness of the group's forecasts and discounted cash flow calculations, including:</p> <ul style="list-style-type: none"><li>• Using our own valuation specialists to evaluate the assumptions and methodologies used by management;</li><li>• Comparing the group'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;</li><li>• Assessing the adequacy of the group's disclosures about the assumptions and the sensitivity of the impairment assessment to changes in key assumptions.</li></ul> |



INDEPENDENT AUDITORS' REPORT

To the Members of  
JAMAICA PRODUCERS GROUP LIMITED

**Report on the Audit of the Financial Statements (continued)**

*2 Valuation of property, plant and equipment*

| <i>The key audit matter</i>  | <i>How the matter was addressed in our audit</i>  |
|--|---|
| There is a significant risk that the carrying value of the Group's investment in property, plant and equipment may not be recoverable because of technological change, the competitive and regulatory environment, and challenging economic conditions that affect the Group's ability to generate sufficient cash inflows from the number of customers or the rates charged to those customers. | Our audit procedures in response to this matter, included, among others: <ul style="list-style-type: none"><li>• Enquiring of management whether there were indicators that the relevant assets may be impaired or that the estimated useful lives were not appropriate, in light of the management's plans for the business, the state and performance of the assets, changes in technology and other external factors that might adversely affect the Group's ability to generate cash inflows from the assets;</li><li>• Inspecting documentary evidence related to management's assessment of assets for evidence of impairment concerns;</li><li>• Assessing the physical condition of selected assets for evidence of impairment.</li></ul> |

*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, 2017, 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.



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## INDEPENDENT AUDITORS' REPORT

To the Members of  
JAMAICA PRODUCERS GROUP LIMITED

### **Report on the Audit of the Financial Statements (continued)**

#### *Other Information (continued)*

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 group's financial reporting process.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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



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INDEPENDENT AUDITORS' REPORT

To the Members of  
JAMAICA PRODUCERS GROUP LIMITED

**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'.

Chartered Accountants  
Kingston, Jamaica

March 1, 2018



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



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## INDEPENDENT AUDITORS' REPORT

To the Members of  
JAMAICA PRODUCERS GROUP LIMITED

### ***Appendix to the Independent Auditors' report***

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters 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 LIMITED

Group Balance Sheet  
December 31, 2017

|  | <u>Notes</u> | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|--|--------------|-----------------------|-----------------------|
| <b>CURRENT ASSETS</b>                        |              |                       |                       |
| Cash and cash equivalents                    | 3(c)         | 885,254               | 632,914               |
| Short-term investments                       | 3(d),4       | -                     | 828,920               |
| Securities purchased under resale agreements | 3(e),5       | 3,805,031             | 2,830,027             |
| Accounts receivable                          | 6            | 2,450,355             | 1,857,690             |
| Taxation recoverable                         |              | 23,944                | 32,745                |
| Inventories                                  | 7            | <u>765,220</u>        | <u>731,510</u>        |
| Total current assets                         |              | <u>7,929,804</u>      | <u>6,913,806</u>      |
| <b>CURRENT LIABILITIES</b>                   |              |                       |                       |
| Accounts payable                             | 8            | 3,432,056             | 2,530,926             |
| Taxation                                     |              | 173,250               | 89,727                |
| Loans and borrowings                         | 20           | <u>772,256</u>        | <u>1,213,145</u>      |
| Total current liabilities                    |              | <u>4,377,562</u>      | <u>3,833,798</u>      |
| WORKING CAPITAL                              |              | <u>3,552,242</u>      | <u>3,080,008</u>      |
| <b>NON-CURRENT ASSETS</b>                    |              |                       |                       |
| Biological assets                            | 9            | 119,785               | 151,934               |
| Interest in associated companies             | 10(a)        | 625,664               | 579,122               |
| Investments                                  | 12           | 97,813                | 109,190               |
| Intangible assets                            | 14           | 1,635,472             | 1,699,185             |
| Deferred tax assets                          | 15           | 2,245                 | 3,347                 |
| Property, plant and equipment                | 16           | 21,083,079            | 19,487,117            |
| Retirement benefit asset                     | 17(a)        | <u>1,174,675</u>      | <u>936,177</u>        |
| Total non-current assets                     |              | <u>24,738,733</u>     | <u>22,966,072</u>     |
| Total assets less current liabilities        |              | <u>28,290,975</u>     | <u>26,046,080</u>     |
| <b>EQUITY</b>                                |              |                       |                       |
| Share capital                                | 18           | 112,214               | 112,214               |
| Reserves                                     | 19           | <u>11,148,619</u>     | <u>10,306,274</u>     |
| Attributable to equity holders of the parent |              | 11,260,833            | 10,418,488            |
| NON-CONTROLLING INTEREST                     | 11           | <u>11,484,023</u>     | <u>10,779,986</u>     |
| Total equity                                 |              | <u>22,744,856</u>     | <u>21,198,474</u>     |
| <b>NON-CURRENT LIABILITIES</b>               |              |                       |                       |
| Deferred tax liabilities                     | 15           | 1,183,851             | 1,186,280             |
| Loans and borrowings                         | 20           | 4,004,476             | 3,384,564             |
| Retirement benefit obligations               | 17(b)        | <u>357,792</u>        | <u>276,762</u>        |
|  |              | <u>5,546,119</u>      | <u>4,847,606</u>      |
| Total equity and non-current liabilities     |              | <u>28,290,975</u>     | <u>26,046,080</u>     |

The financial statements on pages 8 to 60 were approved for issue by the Board of Directors on March 1, 2018, 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 LIMITED

Group Profit and Loss Account  
Year ended December 31, 2017

|  | <u>Notes</u> | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|--|--------------|-----------------------|-----------------------|
| Gross operating revenue                              | 21           | 16,156,712            | 12,075,623*           |
| Cost of operating revenue                            |              | <u>(11,013,714)</u>   | <u>( 8,833,215)*</u>  |
| Gross profit   |              | 5,142,998             | 3,242,408             |
| Other income   |              | 74,324                | 164,792*              |
| Selling, administration and other operating expenses | 22           | <u>( 2,931,669)</u>   | <u>( 2,578,009)*</u>  |
| Profit from operations                               |              | 2,285,653             | 829,191               |
| Share of profits in associated companies             |              | 3,784                 | 446,688               |
| Gain on disposal of joint venture                    | 10(c)        | -                     | 649,910               |
| Gain on recognition of subsidiary                    | 13           | <u>-</u>              | <u>2,916,869</u>      |
| Profit before finance cost and taxation              |              | 2,289,437             | 4,842,658             |
| Finance cost   | 23           | <u>( 308,805)</u>     | <u>( 309,587)</u>     |
| Profit before taxation                               |              | 1,980,632             | 4,533,071             |
| Taxation charge                                      | 24           | <u>( 356,661)</u>     | <u>( 222,950)</u>     |
| Profit for the year                                  |              | <u>1,623,971</u>      | <u>4,310,121</u>      |
| Attributable to:                                     |              |                       |                       |
| Parent company stockholders                          |              | 661,884               | 3,940,446             |
| Non-controlling interest                             | 11           | <u>962,087</u>        | <u>369,675</u>        |
|  |              | <u>1,623,971</u>      | <u>4,310,121</u>      |
| Dealt with in the financial statements of:           |              |                       |                       |
| The company  |              | ( 107,452)            | 15,461                |
| Subsidiary companies                                 |              | 743,120               | 3,526,895             |
| Associated companies                                 | 10(b)        | <u>26,216</u>         | <u>398,090</u>        |
|  |              | <u>661,884</u>        | <u>3,940,446</u>      |
| Profit per ordinary stock unit:                      | 25           |                       |                       |
| Based on stock units in issue                        |              | <u>58.98¢</u>         | <u>351.15¢</u>        |
| Excluding stock units held by ESOP                   |              | <u>63.61¢</u>         | <u>380.14¢</u>        |

\*The comparative information has been restated to compare with the 2017 presentation. (see note 34)

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

JAMAICA PRODUCERS GROUP LIMITED

Group Statement of Profit or Loss and Other Comprehensive Income  
Year ended December 31, 2017

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|  | <u>Notes</u> | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|--|--------------|-----------------------|-----------------------|
| Profit for the year  |              | <u>1,623,971</u>      | <u>4,310,121</u>      |
| Other comprehensive income/(loss):   |              |                       |                       |
| Items that will not be reclassified to profit or loss:   |              |                       |                       |
| Remeasurement of post-employment benefits  | 17           | 131,848               | 269,906               |
| Deferred tax effect on remeasurement of post<br>employment benefits                                    |              | ( 14,713)             | ( 28,583)             |
| Items that may be reclassified to profit or loss:  |              |                       |                       |
| Exchange gains on translating foreign operations   |              | 189,069               | 86,397                |
| Share of other comprehensive gain of<br>associated companies   | 10(b)        | -                     | 5,768                 |
| Net change in fair value of available-for-sale investments   |              | -                     | ( 17,659)             |
| Realised revaluation gains on available-for-sale investments<br>transferred to profit and loss account |              | <u>-</u>              | <u>( 16,686)</u>      |
|  |              | <u>306,204</u>        | <u>299,143</u>        |
| Total comprehensive income for the year  |              | <u>1,930,175</u>      | <u>4,609,264</u>      |
| Attributable to:   |              |                       |                       |
| Parent company stockholders  |              | 910,922               | 4,074,560             |
| Non-controlling interest   |              | <u>1,019,253</u>      | <u>534,704</u>        |
|  |              | <u>1,930,175</u>      | <u>4,609,264</u>      |

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

JAMAICA PRODUCERS GROUP LIMITED

Group Statement of Changes in Equity  
Year ended December 31, 2017

|   | Share<br>capital<br>\$'000<br>(note 18) | Share<br>premium<br>\$'000<br>(note 19) | Capital<br>reserves<br>\$'000 | Fair<br>value<br>reserve<br>\$'000 | Reserve<br>for own<br>shares<br>\$'000 | Retained<br>profits<br>\$'000 | Parent company<br>stockholders'<br>equity<br>\$'000 | Non -<br>controlling<br>interest<br>\$'000 | Total<br>equity<br>\$'000 |
|---|---|---|-------------------------------|------------------------------------|--|-------------------------------|---|--|---------------------------|
| Balances at December 31, 2015   | <u>18,702</u>                           | <u>135,087</u>                          | <u>2,352,782</u>              | <u>34,345</u>                      | <u>(160,281)</u>                       | <u>4,018,371</u>              | <u>6,399,006</u>                                    | <u>161,458</u>                             | <u>6,560,464</u>          |
| Total comprehensive income:   |   |   |                               |                                    |  |                               |   |  |                           |
| Profit for the year   | -                                       | -                                       | -                             | -                                  | -                                      | 3,940,446                     | 3,940,446   | 369,675                                    | 4,310,121                 |
| Other comprehensive income/(loss)   |   |   |                               |                                    |  |                               |   |  |                           |
| Remeasurement of defined benefits asset<br>plan/obligations                           | -                                       | -                                       | -                             | -                                  | -                                      | 113,361                       | 113,361   | 156,545                                    | 269,906                   |
| Deferred tax effect on remeasurement of<br>defined benefit asset and obligations      | -                                       | -                                       | -                             | -                                  | -                                      | ( 12,005)                     | ( 12,005)   | ( 16,578)                                  | ( 28,583)                 |
| Exchange gains arising on retranslation<br>of foreign operations                      | -                                       | -                                       | 61,335                        | -                                  | -                                      | -                             | 61,335  | 25,062                                     | 86,397                    |
| Share of other comprehensive income<br>of associated companies                        | -                                       | -                                       | -                             | -                                  | -                                      | 5,768                         | 5,768   | -  | 5,768                     |
| Net change in fair value of available-for-sale<br>investments                         | -                                       | -                                       | -                             | ( 17,659)                          | -                                      | -                             | ( 17,659)   | -  | ( 17,659)                 |
| Realised revaluation gains on available-for-sale<br>investments transferred to profit | -                                       | -                                       | -                             | ( 16,686)                          | -                                      | -                             | ( 16,686)   | -  | ( 16,686)                 |
| Total other comprehensive income/(loss)   | -                                       | -                                       | 61,335                        | ( 34,345)                          | -                                      | 107,124                       | 134,114   | 165,029                                    | 299,143                   |
| Total comprehensive income for the year   | -                                       | -                                       | 61,335                        | ( 34,345)                          | -                                      | 4,047,570                     | 4,074,560   | 534,704                                    | 4,609,264                 |
| Transactions with owners of the company   |   |   |                               |                                    |  |                               |   |  |                           |
| Issue of shares – bonus issue   | 93,512                                  | -                                       | ( 93,512)                     | -                                  | -                                      | -                             | -   | -  | -                         |
| Own shares sold by ESOP   | -                                       | -                                       | -                             | -                                  | 63,370                                 | -                             | 63,370  | -  | 63,370                    |
| Distributions to non-controlling interests  | -                                       | -                                       | -                             | -                                  | -                                      | -                             | -   | ( 282,035)                                 | ( 282,035)                |
| Distributions to stockholders (note 26)   | -                                       | -                                       | ( 124,523)                    | -                                  | -                                      | -                             | ( 124,523)  | -  | ( 124,523)                |
| Unclaimed distributions to stockholders (note 26)                                     | -                                       | -                                       | 6,075                         | -                                  | -                                      | -                             | 6,075   | -  | 6,075                     |
|   | <u>93,512</u>                           | -                                       | ( 211,960)                    | -                                  | 63,370                                 | -                             | ( 55,078)   | ( 282,035)                                 | ( 337,113)                |
| Changes in ownership interests  |   |   |                               |                                    |  |                               |   |  |                           |
| Acquisition of subsidiary with NCI  | -                                       | -                                       | -                             | -                                  | -                                      | -                             | -   | 10,365,859                                 | 10,365,859                |
| Balances at December 31, 2016   | <u>112,214</u>                          | <u>135,087</u>                          | <u>2,202,157</u>              | <u>-</u>                           | <u>( 96,911)</u>                       | <u>8,065,941</u>              | <u>10,418,488</u>                                   | <u>10,779,986</u>                          | <u>21,198,474</u>         |
| Retained in the financial statements of:  |   |   |                               |                                    |  |                               |   |  |                           |
| The company   | 112,214                                 | 135,087                                 | 1,398,516                     | -                                  | -                                      | 2,874,716                     | 4,520,533   |  |                           |
| Subsidiary companies  | -                                       | -                                       | 803,641                       | -                                  | ( 96,911)                              | 5,138,223                     | 5,844,953   |  |                           |
| Associated companies and joint venture  | -                                       | -                                       | -                             | -                                  | -                                      | 53,002                        | 53,002  |  |                           |
| Balances at December 31, 2016   | <u>112,214</u>                          | <u>135,087</u>                          | <u>2,202,157</u>              | <u>-</u>                           | <u>( 96,911)</u>                       | <u>8,065,941</u>              | <u>10,418,488</u>                                   |  |                           |

