EVERYTHING FRESH

2018 ANNUAL REPORT

MISSION

It is the mission of Everything Fresh Limited to provide professional, expeditious and courteous service to all customers we serve.

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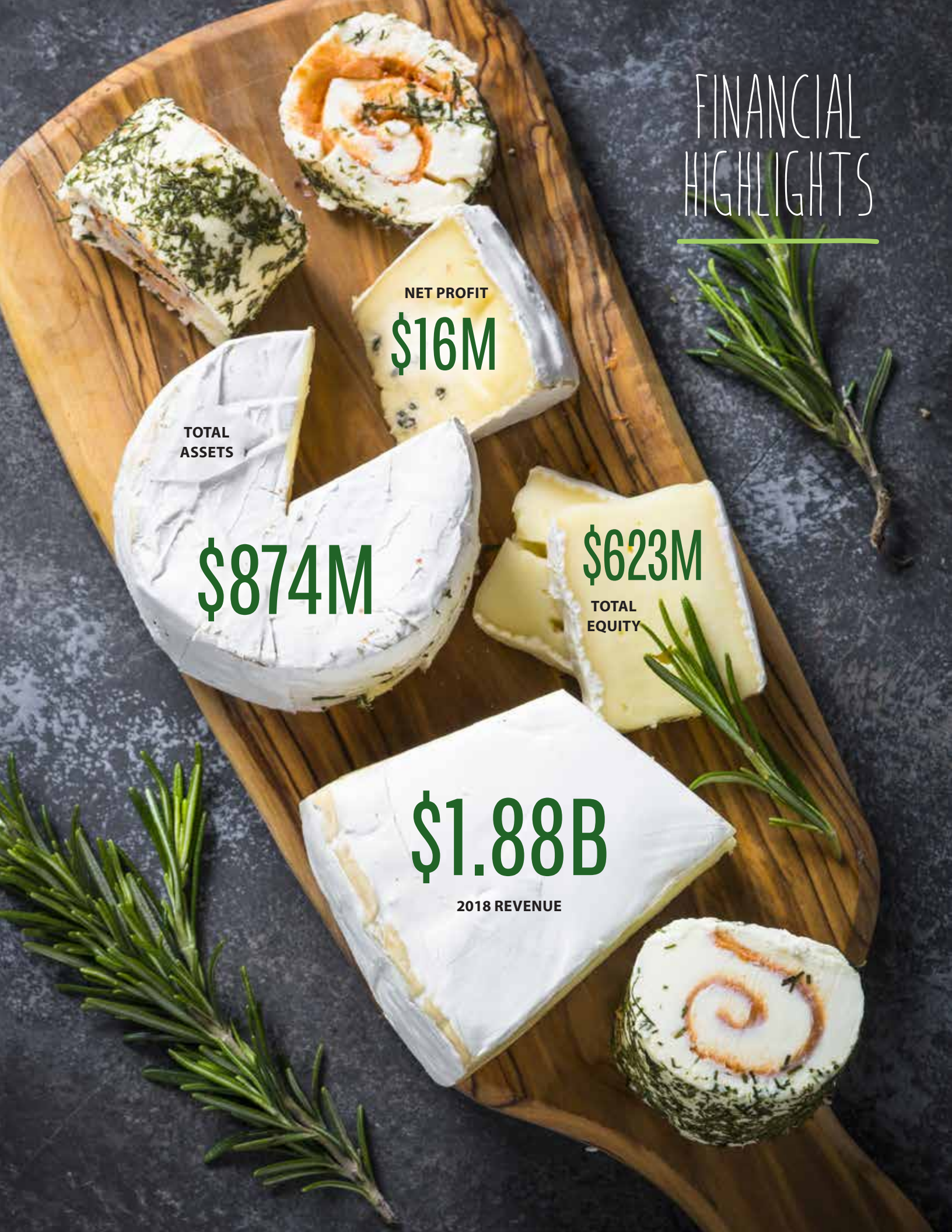
FINANCIAL HIGHLIGHTS



NET PROFIT

$16M

TOTAL ASSETS

$874M

$623M

TOTAL EQUITY

$1.88B

2018 REVENUE

COMPANY AND ITS HISTORY

History of the Business

The Company was incorporated on Monday the 18th of August, 2003, commencing operations some five years later in October of 2008. We import and distribute various high-demand food products to include dairy products, delicatessen meats, assorted dry and canned goods, fruits, vegetables, seafood and meats from foreign markets and distribute them locally to various supermarkets and hotels.

