Caribbean Flavours and Fragrances Limited
Summary of Results For The Financial Period Ended December 31, 2018

The Board of Directors of Caribbean Flavours and Fragrances Limited are pleased to present the Audited Financial Statements for the Financial Period ending December 31, 2018. The major highlights of the financial stewardship of the Company are highlighted below:

The results are for the 18 month period ending December 31, 2018 and was driven by the changes made earlier during the year to synchronize CFF's year end with the Company's parent, Derrimon Trading Company Limited.

It is also important to note that the Company's 100% remission of income taxes expired on 2 October 2018, and as a consequence the Company's taxable profits will be subject to 50% tax remission until 2 October 2023. For this Eighteen Months (18) Financial Period, taxes were paid for three (3) months. The major financial highlight for the Eighteen (18) months period are as follows:

- Revenue of $674.3 million representing an increase of $263.7million or a 64.2% over the $410.6 million reported for the 2017 financial year.
- Gross Profit of $242.1 million representing an increase of $74.2 million or a 44.2% increase over the $167.9 million reported in 2017.
- Net Profit of $115.9 million representing an increase of $33.0 million or a 39.8% increase over the $$82.9 million reported in 2017. The continuous positive growth in net profits was driven by our ability to manage our operational expenses whilst growing revenue at a double-digit rate.
- Improvement in Net Working Capital by $62.2 million year over year.
- The earnings per share for the 2018 period increased to $1.29 per share compared to the $0.92 cents per share as reported in 2017.

A deliberate strategy to maintain sufficient inventory levels in order to better satisfy our customers requirements has allowed the Company to grow its revenues and profits. The securing of new markets for fragrances and increasing the volume of sales of flavours to existing customers and new customers in foreign markets has also contributed significantly in this regard.

Based on the outlook for the coming year, it is expected that the company will continue to improve its profits whilst increasing its market share in both the domestic and overseas markets.

The Board of Directors
February 27, 2019

Caribbean Flavours and Fragrances Limited
Financial Statements
31 December 2018

Caribbean Flavours and Fragrances Limited
Index
31 December 2018

	Page
Independent Auditor's Report to the Members	
Financial Statements	
Statement of Comprehensive Income	1
Statement of Financial Position	2
Statement of Cash Flows	3
Statement of Changes in Equity	4
Notes to the Financial Statements	6 - 36

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

2 Seymour Avenue, Unit 11
Seymour Park, Kingston 6
Phone: (876) 978-3129 / (876) 978-9789
Fax: (876) 927-6409
Website: www.wmckenley.com

Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

Report on the Audit of the Financial Statements

Our Opinion

We have audited the financial statements of Caribbean Flavours and Fragrances Limited ("the Company") which comprise the statement of comprehensive income, the statement of financial position as at 31 December 2018, the statement of cash flows and the statement of changes in equity for the 18 months period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the 18 months period then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company within the meaning of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our Audit Approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatements in the financial statements. In particular, we considered where management made subjective judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including, among other matters for consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are 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. During the audit, we encountered no key audit matter for disclosure.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report inclusive of the Director's, Chairman of the Board and the Chief Executive Officer Reports 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 auditor's report.

Our opinion on the financial statements does not cover the other Information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information referred to above when it becomes available and, in doing so, we will consider whether the other information is materially consistent with the financial statements or whether knowledge obtained by us from the audit, or otherwise, appear to indicate any material misstatements.

When we read the Annual Report, if we conclude that there are any material misstatements therein, we are required to communicate the matter to the Board of Directors.

Management is responsible for the preparation of these 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 misstatements, 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, matters relative to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

Auditor's Responsibilities for the Audit of the Financial Statements

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's 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 International Standards on Auditing (ISA) 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.

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 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 to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are not responsible for the direction, supervision, and performance of the Company. We remain solely responsible for our audit opinion.
- 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 to our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with the Board of Directors, 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 the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships

Independent Auditors' Report

To the Members of
Caribbean Flavours and Fragrances Limited

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

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 auditor's report unless law or regulation precludes public disclosures about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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 our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Wilfred McKenley.

McKenley + Associates

Chartered Accountants

27 February 2019
Kingston, Jamaica

Caribbean Flavours and Fragrances Limited
Statement of Comprehensive Income
18 months ended 31 December 2018

	Note	18 months ended 31 December 2018 $'000	12 months ended 30 June 2017 $'000
Revenue	3	674,298	410,636
Cost of sales	5	(432,190)	(242,694)
Gross profit		242,108	167,942
Selling and distribution costs	5	(7,262)	(6,327)
Administrative expenses	5	(140,990)	(88,685)
Operating profit		93,856	72,930
Finance income	6	25,381	10,777
Finance cost	6	(1,152)	(830)
Profit before tax		118,085	82,877
Taxation	7	(2,204)	-
Net profit being total comprehensive income for year		115,881	82,877
Dividends paid		(19,293)	(28,660)
Retained earnings		96,588	54,217
Earnings per share	8	$1.29	$0.92

Caribbean Flavours and Fragrances Limited
Statement of Financial Position
31 December 2018

	Note	31 December 2018 $'000	30 June 2017 $'000
Non-current assets			
Property, plant, and equipment	9	21,196	14,915
Current assets			
Inventories	10	130,862	97,218
Receivables	11	96,364	60,122
Taxation recoverable		5,999	4,823
Investments	12	154,416	131,202
Cash and cash equivalents	13	65,632	67,828
		453,273	361,193
Current liabilities			
Payables	14	37,679	34,606
Taxation payable		2,204	-
Current portion of long-term borrowings	16	2,531	2,290
		42,414	36,896
Net current assets		410,859	324,297
		432,055	339,212
Stockholders' Equity			
Share capital	15	56,200	56,200
Retained earnings		370,957	274,370
		427,157	330,570
Non- current liability			
Borrowings	16	4,898	8,642
		432,055	339,212