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

JAMAICA PRODUCERS GROUP LIMITED

Group Statement of Changes in Equity (Continued)  
Year ended December 31, 2017

|   | Share<br>capital<br>\$'000<br>(note 18) | Share<br>premium<br>\$'000<br>(note 19) | Capital<br>reserves<br>\$'000 | Reserve<br>for own<br>shares<br>\$'000 | Retained<br>profits<br>\$'000 | Parent company<br>stockholders'<br>equity<br>\$'000 | Non -<br>controlling<br>interest<br>\$'000 | Total<br>equity<br>\$'000 |
|---|---|---|-------------------------------|--|-------------------------------|---|--|---------------------------|
| Balances at December 31, 2016   | <u>112,214</u>                          | <u>135,087</u>                          | <u>2,202,157</u>              | <u>( 96,911)</u>                       | <u>8,065,941</u>              | <u>10,418,488</u>                                   | <u>10,779,986</u>                          | <u>21,198,474</u>         |
| Total comprehensive income:   |   |   |                               |  |                               |   |  |                           |
| Profit for the year   | -                                       | -                                       | -                             | -                                      | <u>661,884</u>                | <u>661,884</u>                                      | <u>962,087</u>                             | <u>1,623,971</u>          |
| Other comprehensive income/(loss)   |   |   |                               |  |                               |   |  |                           |
| Remeasurement of defined benefits asset and obligations                       | -                                       | -                                       | -                             | -                                      | <u>55,376</u>                 | <u>55,376</u>                                       | <u>76,472</u>                              | <u>131,848</u>            |
| Deferred tax effect on remeasurement of defined benefit asset and obligations | -                                       | -                                       | -                             | -                                      | <u>( 6,179)</u>               | <u>( 6,179)</u>                                     | <u>( 8,534)</u>                            | <u>( 14,713)</u>          |
| Exchange gains arising on retranslation of foreign operations                 | -                                       | -                                       | <u>199,841</u>                | -                                      | -                             | <u>199,841</u>                                      | <u>( 10,772)</u>                           | <u>189,069</u>            |
| Total other comprehensive income  | -                                       | -                                       | <u>199,841</u>                | -                                      | <u>49,197</u>                 | <u>249,038</u>                                      | <u>57,166</u>                              | <u>306,204</u>            |
| Total comprehensive income for the year                                       | -                                       | -                                       | <u>199,841</u>                | -                                      | <u>711,081</u>                | <u>910,922</u>                                      | <u>1,019,253</u>                           | <u>1,930,175</u>          |
| Transactions with owners of the company                                       |   |   |                               |  |                               |   |  |                           |
| Own shares sold by ESOP   | -                                       | -                                       | -                             | <u>24,492</u>                          | -                             | <u>24,492</u>                                       | -  | <u>24,492</u>             |
| Distributions to non-controlling interests                                    | -                                       | -                                       | -                             | -                                      | -                             | -   | <u>( 315,216)</u>                          | <u>( 315,216)</u>         |
| Distributions to stockholders (note 26)                                       | -                                       | -                                       | <u>( 104,483)</u>             | -                                      | -                             | <u>( 104,483)</u>                                   | -  | <u>( 104,483)</u>         |
| Unclaimed distributions to stockholders (note 26)                             | -                                       | -                                       | <u>11,414</u>                 | -                                      | -                             | <u>11,414</u>                                       | -  | <u>11,414</u>             |
|   | -                                       | -                                       | <u>( 93,069)</u>              | <u>24,492</u>                          | -                             | <u>( 68,577)</u>                                    | <u>( 315,216)</u>                          | <u>( 383,793)</u>         |
| Balances at December 31, 2017   | <u>112,214</u>                          | <u>135,087</u>                          | <u>2,308,929</u>              | <u>( 72,419)</u>                       | <u>8,777,022</u>              | <u>11,260,833</u>                                   | <u>11,484,023</u>                          | <u>22,744,856</u>         |
| Retained in the financial statements of:                                      |   |   |                               |  |                               |   |  |                           |
| The company   | <u>112,214</u>                          | <u>135,087</u>                          | <u>1,297,716</u>              | -                                      | <u>2,767,264</u>              | <u>4,312,281</u>                                    |  |                           |
| Subsidiary companies  | -                                       | -                                       | <u>1,011,213</u>              | <u>( 72,419)</u>                       | <u>5,929,425</u>              | <u>6,868,219</u>                                    |  |                           |
| Associated companies and joint venture  | -                                       | -                                       | -                             | -                                      | <u>80,333</u>                 | <u>80,333</u>                                       |  |                           |
| Balances at December 31, 2017   | <u>112,214</u>                          | <u>135,087</u>                          | <u>2,308,929</u>              | <u>( 72,419)</u>                       | <u>8,777,022</u>              | <u>11,260,833</u>                                   |  |                           |

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

JAMAICA PRODUCERS GROUP LIMITEDGroup Statement of Cash Flows  
Year ended December 31, 2017

|  | <u>Notes</u> | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|--|--------------|-----------------------|-----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |                       |                       |
| Profit for the year  |              | 1,623,971             | 4,310,121             |
| Adjustments for:   |              |                       |                       |
| Depreciation - property, plant and equipment   | 16           | 801,129               | 511,443               |
| Amortisation – intangible assets   | 14           | 100,348               | 64,949                |
| Amortisation – biological assets   | 9            | 53,685                | 46,850                |
| Exchange movement in working capital   |              | 4,321                 | 20,097                |
| Current taxation charge  | 24(a)        | 372,719               | 224,755               |
| Deferred tax, net  | 24(a)        | ( 16,058)             | ( 1,805)              |
| Employee benefits, net   |              | ( 25,620)             | ( 15,804)             |
| Gain on acquisition of subsidiary  | 13           | -                     | (2,916,869)           |
| Gain on disposal of joint venture  | 10(c)        | -                     | ( 649,910)            |
| Loss/(gain) on disposal of property, plant and equipment<br>and investments                                |              | 1,760                 | ( 52,145)             |
| Share of profit in associated companies and joint venture  |              | ( 3,784)              | ( 453,212)            |
| Amortisation of bond issue cost  | 20           | 14,658                | 7,509                 |
| Interest earned  | 23           | ( 100,435)            | ( 43,427)             |
| Interest expense   | 23           | <u>308,805</u>        | <u>309,587</u>        |
|  |              | 3,135,499             | 1,362,139             |
| (Increase)/decrease in current assets:   |              |                       |                       |
| Accounts receivable  |              | ( 592,665)            | ( 104,682)            |
| Taxation recoverable   |              | 8,801                 | ( 13,258)             |
| Inventories  |              | ( 33,710)             | ( 103,663)            |
| Increase/(decrease) in current liabilities:  |              |                       |                       |
| Accounts payable   |              | 1,061,484             | 70,911                |
| Tax paid   |              | <u>( 311,628)</u>     | <u>( 159,645)</u>     |
| Net cash provided by operating activities  |              | <u>3,267,781</u>      | <u>1,051,802</u>      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |              |                       |                       |
| Additions to biological assets   | 9            | ( 21,536)             | ( 63,250)             |
| Short-term investments   |              | 828,920               | ( 828,920)            |
| Interest received  |              | 100,435               | 40,253                |
| Securities purchased under resale agreements   |              | ( 975,004)            | 580,803               |
| Additions to property, plant and equipment   | 16           | (2,267,831)           | (1,870,997)           |
| Additions to intangible assets   | 14           | ( 1,566)              | ( 16,668)             |
| Proceeds from disposal of investments and property, plant and<br>equipment, net of own shares sold by ESOP |              | 28,125                | 240,404               |
| Proceeds from disposal of joint ventures, net of costs   |              | -                     | 799,272               |
| Cash acquired in recognition of subsidiary   | 13           | -                     | 295,801               |
| Interest in associated companies and joint venture   |              | ( 19,282)             | ( 48,625)             |
| Long-term loans receivable   |              | <u>12,972</u>         | <u>39,179</u>         |
| Net cash used by investing activities  |              | <u>(2,314,767)</u>    | <u>( 832,748)</u>     |

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

JAMAICA PRODUCERS GROUP LIMITEDGroup Statement of Cash Flows (Continued)  
Year ended December 31, 2017

|   | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|---|-----------------------|-----------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES                                  |                       |                       |
| Short term credit lines   | -                     | ( 84,821)             |
| Loans and borrowings  | 156,729               | 573,253               |
| Interest paid   | (263,491)             | (248,352)             |
| Distributions to non-controlling interests                            | (489,429)             | (118,992)             |
| Distributions to stockholders, net                                    | <u>(124,523)</u>      | <u>( 62,423)</u>      |
| Net cash (used)/provided by financing activities                      | <u>(720,741)</u>      | <u> 58,665</u>        |
| Net increase in cash and cash equivalents                             | 232,300               | 277,719               |
| Cash and cash equivalents at beginning of the year                    | 632,914               | 361,091               |
| Exchange gains/(losses) on foreign currency cash and cash equivalents | <u> 20,040</u>        | <u>( 5,896)</u>       |
| Cash and cash equivalents at end of the year                          | <u>885,254</u>        | <u>632,914</u>        |

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

## JAMAICA PRODUCERS GROUP LIMITED

### Notes to the Financial Statements Year ended December 31, 2017

#### 1. The company

Jamaica Producers Group Limited ("the company") is incorporated and domiciled in Jamaica. The company's registered office is located at 4 Fourth Avenue, Newport West, Kingston 13.

The main activities of the company, its subsidiaries (collectively, "group") and associates (note 33) are port terminal operations; logistics; the cultivation, marketing and distribution of fresh produce; food and juice manufacturing; land management and the holding of investments.

During the prior year the group'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 (note 13) and was recognised as such, effective June 23, 2016.

Also, during the prior year, the group divested its 50% joint venture interest in Mavis Bank Coffee Factory Limited [note 10(c)].

#### 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. The group has assessed them and has adopted those which are relevant to its financial statements but their adoption did not result in any changes to amounts recognised or disclosed in these financial statements.

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

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

(a) Statement of compliance (continued)

Standards issued but not yet effective

- 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 entities 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.

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

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

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

The group is assessing the impact that these standards will have on its 2018 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.

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

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

(a) Statement of compliance (continued)

Standards issued but not yet effective (continued)

- *Improvements to IFRSs 2014-2016* contain amendments to certain standards applicable to the group as follows:
  - IAS 28, *Investments in Associates and Joint Ventures*, effective retrospectively for annual reporting periods beginning on or after January 1, 2018, has been amended to clarify or state the following:
    - (i) A venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.
    - (ii) A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture.

The group is assessing the impact that these amendments will have on its financial statements when they become effective.

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

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

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

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

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

## (a) Statement of compliance (continued)

Standards issued but not yet effective (continued)

- IFRIC 23, *Uncertainty Over Income Tax Treatments*, continued

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

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

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

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

## (b) Basis of preparation

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

## (c) Use of estimates and judgment

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of, and disclosures relating to assets, 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 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:

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

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

## (c) Use of estimates and judgment (continued)

## (i) Impairment losses on receivables

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, for example, default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables, as well as timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

## (ii) Impairment of goodwill and other intangible assets

Impairment of goodwill and other intangibles is dependent upon management's internal assessment of future cash flows from the intangibles and cash-generating units that gave rise to the goodwill. That internal assessment determines the amount recoverable from future use of cash generating units in respect of goodwill. The estimate of the amount recoverable from future use of those units is sensitive to the discount rates used (note 14).

## (iii) 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 16) within the next financial year.

3. Significant accounting policies

## (a) Basis of consolidation

## (i) Business combinations

Business combinations are accounted for using the acquisition method from the date on which control is transferred to the group. Control is the power to govern the relevant financial and operating policies of an entity so as to obtain benefits from its activities.

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Business combinations (continued)

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

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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.

Transaction costs, other than those associated with the issue of debt or equity securities that the group incurs in connection with a business combination, are expensed as incurred.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets from 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. Any difference between the change in the carrying value of non-controlling interest and the fair value of consideration paid or received is recognised directly in equity.

(iii) Subsidiaries

Subsidiaries are those entities controlled by the group. The group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements include the financial statements of all subsidiaries, including an Employees Share Ownership Plan (ESOP) classified as a structured entity (note 19), made up to December 31, 2017.