The Company was built on the backbone of the knowledge and success experienced by one of the Company's founding Directors and Shareholder Mr. Courtney Pullen, who, as a sole trader commenced his business in 1996 selling local farm produce to the local supermarkets. After three years of purchasing produce from our local farmers and dabbling in farming himself, he extended his sights off-shore and began importing fruits and vegetables from the United States of America through a local importer in Jamaica. The local sales of imported produce proved to be much more profitable than the sale of local produce and this rapid growth in business led Mr. Pullen to incorporate a company by the name of C.L. Pullen Limited ("CLP Limited") in March, 2003 under whose umbrella such importation and sale would take place.

CLP Limited represented a vehicle with which Mr. Pullen and the directors of CLP Limited began to explore and tap into a host of suppliers of imported produce in order to purchase the freshest goods at the best prices and at this time CLP Limited also emphasised the building of a stronger more beneficial relationship with its bank. CLP Limited grew at a rapid rate, doubling in size over the first four years of trading and thereafter experiencing growth of approximately 25 to 30 percent in each subsequent year, when compared to the previous year's performance.

In 2004, the Directors of CLP Limited made the decision to reduce the purchase of goods from local produce importers and

began sourcing more of its goods directly from the United States of America. This resulted in an exponential increase in the sales of CLP Limited. With their sights set on onward and upward growth, the Directors of CLP Limited made the decision to expand the breadth of their offering. With this goal of expansion in mind, the Company, Everything Fresh Limited, was incorporated in August of 2003 with a view to enhancing sales in new lines of products such as dairy and dry food.

Commencement of Operations of Everything Fresh Limited

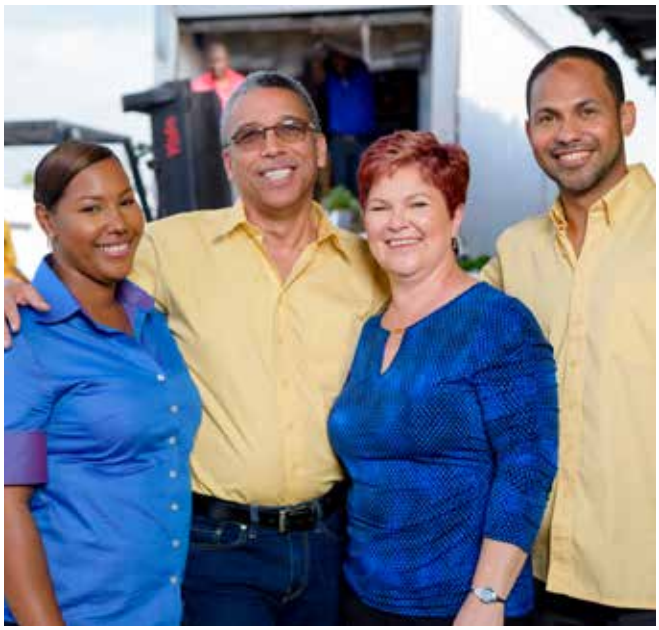
The Company began testing its new products on the local market in October of 2008 and its foray into a new market was met with positive feedback and increased revenues to match. This led the Company's Directors to make a strategic decision to not limit the range of its product inventory to fruits and vegetables but to distribute dairy products, delicatessen meats, assorted dry and canned goods to local supermarkets. Following a resounding success with the introduction of this new selection of products the Company experienced sales in the four-month period of January to April of 2009 just south of a 200% increase in revenue over the period. The Company's Directors acknowledged this as the path to building the business and growing the Company and in June 2009 all trade under the company name C.L. Pullen ceased. The Company has grown from strength to strength in the years since.