Approved for issue by the Board of Directors on 27 February 2019 and signed on its behalf by:

Howard Mitchell – Director

Clive Nicholas – Director

Caribbean Flavours and Fragrances Limited
Statement of Cash Flows
18 months ended 31 December 2018

		18 months ended 31 December 2018 $'000	12 months ended 30 June 2017 $'000
Cash flows from operating activities:			
Profit for the year		115,881	82,877
Items not affecting cash:			
Interest income	6	(11,519)	(7,968)
Interest expense	6	1,152	830
Depreciation	9	7,185	3,037
		112,699	78,776
Changes in operating assets and liabilities -			
Inventories		(33,646)	(25,467)
Receivables		(36,242)	(20,676)
Payables		3,073	14,865
Taxation payable		2,204	-
Taxation recoverable		(1,176)	(358)
		(65,787)	(31,636)
Cash (used in)/provided by operating activities		46,912	47,140
Cash flows from investing activities			
Purchase of fixed assets	9	(13,466)	(14,954)
Purchase of investments		(23,213)	(78,400)
Interest received		11,519	7,968
Net cash used in investing activities		(25,160)	(85,386)
Cash flows from financing activities			
(Decrease)/Increase in loans		(3,503)	10,932
Interest expense		(1,152)	(830)
Dividends paid	18	(19,293)	(28,660)
Net cash used in financing activities		(23,948)	(18,558)
Decrease in cash and cash equivalents		(2,196)	(56,804)
Cash and cash equivalents at the beginning of year		67,828	124,632
Cash and cash equivalents at the end of year	13	65,632	67,828
Represented by:			
Cash on hand		51,303	30,863
Bank balances		14,329	36,965
		65,632	67,828

Caribbean Flavours and Fragrances Limited
Statement of Changes in Equity
18 months ended 31 December 2018

	Note	Share Capital	Retained Earnings	Total
		$'000	$'000	$'000
Balance at 30 June 2015		56,200	146,082	202,282
Net Profit for 12 months ended 30 June 2015		-	74,070	74,070
Balance at 30 June 2016		56,200	220,152	276,352
Net profit for 12 months ended 30 June 2017		-	82,877	82,877
Dividend paid	18	-	(28,660)	(28,660)
Balance at 30 June 2017		56,200	274,369	330,569
Net profit for 18 months ended 31 December 2018		-	115,881	115,881
Dividend paid		-	(19,293)	(19,293)
Balance at 31 December 2018		56,200	370,957	427,157

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

Caribbean Flavours and Fragrances Limited ("the Company") is incorporated under the Companies Act of Jamaica and domiciled in Jamaica. Its principal activity is the manufacture and distribution of flavours, mainly for the beverage, baking and confectionary industries. The Company also manufactures fragrances primarily for household and general cleaning and sanitation purposes.

Its registered office is located at 226 Spanish Town Road, Kingston 11.

Effective 2 October 2013, Caribbean Flavours and Fragrances Limited (CFFL) shares were listed on the Junior Market of the Jamaica Stock Exchange.

Subsidiary: change of accounting year end date to 31 December

The Company's is a subsidiary of Derrimon Trading Company Limited (DTCL). The Company's year-end was formerly 30 June but during the year, the Company applied to Tax Administration Jamaica (TAJ) to change its year end to 31 December to align with that of its parent company, DTCL. Tax Administration Jamaica by letter dated 26 June 2017, approved the change to 31 December pursuant to Section 6 of the Income Tax Act. DTCL is the registered holder of 62.02% of the issued capital of CFFL.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Statement of compliance

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied for all the years presented, unless otherwise stated.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed herein.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation

Revenues and expenses

Revenues and expenses are recorded on the accrual basis, whereby transactions and events are recognized in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent

Functional and presentation currency

The financial statements are presented in Jamaican dollars (JA$), the company's functional currency.

Judgments and estimates

The preparation of the financial statements in accordance with IFRS requires Management to make judgments and estimates that affect:

- The application of accounting policies;
- The reported amounts of assets and liabilities;
- Disclosures of contingent assets and liabilities; and
- The reported amounts of revenue and expenses during the reporting periods.

Actual results may differ from estimates made in the financial statements.

Judgments are made in the selection and assessment of the Company's accounting policies. Estimates are used mainly in determining the measurement of recognized transactions and balances. Estimates are based on historical experience, and other factors, including expectations of future events, believed to be reasonable under the circumstances. Judgments and estimates are interrelated. The Management's judgments and estimates are continually re-evaluated to ensure they remain appropriate. Revision to accounting estimates is recognized in the period in which the estimates are revised and in the future periods affected.

The following are the accounting policies that are subject to judgments and estimates that the Management believes could have the most significant impact on the amounts recognized in the financial statements.

Inventories

Estimation – Inventories are carried at the lower of cost and net realized value. The estimation of net realized value is based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realize. Additionally, estimation is required for inventory provision due to shrinkage, slow-moving and obsolescence.

It is possible, based on existing knowledge, that outcomes within the next financial year that are different from those assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Judgments and estimates (continued)

Income and other taxes

Judgment – Income and other taxes are subject to Government policies. In calculating current and recoverable income and other taxes, Management uses judgment when interpreting the tax rules and in determining the tax position. There are some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business.

Estimation – Income and other taxes are subject to Government policies, and estimates are required in determining the provision. Management recognizes liabilities for possible tax issues based on estimates of whether additional taxes may be due.

Allowance for impairment losses on receivables

Estimation – Management's estimate of allowance on accounts receivable is based on analysis of the Aged Receivables and historical experience with delinquency and default. Default rates and the allowance amount are regularly reviewed against the actual outcomes to ensure that they remain appropriate. Management also makes estimates of the likely estimated future cash flows from impaired receivables which may be materially different in the subsequent financial year.