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

(iv) Loss of control

On the loss of control, the group derecognises the assets and liabilities of a subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in a former subsidiary, then such interest is measured at fair value at the date that control is lost.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 20173. Significant accounting policies (continued)

## (a) Basis of consolidation (continued)

## (v) Joint venture arrangements

A joint venture is a contractual arrangement in which the group has joint control and whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint ventures are recognised initially at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and other comprehensive income of joint ventures using the equity method, until the date on which joint control ceases. If the group's share of losses exceeds its interest in a joint venture the group's carrying amount is reduced to \$nil and recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of a joint venture. If the joint venture subsequently reports gains, the group resumes recognising its share of those gains only after its share of gains equals the share of losses not recognised.

## (vi) Associates

Associates are those entities over which the group has significant influence, but not control or joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost, including transaction costs.

The group's investment is carried at its share of the fair value of net identifiable assets of the associate net of any impairment loss identified on acquisition.

The group's share of associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income to the extent that the profits, losses or movements are consistent with the group's significant accounting policies.

Should the group's share of losses in an associate equal or exceed its interest in the associate, including any other unsecured receivables, the group will not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

## (vii) Transactions eliminated on consolidation

Balances and transactions between companies within the group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 20173. Significant accounting policies (continued)

## (b) Foreign currencies

The group's foreign assets and liabilities are translated at the buying rates of exchange ruling at the reporting date [note 32(b)(ii)]. Items in the foreign subsidiaries' profit and loss accounts are translated at rates of £1 to J\$163.11 (2016: J\$166.62), US\$1 to J\$127.49 (2016: J\$124.78), €1 to J\$140.02 (2016: J\$136.68), being the weighted average rates of exchange for the year. Other transactions in foreign currencies are converted at the rates of exchange at the dates of those transactions.

Gains and losses arising from translating profit or loss items are included in profit or loss. Unrealised portions of such gains are ultimately transferred to capital reserve. Exchange differences arising on other changes to stockholders' interests are reflected in other capital reserves [note 18(ii)].

## (c) Cash and cash equivalents

Cash comprises cash in hand, on demand and on 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.

## (d) Short-term investments

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

## (e) Securities purchased under resale agreements

Securities purchased under resale agreements ('reverse repos') are short-term transactions in which the purchaser 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 effective interest basis over the period of the transaction and is included in interest income.

## (f) Trade and other receivables

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

## (g) Inventories

Inventories are measured at the lower of cost, determined principally on the first-in first-out basis, and net realisable value. Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

3. Significant accounting policies (continued)

(h) Trade and other payables

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

(i) Biological assets

Biological assets represent the cost of primarily pineapple and banana plants which are capitalised up to maturity. These are measured at cost, less accumulated amortisation and impairment losses. The costs are normally amortised over a period of two years for pineapples and seven years for bananas.

(j) Investments

Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are measured at amortised cost, less impairment losses.

Where the group 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 group are classified as available-for-sale and are measured at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses in the case of monetary items, such as debt securities.

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

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

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

(k) Intangible assets and goodwill

(i) Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (note 14) and tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the equity accounted investee as a whole.

(ii) Other intangible assets

Other intangible assets that are acquired by the group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 20173. Significant accounting policies (continued)

## (k) Intangible assets and goodwill (continued)

## (iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

## (iv) Amortisation

Except for goodwill, intangible assets are amortised on the straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for their intended use by management.

The estimated useful lives are as follows:

- brands and trademarks 25 years
- customer relationships 10-15 years
- other identified intangible assets 3-5 years

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

## (l) Property, plant and equipment

## (i) Owned assets

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. The cost of self-constructed assets include the costs of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the present value of costs of dismantling and removing the items and restoring the site on which they are located. 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 the qualifying asset.

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

## (ii) Leased assets

Leases under which the group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Assets acquired under finance leasing arrangements are measured at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation, calculated in accordance with the policy in (iv) below, and impairment losses. After deducting interest attributable to future periods, the net amount payable is included in accounts payable.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

3. Significant accounting policies (continued)

## (l) Property, plant and equipment (continued)

## (iii) Subsequent costs

The group recognises the cost of replacing part of an item of property, plant and equipment in the carrying amount of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably.

## (iv) Depreciation

Property, plant and equipment, including leased assets, with the exception of freehold land, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates, varying between 2% and 50%, estimated to write down the assets to residual values over their expected useful lives. Computer software and equipment are depreciated on the straight-line basis at rates between 25% and 50% per annum. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

## (m) Impairment

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

For impairment testing, assets are grouped together into the smallest group of assets that generates cash flows that are largely independent of the cash flows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs that are expected to benefit from the synergies of the combinations.

Impairment losses in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of other assets in the unit on a pro-rata basis. Impairment losses are recognised in group 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 in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss, even though the investment has not been derecognised.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 20173. Significant accounting policies (continued)

## (m) Impairment (continued)

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 loss previously recognised in profit or loss.

## (i) Calculation of recoverable amount

The recoverable amount of the group's investments in held-to-maturity securities and 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 or CGUs is the greater of their value in use and fair value less cost to sell. Value in use is based on the estimated future cash flows, 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 or CGU. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGUs 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. An impairment loss in respect of goodwill is not reversed. 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.

## (n) 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.

## (o) Employee benefits

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, national insurance 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:

- Current 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 employees become entitled to the leave.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

3. Significant accounting policies (continued)

## (o) Employee benefits (continued)

## • Pension obligations

The group, through its subsidiaries, participates in retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the group, taking into account the recommendations of qualified actuaries. The group has defined benefit and defined contribution plans.

A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors, such as age, years of service and compensation.

The asset or liability recognised in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in the profit or loss.

The group also participates in defined contribution plans whereby it pays contributions to privately administered pension plans which are administered by trustees. Once the contributions have been paid, the group has no further payment obligations. The contributions are charged to the profit or loss in the period to which they relate.

## • Other retirement obligations

The group, through its subsidiaries, provides post-employment health care and life insurance benefits to certain retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 20173. Significant accounting policies (continued)

## (o) Employee benefits (continued)

## • Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

## (p) Revenue

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer and the group is reasonably certain that economic benefit will be received. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the service at the reporting date.

## (q) Finance costs

Finance costs represent interest payable and amortised upfront borrowing costs on borrowings calculated using the effective interest method.

## (r) Interest income

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

## (s) 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.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 20173. Significant accounting policies (continued)

## (t) Segment reporting

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.

4. Short-term investments

This comprises fixed deposits.

5. Securities purchased under resale agreements

The fair value of the underlying securities purchased under resale agreements approximated \$3,936,790,000 (2016: \$2,959,139,000).

6. Accounts receivable

|                                   | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|-----------------------------------|-----------------------|-----------------------|
| Trade receivables                 | 2,061,288             | 1,521,969             |
| Staff receivables                 | 9,610                 | 12,579                |
| Other receivables and prepayments | <u>499,227</u>        | <u>458,744</u>        |
|                                   | 2,570,125             | 1,993,292             |
| Less: allowance for impairment    | <u>( 119,770)</u>     | <u>( 135,602)</u>     |
|                                   | <u>2,450,355</u>      | <u>1,857,690</u>      |

The movement in allowance for impairment during the year is as follows:

|                                      | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|--------------------------------------|-----------------------|-----------------------|
| Balance at beginning of year         | 135,602               | 41,694                |
| Impairment losses recognised         | 62,407                | 83,798                |
| Impairment losses reversed           | ( 633)                | ( 247)                |
| Amounts written-off as uncollectible | ( 1,092)              | ( 5,909)              |
| Amounts recovered during the year    | ( 76,459)             | ( 5,665)              |
| Arising on acquisition of subsidiary | -                     | 23,421                |
| Exchange loss on retranslation       | <u>( 55)</u>          | <u>( 1,490)</u>       |
| Balance at end of year               | <u>119,770</u>        | <u>135,602</u>        |

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 20176. Accounts receivable (continued)

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

The aging of trade receivables at the reporting date was:

|                            | <u>2017</u>            |                             | <u>2016</u>            |                             |
|----------------------------|------------------------|-----------------------------|------------------------|-----------------------------|
|                            | <u>Gross</u><br>\$'000 | <u>Impairment</u><br>\$'000 | <u>Gross</u><br>\$'000 | <u>Impairment</u><br>\$'000 |
| Not past due               | 975,119                | -                           | 830,874                | -                           |
| Past due 0 - 30 days       | 700,069                | -                           | 346,316                | -                           |
| Past due 31 - 120 days     | 205,895                | 17,545                      | 272,641                | 2,285                       |
| Past due 121 days - 1 year | 165,702                | 74,723                      | 61,306                 | 54,135                      |
| More than 1 year           | <u>14,503</u>          | <u>14,503</u>               | <u>10,832</u>          | <u>10,832</u>               |
|                            | <u>2,061,288</u>       | <u>106,771</u>              | <u>1,521,969</u>       | <u>67,252</u>               |

7. Inventories

|                               | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|-------------------------------|-----------------------|-----------------------|
| Raw materials and consumables | 276,218               | 275,384               |
| Processed goods               | 127,873               | 149,654               |
| Spare parts and other         | <u>361,129</u>        | <u>306,472</u>        |
|                               | <u>765,220</u>        | <u>731,510</u>        |

8. Accounts payable

|                                     | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|-------------------------------------|-----------------------|-----------------------|
| Trade payables                      | 2,665,862             | 1,833,374             |
| Dividend payable                    | 104,483               | 135,937               |
| Accrued expenses and other payables | <u>661,711</u>        | <u>561,615</u>        |
|                                     | <u>3,432,056</u>      | <u>2,530,926</u>      |

9. Biological assets

|                                  | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|----------------------------------|-----------------------|-----------------------|
| Balance at beginning of the year | 151,934               | 135,534               |
| Increase due to new plantings    | 21,536                | 63,250                |
| Amortisation in year             | <u>( 53,685)</u>      | <u>( 46,850)</u>      |
| Balance at end of the year       | <u>119,785</u>        | <u>151,934</u>        |

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

10. Interest in associated companies and joint venture

The group's associated company and joint venture investments, which are recognised using the equity method, are set out below:

## (a) Interest in associates

|   | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|---|-----------------------|-----------------------|
| (i) Tortuga Cayman Limited                            | 104,053               | 92,707                |
| (ii) Shipping Association of Jamaica Property Limited | <u>521,611</u>        | <u>486,415</u>        |
|   | <u>625,664</u>        | <u>579,122</u>        |

(i) The group holds a 40% holding in Tortuga Cayman Limited, a company that manufactures and distributes baked products, through its subsidiary Tortuga International Holdings Limited.

(ii) The company directly holds 20% of the shares of Shipping Association of Jamaica Property Limited (SAJP). From June 23, 2016, the group indirectly holds a further 10% shareholding in SAJP, following the recognition of Kingston Wharves as a subsidiary.

(b) The following table analyses, in aggregate, the share of profits and other comprehensive income of associates.

|                                   | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|-----------------------------------|-----------------------|-----------------------|
| Share of:                         |                       |                       |
| Profit from continuing operations | 26,216                | 398,090               |
| Other comprehensive income        | <u>-</u>              | <u>5,768</u>          |
| Total comprehensive income        | <u>26,216</u>         | <u>403,858</u>        |

## (c) Interest in joint venture

On September 19, 2016, the group sold its entire investment in joint venture, Mavis Bank Coffee Factory Limited, with a carrying value of \$149.4 million, for consideration of \$829.4 million. The group incurred costs of \$30.1 million relating to the disposal and recorded a net gain on sale of \$649.9 million.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

11. Non-controlling interest

The following table summarises information relating to each of the group's subsidiaries that has material non-controlling interest (NCI), before any intra-group eliminations.