Further Growth of the Business

Two of the Company's founding members and Directors, Mr. Courtney Pullen and Mrs. Melene Pullen identified the potential to further reduce the cost to the Company to acquire goods from abroad, and set out to incorporate a company based in Miami, Florida which would buy directly from manufacturers and sell these products to the Company at marginal mark-up. The said company was incorporated under the name Quality Produce and Groceries Inc. and has facilitated trade between the manufacturer of products purchased by the Company and the Company itself, ushering in a new phase of growth by increasing the Company's bottom line and making the price of the Company's products more competitive and therefore more attractive to their clients. The Company was able to enter the food service market by increasing its client base from supermarkets only to now include supplying hotels. This increased the Company's market share by approximately five hundred per cent (500%).

The Company began supplying hotels including the Riu, Fiesta, Secrets Hotels, Iberostar Hotels, Grand Bahia Hotel, Royalton Hotels, Couples Hotels and The Jewel Hotels amongst others.

At the start of 2012, an opening was created in the local market by the closure of National Meats Company and the Riu Hotels requested that the Company import meats for them. The Company purchased two (2) Freightliner trucks and built three



additional freezer rooms at its current registered location, 78 Marcus Garvey Drive, Kingston 11 and in July, 2012 the Company started to import beef, poultry and seafood to hotels. As a natural progression, the Company also began to sell imported meat and seafood to the other hotels it previously supplied.

The Company's Success

The Company prides itself not only on procuring quality goods for distribution to its customers but goes above and beyond most of its competitors to live up to its name which quite simply means that everything, every product or good, is delivered fresh. Further, the Company has had and continues to have a very good relationship with its suppliers and customers as a result of the professionalism of its team, the expeditious delivery of all its fresh goods and products to its growing customer base. The Directors believe that the Company is providing its customers with an unparalleled level of courteous service.

Customers

The Company provides its products and services to many blue-chip companies and businesses in Jamaica. This includes many companies across the hospitality and food retail industries.

Team

With an employee base of twenty-five persons, the Company prides itself on having a 'family-like' corporate culture, which is evidenced by the high-retention rate of its Team, with over seventy-five per cent of Team members having been employed to the company from commencement of its operations in 2008

and the remainder having been employed to the Company for over five to seven years. In the true meaning of family, no one member plays the single role but wears any hat required by the Company on a day-to-day basis to ensure the smooth running of the operation, greatly contributing to the success of the business.

The Company has experienced, strong, loyal and committed team at every level of the organisation and strives to maintain a highly-motivated work-force and encourage its long tradition of high-level employee retention. This has been achieved by the following initiatives:

a. Management

The Company has an effective, progressive-thinking, committed and decisive management team.

b. Additional Monthly Incentive Programme

The Company has established an education programme for its team, contributing in part or in full to the education of its Team or their family members, as required.

c. Team and Family Share Ownership

An opportunity for the Team to own Shares by means the availability of the Reserved Shares for subscription.