Others

Estimation – Other estimates include determining the useful lives of plant, property and equipment (PPE) for depreciation in accounting for and measuring payables and accruals and in measuring fair values of financial instruments.

Standards, interpretations, and amendments to published standards effective in the current year.

Certain amendments and clarifications to existing standards have been published that became effective during the current financial year. The Company has assessed the relevance of all such new amendments and clarifications and where applicable, have implemented the standard.

- **Amendments to IAS 7,'Statement of Cash Flows'** effective for annual periods beginning on or after 1 January 2017. The amendment introduces an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved. An entity is required to disclose information that will allow users to understand changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as draw-downs and repayments of borrowings and non-cash changes, such as acquisitions, disposals, and unrealised exchange differences. The Company has provided the relevant disclosures in note 16, borrowings.

- **Amendments to IAS 12, 'Income Taxes',** effective for annual periods beginning on or after 1 January 2017. The IASB published amendments to IAS 12, specifically clarifying how to account for deferred tax assets in general by adding examples and elaborating on some of the requirements in more detail. The amendments do not change the underlying principles for the recognition of deferred tax assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

The following new standards, amendments, and interpretations have been issued and may impact the financial statements, but have not been early adopted by the Company. The Company has assessed the relevance of all such standards, interpretations and amendments and has determined that the following may be relevant to its operations. Unless stated otherwise, the impact of the changes is still being assessed by the management of the Company.

- **IFRS 9 'Financial Instruments',** which is effective for accounting periods beginning on or after 1 January 2018.

  In July 2014, the IASB issued the final version of IFRS 9 – *Financial Instruments,* which brings together the classification and measurement, impairment and hedge-accounting phases of the IASB's project to replace IAS 39 – *Financial Instrument: Recognition and Measurement.* IFRS 9 principal focus 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 disclosure requirements about expected credit loss and credit risk. For hedge accounting – The new general hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

  Management, based on its overall assessment of the effects of applying this new standard does not expect it to have any significant impact on the company's financial statements.

- **IFRS 15, 'Revenue from Contracts with Customers',** effective for accounting periods beginning on or after 1 January 2018.

  In May 2014, the IASB issued IFRS 15 – *Revenue from contracts with customers,* which replace IAS 11 – *Construction contracts, IAS 18 – Revenue and International Financial Reporting Interpretation Committee* ("IFRIC") 13 – *Customer loyalty pro*gram *(IFRIC 13),* as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts, and financial instruments. It also contains enhanced disclosure requirements.

  The standard deals with revenue recognition and establish principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

  Management does not expect it to have any significant impact on the company's financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- **Amendments to IFRS 15,' Revenue from contracts with customers'**, effective for annual periods beginning on or after 1 January 2018. This amendment comprises clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment as it relates to presenting gross versus net revenue.

  Management is assessing the impact but does not expect it to have any significant impact on the company's financial statements

- **IFRS 16 'leases,'** which is effective for accounting periods beginning on or after 1 January 2019.

  This standard replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use,' for virtually all lease contracts. The standard includes an optional exemption for certain short-term leases and leases of low-value assets.

- **Amendments to IAS 19, 'Employee benefits'** on plan amendment, curtailment or settlement, effective for annual period beginning on or after 1 January 2019. Management has no intention of implementing an employment benefit scheme and therefore this amendment will have no impact on the financial statements when it becomes applicable

- **Amendments to IAS 40. 'Investment property relating to transfer of investment property,** effective for annul periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be change in use. To conclude, if a property has changed used, there should be an assessment of whether the property meets the definition.

- **IFRIC 22 'Foreign currency transactions and advance consideration,**' effective for annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payment/receipt are made. The guidance aims to reduce diversity in practice. It does not apply if the consideration received or paid at a later date other than the date of initial recognition of the non-monetary asset or non-monetary liability. also, the interpretation need not to be applied to income taxes, insurance contracts or reinsurance contracts.

- **IFRIC 23, 'Uncertainty over income tax treatments',** effective for annual periods beginning on or after 1 January 2019**.** This IFRIC amendment clarifies how the recognition and measurement requirements of IAS 12, 'Income Taxes' are applied where there is uncertainty over income tax treatments. An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether the treatment will be accepted by the tax authority.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company (continued)

- **Annual Improvements to IFRSs2014 -2016 cycles. The amendments to IAS 28, 'Investment in associates and joint ventures',** effective for annual periods beginning on or after 1 January 2018, clarifies that the election by venture capital organizations, mutual funds, unit trusts and similar entities to measure investments in associates or joint venture at fair value through profit or loss should be made separately for each associate or joint venture at initial recognition. There was no significant impact of adopting this amendment because the Company made no acquisition or entered into any joint arrangement during the year.

- **Annual Improvements to IFRS 2015-2017 Cycle – Amendments to IFRS, IAS 12 and IAS 23,** effective for annual periods beginning on or after 1 January 2019. The amendment to IFRIS 3 clarifies how a company re-measures its previously held interest in a joint operation when it obtains control of a business. The amendments to IAS 12 clarify that all income tax consequences of dividends should be recognised in profit or loss, regardless how the tax arises. The amendment to IAS 32 clarifies that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalization rate on general borrowings.

  There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a material impact on the operations of the Company.

  The Company is assessing the likely impact of future adoption of these likely changes and other IFRS or IFRIC interpretations that are not yet effective and has determined that these standards are not expected to have any material impact on the accounting policies or financial disclosures of the Company.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Functional and presentation currency

The financial statements are presented in Jamaican dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest thousand dollars, unless otherwise indicated.

(c) Foreign currency translation

Transactions in foreign currencies are translated into Jamaican dollars at rates in effect at the date of the transaction.

Monetary assets and liabilities in foreign currencies are translated into Jamaican dollars at the closing exchange rate at the statement of financial position date. Non-monetary assets and liabilities in foreign currencies that are measured in terms of historical cost are translated into Jamaican dollars at the exchange rate in effect at the date of the transaction or initial recognition. Non-monetary items in foreign currencies that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange gains and losses arising from translation are included in profit or loss.