|  | 2017                     |  |                        |                   | 2016                     |  |                      |                   |
|--|--------------------------|--|------------------------|-------------------|--------------------------|--|----------------------|-------------------|
|  | Kingston Wharves Limited | Tortuga International Holdings Limited | Other - immaterial NCI | Total             | Kingston Wharves Limited | Tortuga International Holdings Limited | Other-immaterial NCI | Total             |
| NCI percentage                                       | <u>58%</u>               | <u>38%</u>                             |                        |                   | <u>58%</u>               | <u>38%</u>                             |                      |                   |
|  | \$'000                   | \$'000                                 | \$'000                 | \$'000            | \$'000                   | \$'000                                 | \$'000               | \$'000            |
| Non-current assets                                   | 20,599,349               | 936,059                                | -                      |                   | 19,408,455               | 1,002,576                              | -                    |                   |
| Current assets                                       | 5,165,100                | 310,311                                | 1,389                  |                   | 4,148,620                | 383,427                                | 16,625               |                   |
| Non-current liabilities                              | ( 3,963,076)             | ( 198,111)                             | -                      |                   | ( 3,262,153)             | ( 238,054)                             | ( 87,197)            |                   |
| Current liabilities                                  | <u>( 2,114,682)</u>      | <u>( 191,969)</u>                      | <u>(166,161)</u>       |                   | <u>( 1,679,864)</u>      | <u>( 252,551)</u>                      | <u>( 85,475)</u>     |                   |
| Net assets/(liabilities)                             | <u>19,686,691</u>        | <u>856,290</u>                         | <u>(164,772)</u>       |                   | <u>18,615,058</u>        | <u>895,398</u>                         | <u>(156,047)</u>     |                   |
| Carrying amount of NCI                               | <u>11,379,313</u>        | <u>331,400</u>                         | <u>(226,690)</u>       | <u>11,484,023</u> | <u>10,663,875</u>        | <u>343,922</u>                         | <u>(227,811)</u>     | <u>10,779,986</u> |
| Revenue  | <u>6,369,238</u>         | <u>907,320</u>                         | <u>-</u>               |                   | <u>2,937,295</u>         | <u>881,793</u>                         | <u>34,799</u>        |                   |
| Profit/(loss) for the year                           | 1,701,905                | ( 4,615)                               | 2,287                  |                   | 726,788                  | ( 130,794)                             | ( 41,568)            |                   |
| Other comprehensive income/(loss)                    | <u>117,716</u>           | <u>( 28,430)</u>                       | <u>-</u>               |                   | <u>241,323</u>           | <u>66,144</u>                          | <u>-</u>             |                   |
| Total comprehensive income/(loss)                    | <u>1,819,621</u>         | <u>( 33,045)</u>                       | <u>2,287</u>           |                   | <u>968,111</u>           | <u>( 64,650)</u>                       | <u>( 41,568)</u>     |                   |
| Profit/(loss) allocated to NCI                       | 962,715                  | ( 1,749)                               | 1,121                  | 962,087           | 439,594                  | ( 49,551)                              | ( 20,368)            | 369,675           |
| Other comprehensive income/(loss) allocated to NCI   | <u>67,938</u>            | <u>( 10,772)</u>                       | <u>-</u>               | <u>57,166</u>     | <u>139,967</u>           | <u>25,062</u>                          | <u>-</u>             | <u>165,029</u>    |
| Cash flows from operating activities                 | 3,000,365                | 164,111                                | -                      |                   | 1,637,585                | 28,368                                 | ( 43,100)            |                   |
| Cash flows from investment activities                | ( 1,966,319)             | ( 22,028)                              | -                      |                   | ( 1,954,682)             | ( 177,689)                             | 93,730               |                   |
| Cash flows from financing activities                 | <u>( 124,423)</u>        | <u>( 105,744)</u>                      | <u>-</u>               |                   | <u>198,859</u>           | <u>148,128</u>                         | <u>( 45,129)</u>     |                   |
| Net increase/(decrease) in cash and cash equivalents | <u>909,623</u>           | <u>36,339</u>                          | <u>-</u>               |                   | <u>( 118,238)</u>        | <u>( 1,193)</u>                        | <u>5,501</u>         |                   |

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201712. Investments

This represents a long-term third party loan of US\$1.3 million receivable on an amortised basis with equal monthly payments over fifteen years, including a one-year principal moratorium the first year. The loan, which earns interest at 3% per annum, is secured by a first mortgage over property and liens over plant, equipment, inventories and any other assets owned by the borrower. In addition, a first lien is held over the shares held by the borrower in former subsidiaries that own the aforementioned assets pledged as security.

An impairment allowance of US\$378,000 (2016: US\$378,000) was recognised against this loan.

13. Recognition of subsidiary

With effect from June 23, 2016, the group acquired control of Kingston Wharves Limited ("KW"), formerly an associate of the group. KW operates a multi-purpose shipping terminal and provides ancillary logistics services. The group holds 42% of the issued share capital directly, and following the acquisition of Shipping Association of Jamaica Property Limited (note 10(a)(ii)) it has a participating interest in that associate's 10% holding of the issued share capital of KW.

- (a) The following summarises the fair value of the identifiable assets and liabilities recognised by the group at June 23, 2016:

|   | <u>2016</u><br>\$'000 |
|---|-----------------------|
| Net identifiable assets and liabilities               |                       |
| Property, plant and equipment                         | 16,416,880            |
| Intangible assets                                     | 531,755               |
| Retirement benefit asset                              | 619,083               |
| Other non-current assets                              | 85,867                |
| Cash and cash equivalents                             | 295,801               |
| Short term investments                                | 3,055,330             |
| Other current assets                                  | 829,909               |
| Current liabilities                                   | ( 1,233,484)          |
| Long-term loans and borrowings                        | ( 1,388,676)          |
| Deferred tax liability                                | ( 1,157,191)          |
| Retirement benefit liability                          | ( 245,378)            |
| Non-controlling interest                              | <u>( 85,998)</u>      |
| Net assets recognised                                 | 17,723,898            |
| Less: Non-controlling interest arising on recognition | <u>(10,279,861)</u>   |
| Net identifiable assets acquired                      | <u>7,444,037</u>      |

The fair value of certain material asset categories was established as follows:

- (i) Property, plant and equipment: The value of land was assessed through market comparison techniques by qualified independent valuation assessors. The value of buildings and certain equipment was assessed through cost techniques, specifically the depreciated replacement cost methodology to account for physical deterioration as well as functional and economic obsolescence.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201713. Recognition of subsidiary (continued)

(a) (continued)

(ii) Intangible assets: The value of brands and trademarks was assessed through market benchmarking information provided by independent sources. The value of customer relationships was assessed through the multi-period excess earnings method, performed by a qualified independent valuator.

(b) The net gain on recognition of KW as a subsidiary is calculated as below:

|   | <u>2016</u><br>\$'000 |
|---|-----------------------|
| Fair value of net assets acquired   | 7,444,037             |
| Less: Investment in KW as an associate held by the group at June 23, 2016 | (4,473,605)           |
| Less: costs directly associated with the transaction                      | <u>( 53,563)</u>      |
| Gain on acquisition of subsidiary   | <u>2,916,869</u>      |

14. Intangible assets

|                              | <u>Brands and trademarks</u><br>\$'000 | <u>Customer relationships</u><br>\$'000 | <u>Other identifiable intangibles</u><br>\$'000 | <u>Goodwill</u><br>\$'000 | <u>Total</u><br>\$'000 |
|------------------------------|--|---|---|---------------------------|------------------------|
| Cost:                        |  |   |   |                           |                        |
| December 31, 2015            | 410,885                                | 231,391                                 | 31,060  | 824,221                   | 1,497,557              |
| Additions                    | -                                      | -                                       | 16,668  | -                         | 16,668                 |
| Recognition of subsidiary    | 106,000                                | 414,000                                 | 11,755  | -                         | 531,755                |
| Exchange adjustments         | <u>26,919</u>                          | <u>15,160</u>                           | <u>2,035</u>                                    | <u>18,978</u>             | <u>63,092</u>          |
| December 31, 2016            | 543,804                                | 660,551                                 | 61,518  | 843,199                   | 2,109,072              |
| Additions                    | -                                      | -                                       | 1,566   | -                         | 1,566                  |
| Transfer                     | -                                      | -                                       | 17,516  | -                         | 17,516                 |
| Exchange adjustments         | <u>( 11,587)</u>                       | <u>( 6,526)</u>                         | <u>( 1,581)</u>                                 | <u>32,276</u>             | <u>12,582</u>          |
| December 31, 2017            | <u>532,217</u>                         | <u>654,025</u>                          | <u>79,019</u>                                   | <u>875,475</u>            | <u>2,140,736</u>       |
| Amortisation and impairment: |  |   |   |                           |                        |
| December 31, 2015            | 69,435                                 | 61,705                                  | 16,961  | 174,813                   | 322,914                |
| Charge for the year          | 20,439                                 | 36,788                                  | 7,722   | -                         | 64,949                 |
| Exchange adjustments         | <u>4,944</u>                           | <u>4,393</u>                            | <u>1,234</u>                                    | <u>11,453</u>             | <u>22,024</u>          |
| December 31, 2016            | 94,818                                 | 102,886                                 | 25,917  | 186,266                   | 409,887                |
| Charge for the year          | 24,534                                 | 57,837                                  | 17,977  | -                         | 100,348                |
| Transfers                    | -                                      | -                                       | 6,582   | -                         | 6,582                  |
| Exchange adjustments         | <u>( 2,933)</u>                        | <u>( 2,612)</u>                         | <u>( 1,078)</u>                                 | <u>( 4,930)</u>           | <u>( 11,553)</u>       |
| December 31, 2017            | <u>116,419</u>                         | <u>158,111</u>                          | <u>49,398</u>                                   | <u>181,336</u>            | <u>505,264</u>         |
| Net book values:             |  |   |   |                           |                        |
| December 31, 2017            | <u>415,798</u>                         | <u>495,914</u>                          | <u>29,621</u>                                   | <u>694,139</u>            | <u>1,635,472</u>       |
| December 31, 2016            | <u>448,986</u>                         | <u>557,665</u>                          | <u>35,601</u>                                   | <u>656,933</u>            | <u>1,699,185</u>       |
| December 31, 2015            | <u>341,450</u>                         | <u>169,686</u>                          | <u>14,099</u>                                   | <u>649,408</u>            | <u>1,174,643</u>       |

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201714. Intangible assets (continued)

In testing goodwill for impairment, recoverable amounts of cash-generating units are estimated based on value-in-use. Where the recoverable amounts exceed the carrying amounts, no impairment allowance is made. The recoverable amounts of cash-generating units are arrived at by estimating their future cash flows and discounting those cash flows using long-term discount rates applicable to the countries in which the businesses operate. Future sustainable cash flows are estimated based on the most recent forecasts, after taking account of past experience. In all cases projected cash flows are estimated over 5 years, followed by a terminal value calculated based on the discount rates and growth rates in the table below. Each unit is regarded as saleable to a third party at a future date at a price sufficient to recover its carrying amount of goodwill. Key assumptions are set out below:

| <u>Cash-generating units (CGUs)</u> | <u>2017</u>          |                    | <u>2016</u>          |                    |
|-------------------------------------|----------------------|--------------------|----------------------|--------------------|
|                                     | <u>Discount rate</u> | <u>Growth rate</u> | <u>Discount rate</u> | <u>Growth rate</u> |
| Juice manufacturing business        | 10%                  | 3%                 | 10%                  | 3%                 |
| Other food manufacturing business   | 15%                  | 3%                 | 15%                  | 3%                 |
| Logistics business                  | 10%                  | 3%                 | 10%                  | 3%                 |
| Other units                         | 15%                  | 3%                 | 15%                  | 3%                 |

15. Deferred tax asset/(liability)

The deferred tax asset/(liability) is attributable to the following:

|                               | <u>Deferred tax</u> |               |                    |                    |                    |                    |
|-------------------------------|---------------------|---------------|--------------------|--------------------|--------------------|--------------------|
|                               | <u>Asset</u>        |               | <u>Liability</u>   |                    | <u>Net</u>         |                    |
|                               | <u>2017</u>         | <u>2016</u>   | <u>2017</u>        | <u>2016</u>        | <u>2017</u>        | <u>2016</u>        |
|                               | <u>\$'000</u>       | <u>\$'000</u> | <u>\$'000</u>      | <u>\$'000</u>      | <u>\$'000</u>      | <u>\$'000</u>      |
| Property, plant and equipment | 658                 | 1,630         | (1,092,041)        | (1,115,942)        | (1,091,383)        | (1,114,312)        |
| Employee benefits             | -                   | -             | ( 90,755)          | ( 69,832)          | ( 90,755)          | ( 69,832)          |
| Other liabilities             | 1,587               | 1,717         | 2,665              | 2,508              | 4,247              | 4,225              |
| Other assets                  | -                   | -             | ( 3,720)           | ( 3,014)           | ( 3,715)           | ( 3,014)           |
|                               | <u>2,245</u>        | <u>3,347</u>  | <u>(1,183,851)</u> | <u>(1,186,280)</u> | <u>(1,181,606)</u> | <u>(1,182,933)</u> |

Movement on the net deferred tax (liability)/asset during the year:

|   | <u>2017</u>        | <u>2016</u>        |
|---|--------------------|--------------------|
|   | <u>\$'000</u>      | <u>\$'000</u>      |
| Net deferred tax (liability)/asset at beginning of year | (1,182,933)        | 956                |
| Recognition of subsidiary                               | -                  | (1,157,191)        |
| Effect of re-measurement of post-employment benefits    | ( 14,713)          | ( 28,583)          |
| Recognised in taxation charge [note 24(a)(ii)]          | 16,058             | 1,805              |
| Translation (loss)/gain in the year                     | ( 18)              | 80                 |
|   | <u>(1,181,606)</u> | <u>(1,182,933)</u> |