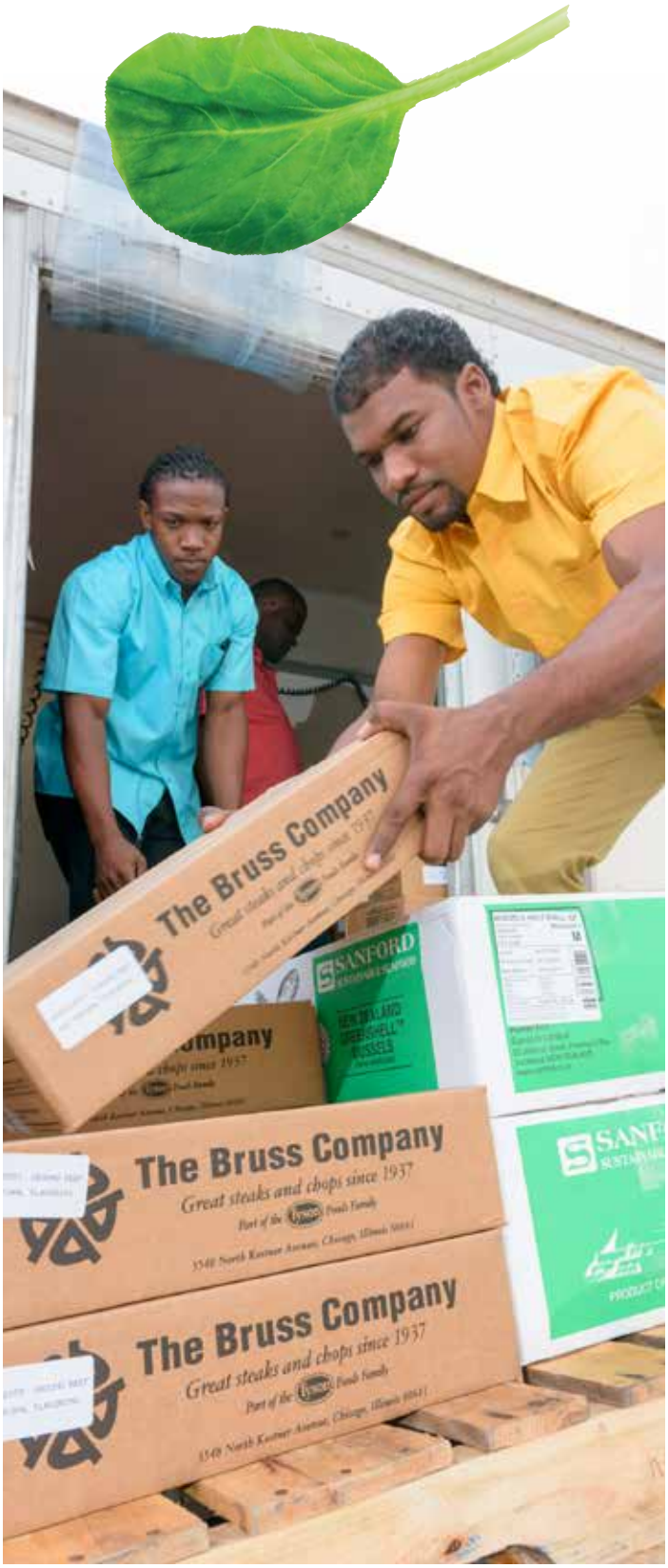
d. Group Health Insurance and Pension Scheme

The Company pays insurance premiums for its Team's participation in the Company's health scheme and contributes to a pension scheme for its team members, as offered by Sagicor Group Jamaica.

Management

The Company has a a very experienced Management Team supported by versatile Directors who lead and manage the business towards achieving the Company's vision, executing the business strategies, and continuing the growth in shareholder value. These persons include:

- Mr. Gregory Lancelot Pullen - Chairman
- Mr. Courtney Lancelot Pullen - Managing Director
- Mrs. Melene Rose Pullen – Director
- Ms. Nesha Ann-Marie Carby – Director
- Mr. Garret Samuel Gardner – Director
- Mr. Mark Hugh Arscott Croskery – Director
- Mr. Donovan Hugh Perkins – Director
- Ms. Vivette Elana Miller – Director
- Mrs. Jennifer Elice Lewis – Director
- Mr. Stephen Greig – Company Secretary



CHAIRMAN'S REPORT

It is a pleasure to report to our shareholders about this past year's performance and to highlight the areas of success and development for Everything Fresh as we move ahead. Our major achievement in 2018 was our historic listing on the Jamaica Stock Exchange with the company raising $364.8 million net of expenses in our initial public offering (IPO), it closed on May 24th and was oversubscribed. The company listed at $2.50 in June 2018 and the stock traded as high as $2.63 during the year, before settling at $1.55 at December 31, 2018. Throughout this time we made a heavy investment in the asset base of the company, which we believe will bear fresh fruit in the short and medium term.

There were numerous expansion exercises and infrastructure upgrades which were essential to outfit the company with the capacity to manage an anticipated larger operation. These initiatives, while costly, were critical in order to ensure that the upsized 2019 operation will be competently managed to unleash improved return on equity. Overall, the company's equity grew 2.5 times to $623.3 million from $243 million a year earlier, due to the funds from our IPO.