Exchange rates are determined by the published weighted average rate at which commercial banks trade in foreign exchanges.

(d) Financial instruments – recognition and measurement

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party. Financial assets and financial liabilities are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of a financial instrument. All financial instruments are required to be measured at fair value on initial recognition. Subsequent measurement of these assets and liabilities is based on fair value or amortized cost using the effective interest method.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities, except those classified as fair value through profit or loss ("FVTPL"), are added to or deducted from the fair value of the financial assets and financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities classified as fair value through profit or loss are recognized immediately in net income.

The Company classifies financial instruments, at the time of initial recognition, according to their characteristic and management's choice and intentions related to it for ongoing measurement. Classification choices for financial assets include:

a. FVTPL
b. Held-to-maturity investments
c. Available-for-sale, and
d. Loans and receivables

Financial instruments are classified as FVTPL when the instrument is either held for trading or designed as such upon initial recognition. Financial instruments are classified as held for trading.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Financial instruments – recognition and measurement (continued)

if acquired principally to sell shortly or if part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit making.

Fair value through profit or loss

Financial instruments classified as FVTPL are measured at fair value, with changes in fair value recorded in net income in the period in which they arise.

Held-to-maturity investments

Financial assets are classified as held-to-maturity investments on initial recognition when the entity has a positive intention and ability to hold to maturity. These financial assets have fixed or determinable payments and fixed maturity. After initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is derecognized or impaired.

Available-for-sale

Financial assets classified as available-for-sale, are measured at fair value with changes in fair value recognized in Other Comprehensive Income ("OCI") until realized through disposal or other than temporary impairment, at which point the change in fair value is recognized in net income. Dividend income from available-for-sale financial assets is recognized in net income when the Company's right to receive payments is established. Interest income on available-for-sale financial assets, calculated using the effective interest rate method, is recognized in net income.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the asset is de-recognized or impaired.

Other liabilities

After initial recognition, other financial liabilities are measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the liability is derecognized.

De-recognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flow from the assets expire or when the Company transfers the financial asset to another party without retaining control or substantially all the risks and rewards of ownership of the asset. Any interest in transferred financial assets created or retained by the Company is recognized as a separate asset or liability.

A financial liability is derecognized when the contractual obligations are discharged, canceled or expire.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation. Depreciation on assets under construction does not commence until they are complete and available for use. Depreciation on all other property, plant and equipment is calculated on the straight-line basis at annual rates estimated to write-off the carrying value of the assets over the period of their estimated useful lives. The land is not depreciated.

The annual rates are as follows: -

Leasehold property & improvements	10%
Buildings	2 1/2%
Plant and machinery, furniture and fixtures, office equipment	10%
Computer equipment	33 1/3%
Motor vehicles	25%

The assets' residual values and useful life are reviewed periodically for impairment. Where an asset's carrying amount is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognized in other income in the statement of comprehensive income.

Repairs and maintenance expenditure are charged to statement of comprehensive income during the financial period in which they are incurred.

(f) Inventories

Inventories are valued at the lower of cost, determined principally on a weighted average cost basis and fair value less costs to sell. Cost, where applicable, is determined as follows:

Finished goods:	costs of the product, plus all indirect costs, such as labour and appropriate allocations for overhead expenses, to bring the product to a saleable condition.
Work-in-progress:	cost of product, labour plus appropriate allocations for overhead expenses.
Goods-in-transit:	cost of goods translated at the year- end exchange rate.

(g) Trade receivables

Trade and other receivables are carried at anticipated realizable value. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in bad debt expense in the statement of comprehensive income. When a trade receivable is deemed uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognized as recovery and (credited to bad debt expense in the statement of comprehensive income.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Dividends

Dividends on ordinary shares are recognized in stockholder's equity in the period in which they become legally payable. Interim dividends are due when declared and approved by the directors while final dividends are approved by shareholders at the Annual General Meeting.

Dividends for the year that are declared after the reporting date are disclosed in the subsequent events note.

(i) Trade and other payables

Trade payables are obligations of the Company for goods or services acquired in the ordinary course of business from vendors and suppliers and are stated at cost.

(j) Current and deferred Income taxes

Current

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax

Deferred tax is the tax that is expected to be paid or recovered on the differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to statement of income, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

Effective 3 October 2018, the 100% tax remission status of the Company expired under the Junior Market tax incentive agreement. The Company is now subject to 50% tax remission of Income Taxes for the next 5 years to 2 October 2023. Deferred taxation was accounted for during the period ended 31 December 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Cash and cash equivalents

Cash and cash equivalents are carried at the statement of financial position date at cost. For the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturities of three months or less, net of any bank overdraft.

(l) Employee benefits

(i) Employee benefits include current or short-term benefits such as salaries, statutory contributions paid, annual vacation and sick leave and non-monetary benefits such as medical care. Entitlement to annual leave and other benefits are recognized when they accrue to employees.
(ii) The Company does not operate a pension scheme
(iii) The Company does not have a formal profit-sharing or bonus plan in place for permanent employees.

(m) Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain.

Where there are some similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense.

(n) Debt: borrowing cost and interest

Debt is classified as current when the Company expects to settle the liability in its normal operating cycle, it holds the liability primarily for trading, the liability is due to be settled within 12 months after the date of the statement of financial position, or it does not have an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position; otherwise, it is classified as long-term. After initial recognition, debt is measured at amortized cost using the effective interest rate method, less any impairment, with gains and losses recognized in net income in the period that the liability is derecognized.

Bank and other borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost.

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Earnings per share

The earnings per share are computed by dividing the profit attributable to the ordinary shareholders by the number of ordinary shares issued.

(p) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributed to the issue of ordinary shares are recognized as a deduction from equity.