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

16. Property, plant and equipment

|                              | Freehold<br>land and<br><u>buildings</u><br>\$'000 | Leasehold<br>land and<br><u>buildings</u><br>\$'000 | Equipment,<br>vehicles and<br><u>furniture</u><br>\$'000 | Work-<br>in-<br><u>progress</u><br>\$'000 | <u>Total</u><br>\$'000 |
|------------------------------|--|---|--|---|------------------------|
| Cost:                        |  |   |  |   |                        |
| December 31, 2015            | 1,109,422  | 337,121   | 2,248,293  | 83,495                                    | 3,778,331              |
| Additions                    | 316,589  | 56,151  | 1,094,063  | 404,194                                   | 1,870,997              |
| Disposals                    | -  | ( 82,514)   | ( 402,989)   | -   | ( 485,503)             |
| Recognition of subsidiary    | 13,426,282   | -   | 1,937,012  | 1,053,586                                 | 16,416,880             |
| Transfers                    | 1,471  | -   | -  | ( 1,471)                                  | -                      |
| Exchange adjustments         | <u>5,824</u>                                       | <u>1,223</u>  | <u>6,647</u>   | <u>( 211)</u>                             | <u>13,483</u>          |
| December 31, 2016            | 14,859,588   | 311,981   | 4,883,026  | 1,539,593                                 | 21,594,188             |
| Additions                    | 75,798   | 35,969  | 418,925  | 1,737,139                                 | 2,267,831              |
| Disposals                    | -  | ( 2,573)  | ( 41,747)  | -   | ( 44,320)              |
| Transfers                    | 2,647,638  | -   | 147,465  | (2,812,619)                               | ( 17,516)              |
| Exchange adjustments         | <u>128,840</u>                                     | <u>( 152)</u>                                       | <u>145,755</u>   | <u>10,649</u>                             | <u>285,092</u>         |
| December 31, 2017            | <u>17,711,864</u>                                  | <u>345,225</u>                                      | <u>5,553,424</u>   | <u>474,762</u>                            | <u>24,085,275</u>      |
| Depreciation and impairment: |  |   |  |   |                        |
| December 31, 2015            | 256,063  | 272,375   | 1,350,713  | 67,268                                    | 1,946,419              |
| Charge for the year          | 194,706  | 18,419  | 295,090  | 3,228                                     | 511,443                |
| Eliminated on disposals      | -  | ( 78,379)   | ( 268,729)   | -   | ( 347,108)             |
| Exchange adjustments         | <u>( 2,772)</u>                                    | <u>755</u>  | <u>( 1,397)</u>  | <u>( 269)</u>                             | <u>( 3,683)</u>        |
| December 31, 2016            | 447,997  | 213,170   | 1,375,677  | 70,227                                    | 2,107,071              |
| Charge for the year          | 336,027  | 9,053   | 452,456  | 3,593                                     | 801,129                |
| Transfer                     | -  | -   | ( 6,582)   | -   | ( 6,582)               |
| Eliminated on disposals      | -  | ( 1,730)  | ( 28,996)  | -   | ( 30,726)              |
| Exchange adjustments         | <u>42,580</u>                                      | <u>( 67)</u>  | <u>79,232</u>  | <u>9,559</u>                              | <u>131,304</u>         |
| December 31, 2017            | <u>826,604</u>                                     | <u>220,426</u>                                      | <u>1,871,787</u>   | <u>83,379</u>                             | <u>3,002,196</u>       |
| Net book values:             |  |   |  |   |                        |
| December 31, 2017            | <u>16,885,260</u>                                  | <u>124,799</u>                                      | <u>3,681,637</u>   | <u>391,383</u>                            | <u>21,083,079</u>      |
| December 31, 2016            | <u>14,411,591</u>                                  | <u>98,811</u>                                       | <u>3,507,349</u>   | <u>1,469,366</u>                          | <u>19,487,117</u>      |
| December 31, 2015            | <u>853,359</u>                                     | <u>64,746</u>                                       | <u>897,580</u>   | <u>16,227</u>                             | <u>1,831,912</u>       |

17. Retirement benefit asset and obligations

The group participates in benefit plans for its employees. These can be summarised as follows:

- (i) Four defined contribution schemes for qualifying employees in Jamaica and another in the United Kingdom.
- (ii) An industry-wide multi-employer defined benefit scheme in the Netherlands. The subsidiary is required to contribute a specified percentage of payroll costs to the scheme to fund the benefits. This percentage may increase or decrease as a result of changes in actuarial valuations. The only obligation of the group with respect to this scheme is to make the specified contributions. Accordingly, it is treated as a defined contribution scheme for the purpose of the group's accounting.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201717. Retirement benefit asset and obligations (continued)

- (iii) A defined benefit scheme for certain employees of its subsidiary also in the Netherlands. The group has contracted out all legal and constructive commitments of this scheme to an insurance company and is only obliged to make annual specified contributions. Accordingly, this scheme is treated as a defined contribution scheme for the purpose of the group's accounting.
- (iv) A defined contribution scheme and a defined benefit scheme operated by Kingston Wharves Limited (KW). KW also provides other retirement benefits giving rise to obligations. The assets of the funded plans are held independently in separate trustee administered funds.

The effect on the statement of financial position, profit for the year and other comprehensive income are as follows:

|   | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|---|-----------------------|-----------------------|
| Balance sheet asset/(obligations) for:                                  |                       |                       |
| Pension benefits asset  | 1,174,675             | 936,177               |
| Other retirement benefits obligation                                    | <u>( 357,792)</u>     | <u>(276,762)</u>      |
| (Credit)/charge to profit or loss for:                                  |                       |                       |
| Pension benefits  | ( 41,963)             | ( 20,489)             |
| Other retirement benefits   | <u>32,240</u>         | <u>29,319</u>         |
|   | <u>( 9,723)</u>       | <u>( 8,830)</u>       |
| (Credit)/charge to other comprehensive income on<br>remeasurements for: |                       |                       |
| Pension benefits  | ( 191,828)            | (281,330)             |
| Other retirement benefits   | <u>59,980</u>         | <u>11,424</u>         |
|   | <u>( 131,848)</u>     | <u>(269,906)</u>      |
| (a) Defined benefit pension plan  |                       |                       |

The Kingston Wharves scheme is open to all permanent employees of the subsidiary. Under the scheme, retirement benefits are based on average salary during the three years preceding retirement. The scheme is funded by employee contributions at 5% and employer contributions of 5% of salary, as recommended by independent actuaries. Members may also make voluntary contributions of up to 5% of their earnings.

The assets of the plan are held independently of the group's assets in a separate trustee-administered fund. The plan is valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuation was carried out as at December 31, 2017.

The defined benefit asset recognised in the balance sheet is determined as follows:

|                                   | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|-----------------------------------|-----------------------|-----------------------|
| Fair value of plan assets         | 3,020,836             | 2,588,704             |
| Present value of fund obligations | <u>(1,846,161)</u>    | <u>(1,652,527)</u>    |
| Asset in the balance sheet        | <u>1,174,675</u>      | <u>936,177</u>        |

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201717. Retirement benefit asset and obligations (continued)

## (a) Defined benefit pension plan (continued)

Movements in the amounts recognised in the balance sheet:

|   | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|---|-----------------------|-----------------------|
| Assets at start of year                                 | 936,177               | -                     |
| Additions from acquisition of subsidiary (note 13)      | -                     | 619,083               |
| Amounts recognised in statement of comprehensive income | 233,791               | 301,819               |
| Contributions paid                                      | <u>4,707</u>          | <u>15,275</u>         |
| Asset at end of year                                    | <u>1,174,675</u>      | <u>936,177</u>        |

The movement in the fair value of plan asset:

|  | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|--|-----------------------|-----------------------|
| Balance at start of year   | 2,588,704             | -                     |
| Arising on acquisition of subsidiary                                     | -                     | 2,166,696             |
| Interest income  | 231,364               | 182,007               |
| Re-measurements -  |                       |                       |
| Return on plan assets, excluding amounts<br>included in interest expense | 236,746               | 290,888               |
| Members' contributions   | 27,119                | 28,086                |
| Employers' contributions   | 4,707                 | 15,275                |
| Benefits paid  | ( 67,804)             | ( 94,237)             |
| Transfers  | <u>-</u>              | <u>( 11)</u>          |
| Balance at end of year   | <u>3,020,836</u>      | <u>2,588,704</u>      |

The movement in the present value of the funded obligations is as follows:

|   | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|---|-----------------------|-----------------------|
| Balance at start of year                  | 1,652,527             | -                     |
| Arising on acquisition of subsidiary      | -                     | 1,547,613             |
| Current service cost                      | 73,322                | 64,892                |
| Interest cost                             | 152,350               | 132,718               |
| Re-measurements -                         |                       |                       |
| Loss from change in financial assumptions | 44,918                | 9,536                 |
| Members' contributions                    | 12,497                | 12,810                |
| Benefits paid                             | ( 67,804)             | ( 94,237)             |
| Transfers in                              | -                     | 11                    |
| Gain on curtailment                       | <u>( 21,649)</u>      | <u>( 20,816)</u>      |
| Balance at end of year                    | <u>1,846,161</u>      | <u>1,652,527</u>      |

As at the last valuation date, the present value of the defined benefit obligation was comprised of approximately \$900,692,000 relating to active employees, \$51,063,000 relating to deferred members, \$697,736,000 relating to members in retirement and \$3,036,000 representing other liabilities.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201717. Retirement benefit asset and obligations (continued)

## (a) Defined benefit pension plan (continued)

The amounts recognised in the profit and loss account are as follows:

|                                | <u>2017</u>      | <u>2016</u>      |
|--------------------------------|------------------|------------------|
|                                | \$'000           | \$'000           |
| Current service cost           | 58,700           | 49,616           |
| Interest income                | ( 79,014)        | ( 49,289)        |
| Gain on curtailment            | <u>( 21,649)</u> | <u>( 20,816)</u> |
| Total, included in staff costs | <u>( 41,963)</u> | <u>( 20,489)</u> |

Plan assets are comprised as follows:

|                                      | <u>2017</u>      |              | <u>2016</u>      |              |
|--------------------------------------|------------------|--------------|------------------|--------------|
|                                      | \$'000           | %            | \$'000           | %            |
| Quoted equity securities             | 1,388,337        | 46.0         | 934,911          | 36.1         |
| Government of Jamaica securities     | 943,514          | 31.2         | 1,043,682        | 40.3         |
| Corporate bonds and promissory notes | 155,150          | 5.1          | 155,883          | 6.1          |
| Repurchase agreements                | 269,206          | 8.9          | 213,652          | 8.3          |
| Leases                               | 18,536           | 0.6          | 11,433           | 0.4          |
| Real estate                          | 108,056          | 3.6          | 99,561           | 3.8          |
| Other                                | <u>138,037</u>   | <u>4.6</u>   | <u>129,582</u>   | <u>5.0</u>   |
|                                      | <u>3,020,836</u> | <u>100.0</u> | <u>2,588,704</u> | <u>100.0</u> |

The pension plan assets include ordinary stock units of Kingston Wharves Limited with a fair value of \$330,000,000 (2016: \$240,000,000).

Expected contributions to the post-employment plan for the year ending December 31, 2017 are \$3.2 million.

The significant actuarial assumptions used were as follows:

|                           | <u>2017</u>  | <u>2016</u>  |
|---------------------------|--------------|--------------|
| Discount rate             | 8.00%        | 9.00%        |
| Future salary increases   | 5.50%        | 6.50%        |
| Expected pension increase | <u>3.75%</u> | <u>4.50%</u> |

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201717. Retirement benefit asset and obligations (continued)

## (a) Defined benefit pension plan (continued)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|                           | <u>Impact on post-employment obligations</u> |             |                               |               |                               |                  |
|---------------------------|--|-------------|-------------------------------|---------------|-------------------------------|------------------|
|                           | <u>Change in assumption</u>                  |             | <u>Increase in assumption</u> |               | <u>Decrease in assumption</u> |                  |
|                           | <u>2017</u>                                  | <u>2016</u> | <u>2017</u>                   | <u>2016</u>   | <u>2017</u>                   | <u>2016</u>      |
|                           |  |             |                               |               |                               |                  |
|                           |  |             | \$'000                        | \$'000        | \$'000                        | \$'000           |
| Discount rate             | 1%   | 1%          | (225,791)                     | (196,819)     | 224,982                       | 247,903          |
| Future salary increases   | 1%   | 1%          | 39,329                        | 31,342        | ( 36,336)                     | ( 29,928)        |
| Expected pension increase | 1%   | 1%          | 215,726                       | 191,488       | (177,649)                     | (158,022)        |
| Life expectancy           | <u>1%</u>                                    | <u>1%</u>   | <u>30,675</u>                 | <u>27,504</u> | <u>( 33,767)</u>              | <u>( 28,954)</u> |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

## (b) Other retirement benefits

Through its subsidiary, Kingston Wharves Limited, the group operates both a group health plan and a group life plan. KW covers 100% of the premiums of both plans. However, pensioners under the health plan have the option to pay an additional premium for single dependent or multiple dependents' coverage.

The method of accounting and the frequency of valuations for these plans are similar to those used for the pension scheme. In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long term increase in health costs of 8% per year for the insured group health plan. The insured group life plan assumes a salary rate increase of 6.5% per year.

The amounts recognised in the balance sheet were determined as follows:

|   | <u>2017</u>    | <u>2016</u>    |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| Liability at start of year                                  | 276,762        | -              |
| Arising on recognition of subsidiary                        | -              | 245,378        |
| Amounts recognised in the statement of comprehensive income | 92,220         | 40,743         |
| Contributions paid  | ( 11,190)      | ( 9,359)       |
| Liability at end of year                                    | <u>357,792</u> | <u>276,762</u> |

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201717. Retirement benefit asset and obligations (continued)

## (b) Other retirement benefits (continued)

Movement in the present value of the defined benefit obligation:

|  | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|--|-----------------------|-----------------------|
| Balance at start of year   | 276,762               | -                     |
| Arising on recognition of subsidiary   | -                     | 245,378               |
| Current service cost   | 15,125                | 12,234                |
| Interest cost  | 25,576                | 21,319                |
| Gain on curtailment  | ( 8,461)              | ( 4,234)              |
| Included in staff costs in profit and loss account   | <u>32,240</u>         | <u>29,319</u>         |
| Re-measurements -  |                       |                       |
| Loss from change in financial assumptions,<br>being total included in other comprehensive income | 59,980                | 11,424                |
| Benefits paid  | ( 11,190)             | ( 9,359)              |
| Balance at end of year   | <u>357,792</u>        | <u>276,762</u>        |

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|                          | <u>Impact on post-employment obligations</u> |             |                    |               |                    |                 |
|--------------------------|--|-------------|--------------------|---------------|--------------------|-----------------|
|                          | <u>Change in</u>                             |             | <u>Increase in</u> |               | <u>Decrease in</u> |                 |
|                          | <u>Assumption</u>                            |             | <u>Assumption</u>  |               | <u>Assumption</u>  |                 |
|                          | <u>2017</u>                                  | <u>2016</u> | <u>2017</u>        | <u>2016</u>   | <u>2017</u>        | <u>2016</u>     |
|                          |  |             | \$'000             | \$'000        | \$'000             | \$'000          |
| Life                     |  |             |                    |               |                    |                 |
| Discount rate            | 1%   | 1%          | ( 3,600)           | ( 2,545)      | 4,318              | 3,043           |
| Future salary increases  | <u>1%</u>                                    | <u>1%</u>   | <u>1,183</u>       | <u>799</u>    | <u>( 1,093)</u>    | <u>( 758)</u>   |
| Medical                  |  |             |                    |               |                    |                 |
| Discount rate            | 1%   | 1%          | (45,990)           | (35,591)      | 59,747             | 45,997          |
| Future medical cost rate | <u>1%</u>                                    | <u>1%</u>   | <u>59,747</u>      | <u>46,807</u> | <u>(45,990)</u>    | <u>(35,591)</u> |

## (c) Risks associated with pension plans and other post-employment plans

Through its defined benefit pension plans and post-employment medical plans, the subsidiary is exposed to a number of risks, the most significant of which are detailed below:

## Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

However, the subsidiary believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the long term strategy to manage plans efficiently.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201717. Retirement benefit asset and obligations (continued)

## (c) Risks associated with pension plans and other post-employment plans (continued)

## Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

## Inflation risk

Higher inflation will lead to higher liabilities. The majority of the plan's assets are unaffected by fixed interest bonds, meaning that an increase in inflation will reduce the surplus or create a deficit.

## Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The weighted average duration of the defined benefit obligation for pension scheme is 15 years.

The weighted average duration of the defined benefit obligation for post-employment medical and life insurance benefits is 16 years.

18. Share capital

## Authorised:

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

|   | <u>2017</u>    | <u>2016</u>    |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| Stated capital:   |                |                |
| Issued and fully paid – 1,122,144,036 (2016: 1,122,144,036)<br>ordinary stock units at no par value | <u>112,214</u> | <u>112,214</u> |

The company's stated capital does not include share premium, which is retained in capital reserves (note 19) in accordance with Section 39 (7) of the Jamaican Companies Act.

19. Reserves

|  | <u>2017</u>       | <u>2016</u>       |
|--|-------------------|-------------------|
|  | \$'000            | \$'000            |
| Capital:                               |                   |                   |
| Share premium (note 18)                | 135,087           | 135,087           |
| Reserve for own shares [see (i) below] | ( 72,419)         | ( 96,911)         |
| Other [see (ii) below]                 | <u>2,308,929</u>  | <u>2,202,157</u>  |
|  | 2,371,597         | 2,240,333         |
| Revenue:                               |                   |                   |
| Retained profits                       | <u>8,777,022</u>  | <u>8,065,941</u>  |
|  | <u>11,148,619</u> | <u>10,306,274</u> |

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201719. Reserves (continued)

- (i) Reserve for own shares is included in these financial statements by consolidation of the company's Employees Share Ownership Plan (ESOP), which is regarded as a structured entity and is required to be consolidated under IFRS10. The reserve comprises the cost of the company's shares held by the group through the ESOP, less net gains on shares sold.

The consolidated financial statements include the group's share of profits or loss of the ESOP based on management accounts for the year ended December 31, 2017. The results of operation of this entity are immaterial in relation to the group.

The number of stock units held by the ESOP at December 31, 2017 was 77,311,976 (2016: 81,845,976). Based on the bid price, less a 15% discount normally allowed to staff, the value of those stock units at December 31, 2017 was \$1,097,443,000 (2016: \$642,123,000). The fair value of these stock units is not recognised in the group's reserve for own shares until sold.

- (ii) Other capital reserves comprise gains on disposal of property, plant and equipment and investments up to December 31, 2017, unrealised exchange gains and unclaimed distributions to stockholders (note 26).
- (iii) Losses in a subsidiary, in excess of the non-controlling interest in the equity of the subsidiary, were included in the group's results prior to 2010. Should the subsidiary subsequently report profits, such profits would be included in the group results, until the non-controlling interest's share of losses, previously absorbed by the group, has been recovered.

20. Long-term loans

|  | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|--|-----------------------|-----------------------|
| Syndicated third party and bank loans      | 4,636,230             | 4,455,259             |
| Finance leases                             | 65,017                | 69,423                |
| Other third party                          | <u>87,197</u>         | <u>87,197</u>         |
|  | <u>4,788,444</u>      | <u>4,611,879</u>      |
| Less: Transaction costs                    |                       |                       |
| Brought forward from prior year            | ( 14,170)             | ( 21,679)             |
| Incurred in the year                       | ( 12,200)             | -                     |
| Amortised in interest expense for the year | <u>14,658</u>         | <u>7,509</u>          |
|  | <u>( 11,712)</u>      | <u>( 14,170)</u>      |
| Total carrying value of long-term loans    | 4,776,732             | 4,597,709             |
| Less: current portion                      | <u>( 772,256)</u>     | <u>(1,213,145)</u>    |
|  | <u>4,004,476</u>      | <u>3,384,564</u>      |

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201720. Long-term loans (continued)

The terms and conditions of outstanding loans were as follows:

|                                     | Currency | Nominal interest rate | Year of maturity | 2017             |                  | 2016             |                  |
|-------------------------------------|----------|-----------------------|------------------|------------------|------------------|------------------|------------------|
|                                     |          |                       |                  | Face value       | Carrying value   | Face value       | Carrying value   |
|                                     |          |                       | \$'000           | \$'000           | \$'000           | \$'000           | \$'000           |
| Secured syndicated third party loan | JMD      | 9.50%                 | 2020             | -                | -                | 762,824          | 762,824          |
| Secured syndicated third party loan | JMD      | 8.31%                 | 2019             | -                | -                | 907,618          | 907,618          |
| Secured syndicated third party loan | JMD      | 9.00%                 | 2024             | 1,511,712        | 1,511,712        | -                | -                |
| Secured bank loan                   | GBP      | 2.50%                 | 2020             | 61,720           | 61,720           | 66,070           | 66,070           |
| Secured bank loan                   | JMD      | 9.50%                 | 2023             | 123,767          | 123,767          | 147,580          | 147,580          |
| Secured bank loan                   | JMD      | 11.00%                | 2021             | 98,400           | 98,400           | 127,200          | 127,200          |
| Secured bank loan                   | JMD      | 11.85%                | 2023             | 107,143          | 107,143          | 142,857          | 142,857          |
| Secured bank loan                   | USD      | 4.85%                 | 2018             | 169,021          | 169,021          | 520,509          | 520,509          |
| Secured bank loan                   | JMD      | 8.90%                 | 2023             | 257,481          | 257,481          | 296,593          | 296,593          |
| Secured bank loan                   | USD      | 5.00%                 | 2023             | 412,500          | 412,500          | 491,071          | 491,071          |
| Secured bank loan                   | JMD      | 8.00%                 | 2023             | 435,375          | 435,375          | -                | -                |
| Secured bank loan                   | JMD      | 8.00%                 | 2023             | 1,281,610        | 1,281,610        | 615,000          | 615,000          |
| Secured bank loan                   | JMD      | 8.49%                 | 2022             | 5,094            | 5,094            | 6,327            | 6,327            |
| Secured revolving loan facility     | USD      | 5.50%                 | 2019             | 37,232           | 37,232           | 101,927          | 101,927          |
| Secured loan                        | JMD      | 7.00%                 | 2018             | 104,052          | 104,052          | 108,490          | 108,490          |
| Secured loan                        | JMD      | 10.00%                | 2018             | 18,751           | 18,751           | 35,840           | 35,840           |
| Secured loan                        | JMD      | 8.90%                 | 2024             | 9,440            | 9,440            | -                | -                |
| Unsecured bank loan                 | JMD      | 8.50%                 | 2017             | -                | -                | 120,000          | 120,000          |
| Other unsecured loan                | JMD      | nil                   | n/a              | 2,932            | 2,932            | 2,932            | 2,932            |
| Finance lease                       | EUR      | 3.50%                 | 2022             | 65,017           | 65,017           | 69,423           | 69,423           |
| Other related party                 | JMD      | 5.00%                 | 2018             | 87,197           | 87,197           | 87,197           | 87,197           |
| Other                               | JMD      | n/a                   | n/a              | -                | -                | 2,421            | 2,421            |
|                                     |          |                       |                  | <u>4,788,444</u> | <u>4,788,444</u> | <u>4,611,879</u> | <u>4,611,879</u> |

- (i) On September 29, 2017, the company issued a Corporate bond for \$1,500,000,000. This note is secured by shares in Kingston Wharves Limited and is repayable by September 2024. The note is to be repaid by semi-annual payments and a lump sum payment of \$700,000,000 in the final year. The interest rate on the loan is fixed at 9% p.a. for the first five years and thereafter at the GOJ 6-month Weighted Average Treasury Bill Yield (WATBY) plus 200 basis points, capped at 12% p.a. The proceeds of this note were principally used to refinance two previous notes.
- (ii) During 2016, upon recognition of Kingston Wharves Limited (KW) as a subsidiary (note 13) the group recognised loans and borrowings of \$1,925,832,000, of which \$1,388,676,000 was due after one year.

During the current year KW drew down \$666,610,000 on an established \$1.8 billion facility, of which \$615,000,000 was drawn down in the prior year. This facility was established to finance capital expenditure. The interest rate varies over the life of the loan, with rates initially fixed at 8.5% p.a. and capped at 9.5% p.a. for the remaining life. The total facility has a two-year moratorium on principal and is thereafter repayable in 19 instalments of \$63,000,000, with a final payment of \$603,000,000.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201720. Long-term loans (continued)

- (iii) During 2017, KW entered into a financing arrangement to fund capital expenditure totalling \$451.5m. This is a secured loan repayable over 80 months at a fixed interest rate of 8.25% p.a.
- (iv) During the second half of 2016, KW entered into a one year financing arrangement with the vendor of a portion of land acquired. During 2017 the terms of this arrangement were renegotiated and the balance is repayable over 15 years at a fixed interest rate of 7.00% p.a.
- (v) During 2016, another subsidiary entered into two new financing arrangements to fund capital expenditure and working capital. The financing comprises \$150,672,673 term loan repayable in equal instalments over 84 months at a fixed interest rate of 9.5% p.a. and a US\$800,000 revolving working capital facility available for three years with a fixed interest rate of 5.5% p.a., with each draw-down having a 12 month tenure.
- (vi) During 2016, the company entered into a 12-month unsecured borrowing facility for \$120,000,000 at a fixed rate of 8.5% p.a. for seven months moving to WATBY+250bps for the remaining term. This was repaid in 2017.
- (vii) The loan from other related party of \$87.2 million is due to a company that holds 35% of the equity in Four Rivers Mining Company Limited. The loan is due on demand.

21. Gross operating revenue

Gross operating revenue comprises the gross sales of goods and services of the group and commission earned by the group on consignment sales. This is shown after deducting returns, rebates and discounts, consumption taxes and eliminating sales within the group.

22. Disclosure of expenses

|  | <u>2017</u>      | <u>2016</u>      |
|--|------------------|------------------|
|  | \$'000           | \$'000           |
| Selling, administrative and other expenses:      |                  |                  |
| Advertising, promotion and selling costs         | 194,220          | 200,521*         |
| Auditors' remuneration                           | 59,085           | 48,513           |
| Bad debt   | 40,062           | 21,878*          |
| Bank charges and merchant fees                   | 65,630           | 42,072*          |
| Depreciation and amortisation                    | 126,421          | 108,108          |
| Directors' emoluments:                           |                  |                  |
| Fees   | 9,940            | 10,740           |
| For management                                   | 44,996           | 110,247          |
| Donations  | 28,400           | 19,791*          |
| Insurance  | 84,382           | 59,691*          |
| IT and communication                             | 182,499          | 130,051*         |
| Legal, professional and consultancy              | 138,391          | 117,976          |
| Office and general costs                         | 66,842           | 47,550*          |
| Other property related costs                     | 124,268          | 106,692*         |
| Property rental                                  | 58,382           | 75,686*          |
| Staff costs                                      | 1,334,650        | 1,282,709*       |
| Transport, automobile and associated costs       | 75,414           | 35,167*          |
| Travel   | 51,432           | 59,146*          |
| Utilities  | 104,908          | 54,330*          |
| Other  | <u>141,747</u>   | <u>47,141*</u>   |
| Total selling, administrative and other expenses | <u>2,931,669</u> | <u>2,578,009</u> |

\*The comparative information has been restated to compare with the 2017 presentations.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201723. Financial income and expenses

|   | <u>2017</u>      | <u>2016</u>      |
|---|------------------|------------------|
|   | \$'000           | \$'000           |
| Financial income:   |                  |                  |
| Interest income on available-for-sale financial assets                  | 81,727           | 35,223           |
| Interest income on bank deposits, loans and receivables                 | 18,708           | 8,204            |
| Dividend income on available-for-sale financial assets                  | 427              | 712              |
| Net gain on available-for-sale financial assets transferred from equity | -                | 16,686           |
| Net foreign exchange (losses)/gains                                     | <u>( 91,698)</u> | <u>80,244</u>    |
|   | <u>9,164</u>     | <u>141,069</u>   |
| Financial expenses:   |                  |                  |
| Interest expense on financial liabilities measured at amortised cost    | (314,207)        | (283,813)        |
| Net foreign exchange gain/(loss)  | <u>5,402</u>     | <u>( 25,774)</u> |
|   | <u>(308,805)</u> | <u>(309,587)</u> |
| Net financial expenses  | <u>(299,641)</u> | <u>(168,518)</u> |