Key roles to prepare for growth

The IPO funds allowed us to increase our capitalization, reduce our leverage, invest in new equipment and motor vehicles, and ultimately assist in financing our first acquisition. Specifically, we invested in delivery trucks, which having been wrapped, also serve the purpose of promoting the brand. We also invested in hiring additional persons for key roles to prepare for growth and we commenced the acquisition of the Meat Experts, which operates a meat processing and packing plant. The acquisition resulted in us entering into manufacturing, thus diversifying our business in a way that enables us to offer a myriad of new products to our bulk and retail customers, while also supporting Jamaican farmers.

We also implemented a series of efficiency measures aimed at slowing cost runs. For instance, we expanded our cold storage space, upgraded our freezer equipment, upgraded our computers and servers, and commenced the installation of new accounting and inventory software. We upgraded our electrical power system to increase efficiency and lower electrical bills. We installed a new, modern, diesel storage and dispensation facility at Marcus Garvey Drive, to lower our vehicular fuel bills.

The IPO funds allowed us to increase our capitalization, reduce our leverage, invest in new equipment and motor vehicles, and ultimately assist in financing our first acquisition.

During the year our sales grew to a record $1.88 billion or approximately $72 million more than the previous year. Roughly 90 per cent of our revenues came from all-inclusive hotels which operate in the tourism sector. Overall, the sector remains poised for more growth with new hotels and the upgrading and expansion of existing hotels. That has resulted in numerous enquiries regarding increasing contracted quantities of existing goods and the provision of new lines. The demand side of the business is set to grow and we have taken steps to ensure that we have the added capacity on the supply side to support these larger volumes.

Expanded offerings

We have strengthened our offering in the bulk market by expanding on the types of beef cuts and hamburger lines, by adding pork cuts and sausage lines.

For the retail market, we have added a range of beef and pork products.

The Company continues to pursue new business opportunities, by targeting the acquisition of Jamaican and Caribbean food service entities to fast-track local and regional expansion. We are researching and pursuing new product lines to diversify our offerings, while not straying from the core business. This approach relates to both imports as well as our local manufacturing division.

I wish to acknowledge the experienced Board of Directors that we have in place and our competent, efficient and loyal Efresh Team that has accomplished so much in this past year. 2019 and onwards looks promising for Everything Fresh as we strive to create even greater shareholder value.

Gregory Pullen
Chairman

Corporate Data

Executive Directors:
Courtney Pullen
Melene Pullen
Nesha Carby
Garret Gardner

Non-executives:
Gregory Pullen, JP - Chairman
Donovan Perkins
Vivette Miller
Jennifer Lewis
Mark Croskery
Leo Williams – Company Mentor

Registered Head Office:
78 Marcus Garvey Drive
Kingston 11
St. Andrew, Jamaica
Telephone: 876-758-9030,
876-758-1143