(q) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. To assess impairment, assets are grouped at the lowest levels for which there are separately identical cash flows.

Calculation of recoverable amount and reversal of impairment

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation. Such reversal is recognized in the income statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

(r) Segment reporting

An operating segment is a component of a company that engages in business activities from which it may earn revenues and incur expenses. The entity's Chief Operation Decision Maker (CODM) also regularly reviews the operating results to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the Company are considered as one operating segment.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Related parties

A related party is a person or entity that is related to the entity that is preparing the financial statements; referred to in IAS 24 Related Party Disclosures as the "reporting entity."

(a) **A person or a close member of that person's family is related to a reporting entity if that person:**

(i) Has control or joint control over the reporting entity;
(ii) Has significant influence over the reporting entity; or
(iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) **An entity is related to a reporting entity if any of the following conditions apply:**

(i) The entity and the reporting entity are members of the same group.
(ii) One entity is an associate or joint venture of the other entity.
(iii) Both entities are joint ventures of the same third party
(iv) One entity is a joint venture of a third entity, and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of the employees of either the reporting entity or an entity related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a) above.
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity.

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

(t) Comparative balances

When necessary, comparative figures are reclassified to conform to the changes in presentation in the current year. However, the comparative profit or loss figures relate to transactions for the year ended June 30, 2016 while the current figures cover the 18-month period from 1 July 2017 to 31 December 2018. The current statement of financial position is at 31 December 2018 while the comparative statement of financial position is as at June 30, 2017.

The Company's year-end was changed from 30 June to 31 December to align with that of its parent company to facilitate consolidating the company's results with its parent Company.

3. REVENUE RECOGNITION

Revenue is recognized when the amount can be reliably measured, when it is probable that future economic benefits will flow to the Company, and when specific criteria have been met for each of the activities described below:

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration that is due relating to the delivery and supply of goods.

Services rendered

Revenue from the provision of services is recognized when the service has been provided to customers.

Finance income

Finance income comprises interest-earned on funds invested and foreign exchange gains recognized in profit or loss. Interest income is recognized using the effective interest method as it accrues.

Other operating income

Other operating income, where applicable, includes gains on disposal of assets recognized when the transaction is complete, rental of investment property recognized when earned, and miscellaneous inflows recognized when received and monies lodged to the Company's bank account.

4. GOING CONCERN

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

5. LIST OF EXPENSE CATEGORIES

	18 months ended 31 December 2018 $'000	12 months ended 30 June 2017 $'000
Cost of inventories recognized as expense	432,190	242,694
Sub-total: cost of sales	432,190	242,694
Selling, advertising, promotion and distribution	6,017	4,444
Motor vehicle expenses	1,244	1,883
Sub-total: Selling and distribution	7,262	6,327
Audit fee	2,550	2,500
Bank charges	2,237	1,656
Depreciation	7,185	3,037
Donations and subscriptions	793	469
Entertainment	350	299
Insurance	3,842	2,027
Rent	14,815	8,703
Legal and professional fees	8,453	5,103
Motor vehicle	1,966	-
Office and general	6,960	2,280
Asset and other taxes	213	229
Printing and stationery	1,107	639
Minimum business tax	90	30
Repairs and maintenance	2,777	1,423
Staff costs (note 17)	49,816	29,601
Security	2,310	1,416
Telephone and postage	2,798	1,324
Travelling	9,830	5,428
Utilities	4,089	2,664
Directors' fees	810	800
Directors' remuneration	18,000	11,179
Provision for doubtful debts/(recoveries)	-	(223)
Acquisition costs: professional fees	-	8,101
Sub-total:	140,990	88,685
Grand total	580,442	337,706

6. FINANCE INCOME AND COSTS

	18 Months ended 31 December 2018 $'000	12 Months ended 30 June 2017 $'000
Finance income		
Interest income	11,519	7,968
Net foreign exchange gains	13,861	2,809
	25,381	10,777
Finance costs		
Loan interest incurred	1,152	830

7. TAXATION

Taxation is based on profit for the year adjusted for taxation purposes and comprises:

	18 Months ended 31 December 2018 $'000	12 Months ended 30 June 2017 $'000
Current taxation	2,204	-

The tax effect of the difference between the treatment of items for financial statements and taxation purposes is as follows:

	18 Months ended 31 December 2018 $'000	12 Months ended 30 June 2017 $'000
Profit before tax	118,085	82,877
Taxation at 25%	25,325	20,719
Difference between depreciation and capital allowances	334	209
Expenses not allowed for tax purposes	73	2,029
Remission of income tax	(23,528)	(22,957)
Current taxation	2,204	-

Remission of income tax

By notice dated 13 August 2009, the Minister of Finance and the Public Service, issued and gazette the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Market of the Jamaica Stock Exchange (JSE) if certain conditions were achieved after the date of initial admission.

Effective 2 October 2013, the Company's shares were listed on the Junior Market of the JSE. The Company is entitled to a remission of income taxes for ten years in the following proportion:

Years 2014 - 2018 – 100% of standard rate
Years 2019 - 2023 – 50% of standard rate

7. TAXATION (continued)

Remission of income tax (continued)

The Company's 100% remission of income taxes expired 2 October 2018, and as a consequence the Company's taxable profits will be subject to 50% tax remission until 2 October 2023. Income tax is calculated at 50% of the Company's taxable profits for the three (3) months ended 31 December 2018.

The Company will continue to benefit from the tax remission provided the following conditions are met:

(i) the Company remains listed for at least 15 years and is not suspended from the JSE for any breaches of its rules
(ii) the Subscribed Participating Voting Share Capital of the Company does not exceed J$500 million
(iii) the Company has at least 50 Participating Voting Shareholders.

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. The Company did not consider the potential 2018 deferred tax liability of approximately fifty thousand dollars to be significant but the full impact will be recorded in the financial statements for the year ended 31 December 2019.