24. Taxation

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

|  | <u>2017</u>      | <u>2016</u>     |
|--|------------------|-----------------|
|  | \$'000           | \$'000          |
| (i) Current tax charge:                                |                  |                 |
| Jamaican corporation tax                               | 266,998          | 105,099         |
| United Kingdom corporation tax                         | 9,271            | 15,850          |
| Netherlands corporation tax                            | 113,560          | 42,917          |
| Other corporation tax                                  | 5,322            | -               |
| Tax on associated companies                            | <u>( 22,432)</u> | <u>60,889</u>   |
|  | 372,719          | 224,755         |
| (ii) Deferred taxation (note 15):                      |                  |                 |
| Origination and reversal of temporary differences      | <u>( 16,058)</u> | <u>( 1,805)</u> |
| Total taxation charge in group profit and loss account | <u>356,661</u>   | <u>222,950</u>  |

- (b) Reconciliation of tax expense

The effective tax rate for 2017 was 18.0% (2016: 4.9%), compared to the statutory tax rate of 25% (2016: 25%). The actual charge differs from the "expected" tax charge for the year as follows:

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201724. Taxation (continued)

## (b) Reconciliation of tax expense (continued)

|  | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|--|-----------------------|-----------------------|
| Profit before taxation   | <u>1,980,632</u>      | <u>4,533,071</u>      |
| Computed "expected" tax charge at 25% (2016: 25%)  | 495,158               | 1,133,268             |
| Taxation difference between profit for financial statements and tax reporting purposes on: |                       |                       |
| Effect of non-standard tax rates and tax rates of foreign jurisdictions                    | ( 317,675)            | ( 176,257)            |
| Unrelieved tax losses less tax relief utilised   | 55,538                | 63,685                |
| Lower associated company tax rate  | -                     | ( 36,557)             |
| Gain on disposal of property, plant and equipment and investments                          | 541                   | ( 206,769)            |
| Other gains arising on consolidation   | -                     | ( 729,217)            |
| Other related capital adjustments and disallowed expenses                                  | <u>123,099</u>        | <u>174,797</u>        |
| Actual tax charge  | <u>356,661</u>        | <u>222,950</u>        |

- (c) As at December 31, 2017, the company and certain subsidiaries had taxation losses, subject to agreement by the Commissioner General, Tax Administration Jamaica, of approximately \$3,283,000,000 (2016: \$2,632,000,000) available for relief against future taxable profits. Of this amount, \$570,819,000 (2016: \$570,819,000) is available for offset against specific income such as farming profits. As of January 1, 2014, tax losses may 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. A deferred tax asset of \$820,750,000 (2016: \$658,000,000) in respect of taxation losses of certain companies has not been recognised by the group, as management considers its realisation within the foreseeable future to be too uncertain.

25. Profit per ordinary stock unit

The profit per ordinary stock unit is calculated by dividing the profit for the year attributable to shareholders of \$661,884,000 (2016: \$3,940,446,000), attributable to the company's stockholders, by a weighted average number of ordinary stock units held during the year, as follows:

Weighted average number of ordinary stock units:

|  | <u>2017</u>          | <u>2016</u>          |
|--|----------------------|----------------------|
| Issued ordinary stock units at January 1                                 | 1,122,144,036        | 1,122,144,036        |
| Effect of own shares held by ESOP during the year                        | ( 81,581,986)        | ( 85,562,569)        |
| Weighted average number of ordinary stock units in issue during the year | <u>1,040,562,050</u> | <u>1,036,581,467</u> |
| Profit per ordinary stock unit in issue                                  | <u>58.98¢</u>        | <u>351.15¢</u>       |
| Profit per ordinary stock unit excluding ESOP holdings                   | <u>63.61¢</u>        | <u>380.14¢</u>       |

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)  
Year ended December 31, 201726. Distributions to equity holders of parent

|  | <u>2017</u>      | <u>2016</u>      |
|--|------------------|------------------|
|  | \$'000           | \$'000           |
| Ordinary dividends:  |                  |                  |
| First interim payable in respect of 2017 - 10¢ (2016: 12¢)             |                  |                  |
| per stock unit – gross - parent  | 112,214          | 134,657          |
| Distributions to ESOP [note 19(i)]                                     | <u>( 7,731)</u>  | <u>( 10,134)</u> |
|  | 104,483          | 124,523          |
| Unclaimed distributions written back to capital reserves [note 19(ii)] | <u>( 11,414)</u> | <u>( 6,075)</u>  |
|  | <u>93,069</u>    | <u>118,448</u>   |

27. Operating lease arrangements

## (a) Non-cancellable operating lease commitments as lessee

Annual commitments under non-cancellable operating leases expire as follows:

|   | <u>2017</u>    | <u>2016</u>    |
|---|----------------|----------------|
|   | \$'000         | \$'000         |
| Within one year                         | 44,373         | 41,722         |
| In the second to fifth years, inclusive | <u>77,278</u>  | <u>63,013</u>  |
|   | <u>121,651</u> | <u>104,735</u> |

## (b) Non-cancellable operating lease receivables as lessor

The group earned property rental income of \$118,797,000 (2016: \$34,599,000) under operating leases. Commitments for income under non-cancellable operating leases at year-end are as follows:

|                                       | <u>2017</u>    | <u>2016</u>    |
|---------------------------------------|----------------|----------------|
|                                       | \$'000         | \$'000         |
| Within one year                       | 133,673        | 38,674         |
| In the second to fifth year inclusive | 107,449        | 91,842         |
| After five years                      | <u>15,894</u>  | <u>35,419</u>  |
|                                       | <u>257,016</u> | <u>165,935</u> |

28. Commitments for expenditure

As at December 31, 2017, capital expenditure authorised and committed amounted to approximately \$72,000,000 (2016: \$971,047,000).

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

30. Related parties

## (a) Identity of related parties

The group has related party relationships with its directors, officers and senior executives of subsidiaries. The company's executive directors, officers and the senior executives of subsidiaries are collectively referred to as "key management personnel".

## (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 32.2% (2016: 32.4%) of the voting shares of the company.

In addition to their salaries, the group contributes to various post-employment benefit plans on behalf of key management personnel.

The compensation of key management personnel based in Jamaica and overseas is as follows:

|  | <u>2017</u>    | <u>2016</u>    |
|--|----------------|----------------|
|  | \$'000         | \$'000         |
| Short-term employment and other benefits | 307,951        | 330,434        |
| Payroll taxes – employer contributions   | 18,777         | 15,242         |
| Post-employment benefits                 | 18,113         | 18,481         |
| Termination benefits                     | <u>12,879</u>  | <u>21,514</u>  |
| Total remuneration                       | <u>357,720</u> | <u>385,671</u> |

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

30. Related parties (continued)

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

| Category and nature of relationship  | Nature of Transactions                                | Transactions in year |          | (Payable)/receivable at end of year |          | Terms and conditions |
|--|---|----------------------|----------|-------------------------------------|----------|----------------------|
|  |   | 2017                 | 2016     | 2017                                | 2016     |                      |
|  |   | \$'000               | \$'000   | \$'000                              | \$'000   |                      |
| Transactions with joint ventures and associates:   |   |                      |          |                                     |          |                      |
| 50% joint venture  | Management services income to group                   | -                    | (22,762) | -                                   | -        | 1, 2, 3              |
| 50% joint venture  | Interest income on loans from group                   | -                    | (16,811) | -                                   | -        | 2, 3                 |
| Transactions with key management personnel or entities under their control and/or significant influence: |   |                      |          |                                     |          |                      |
| i) Company under their control   | Insurance premiums charged to group                   | 12,036               | 10,931   | -                                   | -        | 1, 2, 3              |
| ii) Company under their control  | Management services charged to group                  | 9,561                | 9,358    | ( 9,308)                            | ( 9,561) | 2, 3, 4              |
| iii) Company under their control   | Shipping agency services charged to group             | 7,734                | 8,208    | -                                   | -        | 1, 2, 3              |
| iv) Company under their control  | Charges paid on behalf of the group                   | ( 7,399)             | ( 5,291) | -                                   | -        | 1, 2, 3              |
| v) Company under their control   | Collections from third parties on behalf of the group | (80,999)             | (76,306) | 30,082                              | 37,276   | 1, 2, 3              |
| vi) Company under their control  | Sales by the group                                    | (72,306)             | (33,578) | 22,443                              | 21,067   | 2, 3, 4              |
| vii) Company under their control   | Legal services to the group                           | 1,345                | 13,555   | -                                   | -        | 1, 2, 3              |
| viii) Company under their control  | Professional services to the group                    | 742                  | 1,089    | -                                   | -        | 1, 2, 3              |

\* 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 LIMITED

### Notes to the Financial Statements (Continued) Year ended December 31, 2017

#### 31. 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.

The group uses profit or loss before finance cost and taxation to measure performance and allocate resources. The group's business is organised into three business segments:

- (a) JP Food & Drink - This comprises businesses that are engaged in agriculture, processing, distribution and/or retail of food and drink.
- (b) JP Logistics & Infrastructure – This comprises businesses that are engaged in logistics, transportation, port operations, construction aggregates and related industries.
- (c) Corporate Services – This comprises interest and investment income, net of the cost of corporate functions not directly charged to business units.

|   | JP Food & Drink    |                    | JP Logistics & Infrastructure |                     | Corporate Services |                   | Total               |                     |
|---|--------------------|--------------------|-------------------------------|---------------------|--------------------|-------------------|---------------------|---------------------|
|   | 2017<br>\$'000     | 2016*<br>\$'000    | 2017<br>\$'000                | 2016*<br>\$'000     | 2017<br>\$'000     | 2016*<br>\$'000   | 2017<br>\$'000      | 2016<br>\$'000      |
| Gross revenue                                       | 8,811,498          | 8,076,084          | 7,346,209                     | 3,968,218           | 87,572             | 154,574           | 16,245,279          | 12,198,876          |
| Inter- segment revenue                              | ( 5,756)           | -                  | -                             | -                   | ( 82,811)          | ( 123,253)        | ( 88,567)           | ( 123,253)          |
| Revenue from external customers                     | <u>8,805,742</u>   | <u>8,076,084</u>   | <u>7,346,209</u>              | <u>3,968,218</u>    | <u>4,761</u>       | <u>31,321</u>     | <u>16,156,712</u>   | <u>12,075,623*</u>  |
| Interest income                                     | -                  | -                  | 76,652                        | 29,382              | 23,783             | 14,045            | 100,435             | 43,427              |
| Segment profit/(loss)                               | <u>277,994</u>     | <u>31,184</u>      | <u>2,160,490</u>              | <u>1,429,866</u>    | <u>( 149,047)</u>  | <u>3,381,608</u>  | 2,289,437           | 4,842,658           |
| Finance cost- interest expense                      |                    |                    |                               |                     |                    |                   | ( 308,805)          | ( 309,587)          |
| Profit before taxation                              |                    |                    |                               |                     |                    |                   | 1,980,632           | 4,533,071           |
| Taxation charge                                     |                    |                    |                               |                     |                    |                   | ( 356,661)          | ( 222,950)          |
| Non-controlling interest                            |                    |                    |                               |                     |                    |                   | ( 962,087)          | ( 369,675)          |
| Profit attributable to equity holders of the parent |                    |                    |                               |                     |                    |                   | <u>661,884</u>      | <u>3,940,446</u>    |
| Segment assets                                      | <u>5,477,081</u>   | <u>4,608,460</u>   | <u>26,641,403</u>             | <u>24,094,992</u>   | <u>550,053</u>     | <u>1,176,426</u>  | <u>32,668,537</u>   | <u>29,879,878</u>   |
| Segment liabilities                                 | <u>(1,657,652)</u> | <u>(1,288,013)</u> | <u>(7,955,181)</u>            | <u>( 6,997,122)</u> | <u>( 310,848)</u>  | <u>( 396,269)</u> | <u>( 9,923,681)</u> | <u>( 8,681,404)</u> |
| Capital expenditure                                 | <u>377,692</u>     | <u>400,932</u>     | <u>1,850,138</u>              | <u>1,409,091</u>    | <u>40,001</u>      | <u>60,974</u>     | <u>2,267,831</u>    | <u>1,870,997</u>    |
| Depreciation and amortisation                       | <u>( 320,896)</u>  | <u>( 295,362)</u>  | <u>( 561,983)</u>             | <u>( 264,473)</u>   | <u>( 72,283)</u>   | <u>( 63,407)</u>  | <u>( 955,162)</u>   | <u>( 623,242)</u>   |

The revenues and earnings on subsidiaries and associates acquired or disposed of during the year are included up to the date of acquisition or disposal.

\*The comparative information has been restated to compare with 2017 presentation. (see note 34).

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

31. Segment reporting (continued)

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

|                           | <u>Revenues</u>   |                   | <u>Non-current assets</u> |                   |
|---------------------------|-------------------|-------------------|---------------------------|-------------------|
|                           | <u>2017</u>       | <u>2016*</u>      | <u>2017</u>               | <u>2016</u>       |
|                           | \$'000            | \$'000            | \$'000                    | \$'000            |
| Jamaica                   | 8,423,411         | 4,996,104         | 21,687,727                | 20,035,235        |
| Netherlands               | 4,828,051         | 4,495,427         | 1,679,838                 | 1,512,124         |
| United Kingdom            | 232,700           | 331,454           | 144,716                   | 141,850           |
| United States of America  | 661,463           | 670,838           | 7,581                     | 11,811            |
| Other Caribbean countries | 681,266           | 616,667           | 1,218,871                 | 1,265,052         |
| Other European countries  | 1,289,207         | 940,066           | -                         | -                 |
| Other countries           | <u>40,614</u>     | <u>25,067</u>     | <u>-</u>                  | <u>-</u>          |
|                           | <u>16,156,712</u> | <u>12,075,623</u> | <u>24,738,733</u>         | <u>22,966,072</u> |

Revenues from one customer of the JP Food and Drink segment represents approximately \$4,112 million (2016: \$4,404 million) of the group's total revenues.