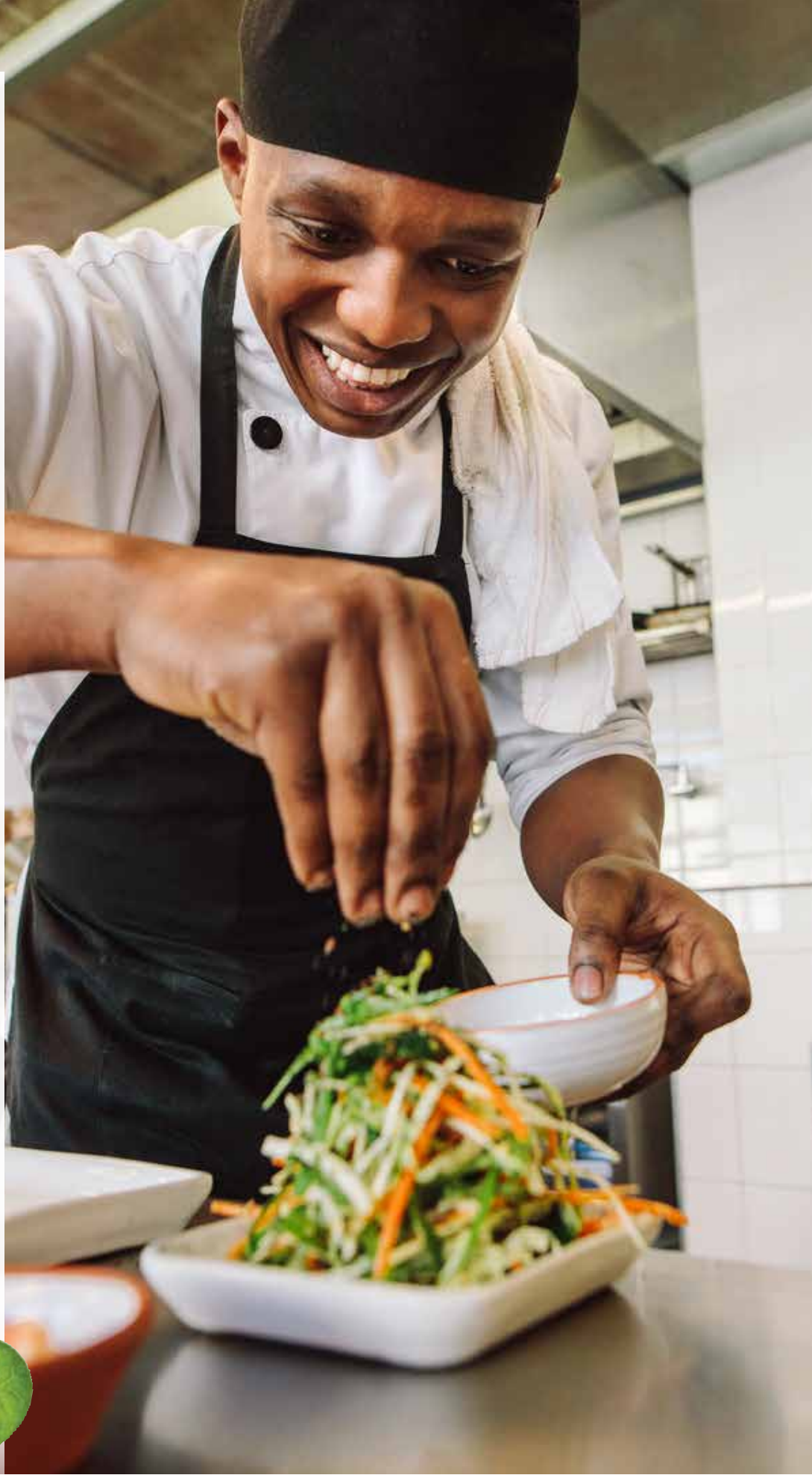
Bankers:
National Commercial Bank
124-126 Constant Spring Road
Kingston 8, Jamaica

Bank Of Nova Scotia
Corner Duke & Port Royal Streets
Kingston, Jamaica

First Global Bank
2 Duke Street
Kingston, Jamaica

Company Attorneys:
MH & Co. Attorneys-At-Law
7 Barbados Avenue,
2nd Floor
Kingston 5, Jamaica

Company Auditors
BDO Chartered Accountants
26 Beechwood Avenue
Kingston 5, Jamaica



BOARD OF DIRECTORS

Gregory Lancelot Pullen, JP

Chairman

As Chairman of Everything Fresh Ltd., Mr. Pullen's service-based approach to improving the lives of others is the foundation of his vision for the Company. A founding member of the Young Entrepreneurs Association, Director of both the Alumni Association and Board of Governors for his alma mater, Campion College, he seeks to provide guidance to future generations for both the good of the individual and the nation.

Mr. Pullen's strong history in operations, finance, sales, marketing in manufacturing and technology speak to his thirty-two years of experience in business and entrepreneurship. As an experienced Director who sits on several prominent boards, he pulls from a wealth of knowledge to consistently steer the Company towards new levels of growth. He understands what it takes to move a company from start-up to scale up. Mr. Pullen's integrity is demonstrated in his responsibilities as Justice of the Peace, and as a Director for the National Council on Drug Abuse, Penwood High School and several media organisations. Combined, the attributes of his character and his expertise, make him a driving force behind the continued success of the Company.