8. EARNINGS PER SHARE

Earnings per share are calculated by dividing the profit for the eighteen (18) month period by the weighted average number of ordinary shares outstanding during the period. The profit for the period was $118,085,330 (year ended 30 June 2017 - $82,877,000) and the numbers of shares were 89,920,033 as at 31 December 2018. (89,920,033 as at 30 June 2017).

9. PROPERTY, PLANT AND EQUIPMENT

	2018					
	Leasehold Property	Leasehold Improvements	Plant, Machinery Furniture & Fixtures	Office Computer & Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At cost -						
1 July 2017	3,413	1,922	8,704	1,083	10,975	26,097
Additions	-	2,699	5,399	62	5,306	13,466
31 December 2018	3,413	4,621	14,103	1,145	16,281	39,563
Depreciation -						
1 July 2017	3,413	116	5,621	203	1,829	11,183
Charge for the period	-	377	1,701	276	4,830	7,184
31 December 2018	3,413	493	7,322	479	6,660	18,367
Net Book Value -						
31 December 2018	-	4,128	6,782	666	9,622	21,196

9. PROPERTY, PLANT AND EQUIPMENT (continued)

2017

	Leasehold Property	Leasehold Improvements	Plant, Machinery Furniture & Fixtures	Office Computer & Equipment	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At cost -						
1July 2016	3,413	-	7,502	228	-	11,143
Additions	-	1,922	1,202	855	10,975	14,954
30 June 2017	3,413	1,922	8,704	1,083	10,975	26,097
Depreciation -						
30 June 2016	3,269	-	4,854	23	-	8,146
Charge for the year	144	116	767	181	1,829	3,037
30 June 2017	3,413	116	5,621	204	1,829	11,183
Net Book Value -						
30 June 2017	-	1,806	3,083	879	9,146	14,915

10. INVENTORIES

	31 December 2018 $'000	30 June 2017 $'000
Inventories comprise:		
Raw materials	79,441	57,029
Manufactured finished goods	9,550	9,229
Imported goods for resale	41,871	30,960
	130,862	97,218

During the period, there was $2.5 Million (2017 – Nil) inventory write-downs..

11. RECEIVABLES

	31 December 2018 $'000	30 June 2017 $'000
Trade	92,929	55,975
Less provision for bad debts	(853)	(432)
	92,076	55,543
Prepaid purchases	404	-
Prepaid insurance	1,424	820
Staff loans & deposit on fixed assets	1,083	2,388
Other	1,377	1,371
	96,364	60,122

Movement during the year in the allowance for doubtful debts account was as follows:

	31 December 2018 $'000	30 June 2017 $'000
Opening balance at 30 June	432	655
Increase/(decrease) in provision	421	(223)
Closing balance at 31 December	853	432

12. INVESTMENTS

	31 December 2018 $'000	30 June 2017 $'000
Held-to-Maturity		
(i) 2.25 % : Jamaica Money Market Brokers	106,659	69,365
(ii) 11.00 % : Derrimon Trading Company Limited	-	15,227
(iii) 1.35 % : NCB Capital Markets	47,757	46,610
	154,416	131,202

(i) This represents an investment in US Dollars.
(ii) This represents a private placement by Mayberry Investments Limited.
(iii) This represents a repurchase agreement in US Dollars.

13. CASH AND CASH EQUIVALENTS

	31 December 2018 $'000	30 June 2017 $'000
Cash on hand	302	30,863
Cash equivalent: J$ bank balances	4,107	17,883
Cash equivalent: US$ and other foreign currency balances	10,222	19,082
	14,632	67,828

The weighted average effective interest rate, in 2018, on Jamaican dollar (J$) cash equivalent was approximately 2.75% and on US$ cash equivalent was approximately 1.15%.

14. PAYABLES

	31 December 2018 $'000	30 June 2017 $'000
Trade payables	20,612	17,126
General Consumption Tax (GCT)	5,846	5,142
Professional fees	2,550	2,500
Statutory contributions	1,274	408
Vacation leave	354	606
Other	7,043	8,824
	37,679	34,606

15. SHARE CAPITAL

	31 December 2018 $'000	30 June 2017 $'000
Authorized:		
91,452,000 ordinary shares of no-par value		
Issued and fully paid:		
89,920,033 ordinary shares of no-par value	56,200	56,200

16. BORROWINGS

	31 December 2018 $'000	30 June 2017 $'000
8.35% First Global Bank (FGB)	7,429	10,932
Less current portion due within 12 months	(2,531)	(2,290)
	4,898	8,642

The FGB loan monthly repayment is $ 254,642, inclusive of interest and final repayment date is September 2021. The loan is secured by a motor vehicle.

17. STAFF COSTS

	31 December 2018 $'000	30 June 2017 $'000
Casual labour	2,844	1,365
Salaries and wages	28,490	18,527
Statutory contributions	4,233	1,920
Travelling allowance	6,004	2,783
Staff welfare & training	6,370	3,471
Health and group life insurance	1,874	1,535
	49,816	29,601

The average number of persons employed by the Company during the year is as follows:

	31 December 2018 $'000	30 June 2017 $'000
Full time	19	18
Part time	2	1
	21	19

18. DIVIDENDS

	31 December 2018 $'000	30 June 2017 $'000
Dividends paid during the year	19,293	28,660

The Board of Directors on 8 June 2018, approved the payment of a dividend of $0.25 per share to shareholders on record on 20 June 2018. The payment was made 2 July 2018.

During the year ended 30 June 2017, the Board of Directors of the Company approved on 10 May 2017 a dividend of $0.25 per stock unit which was paid on 13 June 2017 to stockholders.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Overview and risk management framework

The Company's overall risk management policies are established to identify and analyze the risks it faces and to set appropriate risk levels and controls and to monitor risk and adherence to limits. Derivative financial instruments are not used to reduce exposure to any of the risk.