\*The comparative information has been restated to compare with the 2017 presentation (see note 34).

32. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of an 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, short-term investments, securities purchased under resale agreements, accounts receivable and investments. Financial liabilities include bank overdrafts, credit facilities and short-term loans, accounts payable and long-term loans.

(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, short-term investments, securities purchased under resale agreements, accounts receivable, credit facilities and short-term loans and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature. The fair value of investments, as disclosed in note 12, are assumed to be cost, less allowance for impairment.

The fair value for long-term loans is assumed to approximate carrying value, as no discount on settlement is anticipated.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

32. Financial instruments (continued)

(b) Financial instrument risks

The group 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 group's exposure to each of the above risks and the group'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 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. Management's 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 group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents, financial investments, securities purchased under resale agreements and accounts receivable.

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

The group manages this risk as follows:

- Cash and cash equivalents and short-term investments

The group maintains cash resources with reputable financial institutions. The credit risk is considered to be low and no allowance for impairment is deemed necessary.

- Securities purchased under resale agreements

The group holds collateral for securities purchased under resale agreements, with a fair value of \$3,936,790,000 (2016: \$2,959,139,000).

No allowance for impairment is deemed necessary.

- Accounts receivable

The group has a credit policy in place to minimise exposure to credit risk inherent in trade accounts receivable. Credit evaluations are performed on all customers requiring credit. Credit terms are negotiated based on a mix of terms acceptable to both parties. The group provides credit up to 60 days, dependent on other pricing arrangements that may be beneficial to the relationship. A continuing relationship with customers is dependent upon adherence to the credit terms.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

32. Financial instruments (continued)

(b) Financial instrument risks (continued)

(i) Credit risk (continued)

- Accounts receivable (continued)

The group has a policy in place to provide for impairment on all debts more than ninety (90) days past due, except for specific balances where circumstances provide 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, and the Netherlands and U.K. VAT. These guidelines include the provision of collateral as security for credit extended.

Impairment allowances are made on the basis of reviews of specific balances that are inconsistent with staff guidelines or the terms relating to other receivables.

- Non-current investments

The loan to the purchaser of former subsidiaries, net of impairment allowance, is considered to be adequately secured. No further allowance for impairment is deemed necessary.

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

(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 group's income or the fair 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 group 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 group's approach to managing market risk during the year.

Currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

32. Financial instruments (continued)

(b) Financial instrument risks (continued)

(ii) Market risk (continued)

Currency risk (continued)

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

The group 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 inflows 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 group's approach to managing foreign currency risk during the year.

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

|   | 2017          |               |               | 2016            |               |               |
|---|---------------|---------------|---------------|-----------------|---------------|---------------|
|   | USD<br>\$'000 | GBP<br>\$'000 | EUR<br>\$000  | USD<br>\$'000   | GBP<br>\$'000 | EUR<br>\$'000 |
| Financial assets                                |               |               |               |                 |               |               |
| Cash and cash equivalents                       | 2,294         | 462           | 1,858         | 2,196           | 577           | 297           |
| Short term investments                          | -             | -             | -             | 6,500           | -             | -             |
| Securities purchased<br>under resale agreements | 16,169        | -             | -             | 14,156          | -             | -             |
| Accounts receivable                             | 6,403         | 972           | 7,102         | 3,305           | 1,023         | 4,698         |
| Investments                                     | <u>788</u>    | <u>-</u>      | <u>-</u>      | <u>857</u>      | <u>-</u>      | <u>-</u>      |
| Financial liabilities                           |               |               |               |                 |               |               |
| Accounts payable                                | ( 2,980)      | ( 1,111)      | ( 6,530)      | ( 2,019)        | ( 1,093)      | ( 4,526)      |
| Current maturities<br>of long term loans        | ( 1,662)      | ( 48)         | ( 93)         | ( 800)          | ( 48)         | ( 93)         |
| Long-term loans                                 | <u>-</u>      | <u>( 325)</u> | <u>( 349)</u> | <u>( 4,696)</u> | <u>( 373)</u> | <u>( 442)</u> |
| Financial instruments<br>position               | 21,012        | ( 50)         | 1,988         | 19,499          | 86            | ( 66)         |
| Other assets                                    | 9,969         | 1,884         | 12,709        | 10,558          | 1,886         | 12,881        |
| Other liabilities                               | <u>( 4)</u>   | <u>( 11)</u>  | <u>( 550)</u> | <u>-</u>        | <u>( 53)</u>  | <u>-</u>      |
| Gross balance sheet position                    | <u>30,977</u> | <u>1,823</u>  | <u>14,147</u> | <u>30,057</u>   | <u>1,919</u>  | <u>12,815</u> |

Other assets/liabilities represent balances denominated in the respective foreign currencies that are expected to be realised or settled in those currencies.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

32. Financial instruments (continued)

(b) Financial instrument risks (continued)

(ii) Market risk (continued)

Foreign currency sensitivity analysis

The following tables detail the group'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 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 and is performed on the same basis as the previous year.

Effect of a 10% depreciation of the Jamaican dollar:

|     | <u>2017</u>             |                         | <u>2016</u>             |                         |
|-----|-------------------------|-------------------------|-------------------------|-------------------------|
|     | <u>Equity</u><br>\$'000 | <u>Profit</u><br>\$'000 | <u>Equity</u><br>\$'000 | <u>Profit</u><br>\$'000 |
| USD | 139,733                 | ( 62)                   | 145,208                 | 8,555                   |
| GBP | 30,063                  | 76                      | 30,098                  | 31                      |
| EUR | <u>208,158</u>          | <u>-</u>                | <u>166,305</u>          | <u>-</u>                |

Effect of a 2% appreciation of the Jamaican dollar:

|     | <u>2017</u>             |                         | <u>2016</u>             |                         |
|-----|-------------------------|-------------------------|-------------------------|-------------------------|
|     | <u>Equity</u><br>\$'000 | <u>Profit</u><br>\$'000 | <u>Equity</u><br>\$'000 | <u>Profit</u><br>\$'000 |
| USD | (27,947)                | 12                      | (29,042)                | (1,711)                 |
| GBP | ( 6,013)                | ( 15)                   | ( 6,020)                | ( 6)                    |
| EUR | <u>(41,632)</u>         | <u>-</u>                | <u>(33,261)</u>         | <u>-</u>                |

Buying exchange rates used at year-end:

|             | <u>2017</u>   | <u>2016</u>   |
|-------------|---------------|---------------|
| USD1 to J\$ | 124.11        | 127.48        |
| GBP1 to J\$ | 165.35        | 157.03        |
| EUR1 to J\$ | <u>147.10</u> | <u>129.76</u> |

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 contracts material financial liabilities at fixed interest rates for the duration of the term. Credit facilities are subject to interest rates which may be varied with appropriate notice by the lender.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

32. Financial instruments (continued)

(b) Financial instrument risks (continued)

(ii) Market risk (continued)

Interest rate risk (continued)

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

|                            | <u>2017</u><br>\$'000 | <u>2016</u><br>\$'000 |
|----------------------------|-----------------------|-----------------------|
| Fixed rate instruments:    |                       |                       |
| Financial assets           | 3,902,844             | 3,658,947             |
| Financial liabilities      | <u>(4,045,031)</u>    | <u>(2,793,995)</u>    |
|                            | <u>142,187</u>        | <u>864,952</u>        |
| Variable rate instruments: |                       |                       |
| Financial liabilities      | <u>( 731,701)</u>     | <u>(1,803,714)</u>    |

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

Cash flow sensitivity analysis for variable rate instruments

An increase of 250 basis points (bps) or a decrease of 100 bps in interest rates at the reporting date would have (decreased)/increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for the previous year.

|                           | <u>2017</u>                          |                                      | <u>2016</u>                          |                                      |
|---------------------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
|                           | 250 bps<br><u>increase</u><br>\$'000 | 100 bps<br><u>decrease</u><br>\$'000 | 250 bps<br><u>increase</u><br>\$'000 | 100 bps<br><u>decrease</u><br>\$'000 |
| Variable rate instruments | <u>(14,634)</u>                      | <u>7,317</u>                         | <u>(36,074)</u>                      | <u>18,037</u>                        |

(iii) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the group 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 group 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 group's approach to liquidity risk management during the year.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

32. Financial instruments (continued)

(b) Financial instrument risks (continued)

(iii) Liquidity risk (continued)

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

|                          | Weighted<br>average<br>interest<br><u>rate</u><br>% | Carrying<br><u>amount</u><br>\$'000 | Contractual<br>cash<br><u>flows</u><br>\$'000 | 0-1<br><u>year</u><br>\$'000 | 1-5<br><u>years</u><br>\$'000 |
|--------------------------|---|-------------------------------------|---|------------------------------|-------------------------------|
| <u>2017</u>              |   |                                     |   |                              |                               |
| Secured syndicated loan  | 9.00  | 1,511,712                           | 2,089,143                                     | 233,114                      | 1,856,029                     |
| Bank loans               | 7.62  | 3,124,518                           | 3,977,007                                     | 814,525                      | 3,162,482                     |
| Other related party loan | 5.00  | 87,197                              | 87,197  | 87,197                       | -                             |
| Accounts payable         |   | <u>3,432,056</u>                    | <u>3,432,056</u>                              | <u>3,432,056</u>             | <u>-</u>                      |
|                          |   | <u>8,155,483</u>                    | <u>9,585,403</u>                              | <u>4,566,892</u>             | <u>5,018,511</u>              |
| <u>2016</u>              |   |                                     |   |                              |                               |
| Secured syndicated loan  | 9.17  | 1,670,442                           | 2,138,417                                     | 587,786                      | 1,550,631                     |
| Bank loans               | 7.16  | 2,784,817                           | 3,316,875                                     | 1,003,968                    | 2,312,907                     |
| Other related party loan | 5.00  | 87,197                              | 95,917  | 4,360                        | 91,557                        |
| Accounts payable         |   | <u>2,530,926</u>                    | <u>2,530,926</u>                              | <u>2,530,926</u>             | <u>-</u>                      |
|                          |   | <u>7,073,382</u>                    | <u>8,082,135</u>                              | <u>4,127,040</u>             | <u>3,955,095</u>              |

(iv) Capital management

There were no changes in the group's approach to capital management during the year. 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 group defines as total stockholders' equity, excluding non-controlling interest. The level of dividends to ordinary stockholders is also monitored in accordance with the group'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.

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

33. Subsidiary, associated and joint venture companies

The company has the following subsidiary, associated and joint venture companies. Inactive subsidiaries are excluded.

|  | <u>% equity held</u> |             | <u>Principal place<br/>of business</u> |
|--|----------------------|-------------|--|
|  | <u>2017</u>          | <u>2016</u> |  |
| <b><i>SUBSIDIARY COMPANIES</i></b>               |                      |             |  |
| JP Tropical Group Limited                        | 100                  | 100         | Jamaica                                |
| Aqualta 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                   | 42          | Jamaica                                |
| Harbour Cold Stores Limited                      | 100                  | 100         | Jamaica                                |
| Security Administrators Limited                  | 67                   | 67          | Jamaica                                |
| Western Storage Limited                          | 100                  | 100         | Jamaica                                |
| Western Terminals Limited                        | 100                  | 100         | Jamaica                                |
| Four Rivers Mining Company Limited               | 51                   | 51          | Jamaica                                |
| JP International Group Limited                   | 100                  | 100         | Cayman Islands                         |
| Cooperatief JP Foods U.A.                        | 100                  | 100         | The Netherlands                        |
| A.L. Hoogesteger Fresh Specialist B.V.           | 100                  | 100         | The Netherlands                        |
| Tortuga International Holdings Company Limited   | 62                   | 62          | St. Lucia                              |
| Tortuga (Barbados) Limited                       | 100                  | 100         | Barbados                               |
| Tortuga Imports, Inc                             | 100                  | 100         | U.S.A.                                 |
| Tortuga Caribbean Rum Cake Jamaica Limited       | 100                  | 100         | Jamaica                                |
| Tortuga Caribbean Limited                        | 100                  | 100         | Jamaica                                |
| <b><i>ASSOCIATED COMPANIES</i></b>               |                      |             |  |
| Tortuga Cayman Limited                           |                      | 40          | Cayman Islands                         |
| Shipping Association of Jamaica Property Limited |                      | 30          | Jamaica                                |

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)  
Year ended December 31, 2017

34. Reclassification

Consequent on managements' review of the financial reporting classifications, certain comparative figures in the profit and loss account have been reclassified for consistency with the 2017 presentation, as follows:

|   | <u>As previously<br/>reported</u><br>\$'000 | <u>Adjustments</u><br>\$'000 | <u>As restated</u><br>\$'000 |
|---|---|------------------------------|------------------------------|
| Gross operating revenue                                 | 12,139,235                                  | ( 63,612)                    | 12,075,623                   |
| Cost of revenue   | ( 8,579,606)                                | (253,609)                    | ( 8,833,215)                 |
| Selling, administrative and other<br>operating expenses | ( 2,831,618)                                | 253,609                      | ( 2,578,009)                 |
| Other income  | 101,180                                     | 63,612                       | 164,792                      |