Courtney Lancelot Pullen

Managing Director and Founder

Few things are certain in life. One constant certainty, however, is the need to eat. This lesson, passed down from his father, inspired Courtney Pullen to open the Company, a company dedicated to helping customers eat affordably with consistently high quality products. Today, he is a successful entrepreneur with over thirty years' experience in grocery and fresh produce. He has the drive and passion to thrive in a competitive market, not to mention first-hand practice restructuring operations and product lines to achieve greater market share.

As Managing Director, Mr. Pullen's successful evaluation of market trends leads his team through continued success and growth. As founder, he holds his employees firm to his vision, ensuring they continue to provide top quality consumables for this and future generations. He believes in maintaining consistent dialogue with team members, in order to stay ahead of the needs of the organisation. Mr. Pullen is also an avid reader who follows global news and trends, consistently looking for new advances and methods that can be used to promote growth.

Melene Rose Pullen

Executive Director

Mrs. Pullen cultivates a sense of security and an open door policy to all team members of the Company. She is dedicated to strengthening the Company's foundation - its employees. The Team, who she sees as extended family, has planted deep roots. As evidenced by many of the team members' long work history, they continue to branch out and grow along with the Company.

Mrs. Pullen's disciplined upbringing nurtured a strong work ethic from the start. She pulls from the positive work values that were instilled in her as a child to maintain an organisational and professional attitude to this day. She fosters the same level of professionalism and dedication in those she guides and manages in her role as Executive Director. Her implementation of successful marketing strategies throughout the years has played a vital role in the growth of the Company's product and customer base. However, her greatest reward is the pride she feels in providing meaningful benefits to our Team.

BOARD OF DIRECTORS

Nesha Ann-Marie Carby

Executive Director

Appointed to the Board of Directors of the Company in 2018, this is the latest step in Ms. Carby's 10-year history of service to the Company. Her extensive experience in both sales and administration empowers her to maintain dual roles as Administrative Manager and Director. In managing the Company's administrative systems, she is responsible for maintaining permits, health certificates and other essential documents and systems required to keep this growing food import and distribution company on its upward track. Ms. Carby is a well-rounded professional. Over the years she has learned that communication is key to effective execution. As a result, she has built solid relationships with both team members and clients who see her as a caring and trustworthy professional.

Garret Samuel Gardner

Executive Director

Thinking outside the box and being straightforward are key ways that Director of Purchasing, Mr. Gardner, has successfully curated strong vendor and supplier relationships that help to maintain the consistent quality and reliability of the Company's top-quality food and dairy products. After ten years with the Company, he has held positions on many levels, continuously advancing, through passionate dedication, to where he is now. His exceptional history provides the right mix of experience and know-how to secure the highest quality food items at the best prices and create ongoing value that the Company passes on to its customers.

Vivette Elana Miller

Non-Executive Director

Ms. Miller has been admitted to practice law in three countries and acts as a Supreme Court mediator in Jamaica where she has been a member of the legal community for the past fifteen years. As a Director for the Company, Ms. Miller has the discernment and experience to ensure that the proper legal framework is in place to protect the Company and its investors. Her legal insight is invaluable to the Company's governance structure and helps to ensure that the Company meets its statutory obligations. Her exceptional negotiation skills provide an extra edge that helps the Company navigate complex legal matters and contract discussions. As a member of the Rotary Club of Downtown Kingston, their motto of 'Service above Self,' is one that fits neatly into Ms. Miller's own dedication to improving the lives of others.

Leo A. Williams

Company Mentor

Acting as Mentor to the Board of the Company, Mr. Williams' many years of involvement with the Jamaica Stock Exchange equips him with special competency in the IPO process and assisting companies to align with its requirements. He is the Executive Director of Williams & Associates Investments Ltd., a firm that provides investment advisory services with the goal of attracting capital to Caribbean markets. He has passionately pursued this goal for many years, accumulating qualifications that include an MBA in Finance from The Wharton School, an MSc in Systems Engineering and an MA in International Studies. Fluent in Spanish and possessing expert knowledge of Latin America and the Caribbean region, Mr. Williams has assisted companies to launch and grow globally, including into non-English speaking markets.