The Board of Directors is ultimately responsible for the oversight of the Company's risk management and has established committees such as audit and treasury to monitor risks. The Company seeks to minimize potential adverse effects on the Company's financial performance and to manage these risks by close monitoring of each risk factor.

The Company has exposure to the following risks from the use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (including foreign currency and interest rate risk)

The Company has exposure to the following risks from its operations:

- Operational risk; and
- Reputational risk

The following presents information about the Company's exposure to each of the above risks and the Company's objectives, policies, and processes for measuring and managing these risks. Further quantitative disclosures are included throughout the financial statements and notes thereof.

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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

Cash and cash equivalents,

The Company limits its exposure to credit risk by:

- Placing cash resources with reputable financial institutions which they consider to be stable and have minimal risk of default and
- Investing in liquid securities with credit worthy institutions.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Trade receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Management has a credit policy in place under which each customer is analysed for credit worthiness before being offered credit. The Company does not require collateral in respect of trade and other receivables.

At 31 December 2018, there were no significant concentrations of credit risk in respect of the five (5) major customers that comprise 71% (30 June 2017 - 64 %) of the trade receivables balance.

At 31 December 2018, amounts receivable from these customers aggregated approximately $62 million (30 June 2017 - $35 million)

Due to related parties

At the reporting date, there were no amounts due to any related parties.

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

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	31 December 2018 $'000	30 June 2017 $'000
Cash and cash equivalent	14,632	67,828
Accounts receivable	96,364	60,122
	110,996	127,950

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Impairment:

The Company establishes a provision for impairment that represents its estimate of possible incurred losses in respect of trade receivables. Impairment is assessed for each customer balance over 90 days. The Company's exposure to this risk is minimal because approximately 0.9%. (30 June 2017 – 0.7%) of its gross trade debtors were over 90 days).

The Company's credit period on the sale of goods ranges from 7 to 30 days Trade receivables over 90 days overdue are considered impaired and are reviewed for any necessary provision. The impairment recognized represents an estimate of possible incurred losses in respect of trade receivables over 90 days. The impaired receivables mainly relate to customers who are in unexpected difficult economic situations. It was assessed that a portion of the impaired receivables is expected to be recovered.

The Company has provided fully for all receivables where collectability is deemed doubtful.

	31 December 2018 $'000 $		30 June 2017 $'000 $	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Past due 0 to 60 days	70,148	-	53,259	-
Past due 61 to 90 days	16,871	-	1,145	-
Past due over 90 days	5,910	853	1,571	432
	92,929	853	55,975	432

As of 31 December 2018, trade receivables of $5,910,000) (30 June 2017- $1,571,000) for the Company were impaired and the amount of the provision was $853,000 (30 June 2017 - $ 432,000). The Company made provision for all debts considered uncollectible and considered the provision to be adequate as at 31 December 2018.

Financial instruments counterparty

The Company's exposure to financial instruments counterparty credit risk is related to its activities with cash and cash equivalent balances and investments. The Company manages this exposure to financial instruments by maintaining these balances with licensed financial institutions considered to be stable and are deemed to have low risk of default and to transact only with highly rated counterparties.

Maximum exposure to financial instruments counterparty credit risk

	31 December 2018 $'000	30 June 2017 $'000
Credit risk exposures are as follows:		
Investments	154,416	131,202
Cash and short-term cash equivalents	14,632	67,828
	169,048	199,030

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(i) Credit risk (continued)

Due from related parties:

	31 December 2018 $'000	30 June 2017 $'000
Credit risk exposures are as follows:		
Opening balance:	-	-
Amounts loaned during the year	289,060	201,665
Amounts repaid during the year	(289,060)	(201,665)
Balance at the end of the year	-	-

Amounts were loaned to and repaid by the Company's parent company during the year. The amounts were loaned interest-free with no defined repayment period.

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

(ii) Liquidity risk

Liquidity risk is the risk that the Company might encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

Liquidity risk management process

The Company manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. The Company maintains cash and short-term deposits for up to 90-day periods to meet its liquidity requirements.

The Company's liquidity management process, as carried out by the Company and monitored by the Treasury function, includes:

I. Monitoring future cash flows and liquidity on an ongoing basis. This incorporates an assessment of expected cash flows.
II. Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow.
III. Maintaining committed lines of credit.
IV. Managing the concentration and profile of debt maturities
V. Optimizing cash returns on investments.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(ii) Liquidity risk (continued)

Cash flows of financial liabilities

The Company's financial liabilities comprise long-term loans and payables and accruals. The table below shows the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to settle its liabilities. These amounts are due as follows:

	31 December 2018				
	Carrying Amount $'000	Contractual Cash Flows $'000	1 year or less $'000	1-2 years $'000	2-5 years $'000
Accounts payable	37,679	37,679	-	-	-
Long-term liabilities	7,429	8,403	3,056	5,347	-
Total financial liabilities	45,108	46,082	3,056	5,347	-

	30 June 2017				
	Carrying Amount $'000	Contractual Cash Flows $'000	1 year or less $'000	1-2 years $'000	2-5 years $'000
Accounts payable	34,606	34,606	34,606	-	-
Long-term liabilities	10,932	12,987	3,056	6,111	3,820
Total financial liabilities	45,538	47,593	37,662	6,111	3,820

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage market risk exposures within acceptable parameters while optimizing the return. The Company's financial risk management policy establishes guidelines on how the Company is to manage the market risk inherent in the business and provides mechanisms to ensure business transactions are executed in accordance with established limits, processes and procedures.

All such transactions are carried out within the established guidelines. The Company does not use derivatives to manage the volatility of market risk.

Foreign currency risk

Foreign currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company conducts business globally and is exposed to these risks arising from various transactions denominated in foreign currencies, primarily United States ("US$") dollar.

The Company manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Company further manages this risk by maximizing foreign currency earnings and holding foreign currency balances.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

(iii) Market risk (continued)

Exposure to currency risk

At 31 December 2018, the Company was exposed to foreign currency risk primarily on cash and cash equivalents, purchases, and receivables that are denominated in a currency other than the Jamaican dollar. The principal foreign currency exposures of the Company are denominated in United States dollars (US$).

Exposure to foreign currency risk on US$ denominated balances were as follows:

		31 December 2018 $'000	30 June 2017 $'000
Cash and cash equivalent		58	150
Accounts receivable		29	36
Investments		830	905
Accounts payable		(60)	(85)
Net cash position	US$	857	1,006
Equivalent to	J$	109,456	128,405

Exchange rates regarding the Jamaican dollar ($) to the United States dollar (US$) and Euro (€) were as follows:

	US$	EURO€
At 31 December 2018	127.72	144.19
At 30 June 2017	128.22	127.64

Foreign currency sensitivity

Changes in the exchange rates of the Jamaican dollar ($) to the Unites States dollar (US$) and the Euro (€) would have the effects on profit as described below:

	Increase/(decrease) in profit for the year	
	31 December 2018 $'000	30 June 2017 $'000
10% (2017:10%) strengthening of the US$ and Euro (€) against the J$	13,980	12,840
1% (2017:1%) weakening of the US$ and Euro (€) against the J$	(1,398)	(1,284)

The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2017 as that of 2016.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Interest–bearing financial assets are primarily cash and cash equivalent, securities purchased under resale agreements and investments. Interest bearing financial liabilities are represented by loans and bank overdrafts.

The Company attempts to manage the risk relating to financial liabilities by procuring the most advantageous rates, where possible, under contracts with interest rates that are fixed for the life of the contract. A financial asset is primarily managed by investing excess cash in short-term deposits and maintains interest-earning bank accounts with licensed, reputable financial institutions.

At the reporting date, the interest profile of the Company's interest bearing financial instruments was

	31 December 2018 $'000	30 June 2017 $'000
Fixed rate instruments		
Financial assets	153,848	199,030
Financial liabilities	(7,429)	(10,932)
	146,419	188,098

At the statement of financial position there were no variable rate instruments:

Fair value sensitivity analysis for fixed rate instruments

The Company does not hold any financial instruments that are carried at fair value. As a consequence, at the reporting date, no analysis was necessary.

Cash flow sensitivity analysis for variable rate instruments

An increase or decrease in basis points in interest rates at the reporting date would not have increased/(decreased) profit for the year because there were no variable rate instruments held by the Company at 31 December 2018 (30 June 2017- NIL).

Determination of fair value and disclosure of fair value of financial instruments

Fair value is considered as the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market, such as a recognized stock exchange exists, as it is the best evidence of the fair value of a financial instrument.

Financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observed, as follows:

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Determination of fair value and disclosure of fair value of financial instruments (continued)

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical instruments. The available-for-sale instruments in financial repurchase agreement (repo) are classified as level 1.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument either directly (i.e., as prices) or indirectly (i.e., derived from prices). There were no financial instruments held by the Company in this category.

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the instruments that are not based on observable market data (unobservable inputs). There were no financial instruments held by the Company in this category.

The following methods and assumptions have been used in preparing the financial statements at the reporting date:

I. The carrying value of cash and cash equivalents, accounts receivable and accounts payable are assumed to approximate to their carrying values due to their short-term nature.

II. Long term liability carrying value approximate fair value as the loan is carried at amortized cost reflecting its contractual obligations and the interest rate is reflective of market rates for similar loans.

III. Related party balances are carried at their contracted settlement values due to their short-term nature.

IV. Investments classified as available-for-sale are measured at fair value by reference to price quotes as published by established and reputable managers of these instruments.

20. RELATED PARTIES TRANSACTIONS AND BALANCES

(a) The statement of comprehensive income includes the following related party transactions

Expense/(income)	18 Months ended 31 December 2018 $'000	12 Months ended 30 June 2017 $'000
Key management compensation:		
Salaries	18,000	11,179
Rental expense:		
Paid to a company connected to a director	14,815	8,703
Consultancy and salary payments to a related party	4,800	3,000
Dividend payment to the parent company	11,966	17,775
Directors fees:		
Management charges	810	800
Interest income:		
Received from a related company	(5,847)	(5,809)

(b) The statement of financial position

There were no balances due to or from related parties as at 31 December 2018. .

21. CAPITAL COMMITMENTS AND CONTINGENCIES

I. The Company had no outstanding significant capital commitments in respect of projects being undertaken, nor was there any lease arrangements or off-balance sheet transactions as at 31 December 2018 (30 June 2017- $NIL).

II. As at 31 December 2018, as far as the Board of Directors of the Company are aware, there were no legal claims against the Company.

III. The Company's attorneys that routinely act on behalf of the Company, by letter dated 20 February 2019, reported as follows:

- They were not aware of any judgment or settlement or any actual pending or threatened litigation or claim, nor of any outstanding, actual, pending or threatened litigation
- They were not aware of any outstanding tax or other claim against the Company whether pending or threatened, nor are they aware of any other contingent liability against the Company.

IV. As at 31 December 2018, under the 2016 Income Tax (Amended) Act, as a result of its listing on the Junior Market of the Jamaican Stock Exchange, the Company's 100% 5 year income tax remission period expired 2 October 2018. The amount of the income tax remission amounted to $92.2 Million (30 June 2017, - $68.7 Million).

Should the Company default on any of the Junior Market requirements of listing, the total income tax waived will crystallize and be immediately payable to Tax Administration Jamaica.

22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

At 31 December 2018, to the best of management's knowledge and belief, they were not aware of any events that occurred after the statement of financial position date and through to the date of approval of these financial statements that would require adjustment to or disclosure in the aforementioned financial statements. Also, they were not aware of any event or matter, although not affecting such financial statements or disclosures, have caused or are likely to cause any material change, adverse or otherwise, in the financial position or results of operations of the Company.