Donovan Hugh Perkins, JP

Non-Executive Director

Holding seats on boards in both the private and public sectors, Mr. Perkins is a powerhouse of knowledge and experience. He possesses a BBA in Finance, an MBA in Finance & Marketing and over thirty years of practical experience. He enthusiastically applies this deep expertise and wisdom to the governance of Everything Fresh Ltd.

Mr. Perkins has held several executive level roles within leading financial institutions, as well as directorships with key public entities, including a director for both the National Water Commission and National Insurance Fund. He has also been a staunch lobbyist. Under the umbrella of organizations like the Jamaica Exporters Association and Private Sector Organizations of Jamaica, Mr. Perkins has spent many years working to enhance Jamaica's competitiveness and enable a more conducive business environment. Recently retired from his position as Chief Executive Officer of Sagicor Bank Jamaica Ltd., Mr. Perkins now dedicates his time to 'paying it forward' - sharing his life lessons and insights to help structure and scale high-potential endeavours like the Company's continued growth and success.

Jennifer Elice Lewis

Non-Executive Director

Jenifer Lewis sits on the Board of Directors for Everything Fresh Ltd. Her exceptional skills in Auditing and Strategic Planning help to keep the company on its toes, ensuring it is guided by sound accounting principles and financial practices. A certified Internal Auditor, her systematic and methodical approach to evaluating and improving the company's effectiveness of risk management is a valuable safeguard to its operations. Her strong analytical skills instill confidence in those who look to her for guidance in her field of expertise. Her credentials include Fellow, Association of Chartered and Certified Accountants (ACCA), England and Fellow, Institute of Chartered Accountants of Jamaica.

Ms. Lewis is an independent business consultant. Ms. Lewis is an independent consultant who provides advice in the areas of accounting, taxation, audit, financial analysis, business advisory and planning. At the JSE she was a Business Development Specialist on the Multilateral Investment Fund Project (MIF). This project was aimed at reaching out to SMEs to encourage listing on the Junior Stock Exchange. They also assisted the development of SMEs through training and financial advice. A proactive and results-oriented individual, her 37 year long career building knowledge and proficiency as a Financial Controller and Internal Auditor brings another level of competence to the directorship of Everything Fresh Ltd.

Mark Croskery

Non-Executive Director

Financial planning and investment strategy are core values brought to the directorship of the Company by Mark Croskery. Mr. Croskery is the Executive Director of Stocks and Securities Ltd., Jamaica's second oldest brokerage firm. Possessing an M.Sc. in Global Financial Analysis and a dual B.Sc. in Corporate Finance and Accounting, he has a deep understanding of both local and international markets. Applying his experience and education across several organizations, he also serves on the Board of The Jamaica Stock Exchange and is a member of The Young Presidents Organisation. His functions in the public and private sectors make him an exceptional fit for the Company. He plays a key role in developing the Company's growth strategy and identifying opportunities to attract capital.

MANAGEMENT TEAM

Bruno Loffler

Financial Controller

Mr. Loffler has over three decades of experience in Auditing, Accounting and Supply Management. He joined our Team in January 2019 as CFO following the acquisition of The Meat Experts Limited where he had served as Financial Controller since 2017. Here, he coordinates the preparation of the financial forecasts and ensures quality control over financial transactions and reporting, amongst other responsibilities.

Mr. Loffler began his career in 1988 as an Auditor at Pricewaterhouse Coopers. He later went on to assume a number of senior management roles at leading organisations including Appliance Traders Limited, Trade Winds Citrus Limited and Jamaica Flour Mills Limited.

Mr. Loffler is a Fellow of the Institute of Chartered Accountants of Jamaica and applies his critical thinking skills, along with vast financial expertise to help lead the Company.

Evon Thompson Jr.

Marketing Officer

With over nine years of experience working alongside prominent Marketing firms, Evon Thompson has gained a wealth of knowledge that he brings with him to the Everything Fresh team. Also, as a Video Producer, Evon is keen on implementing that particular skill set in the hopes of fully broadening brand awareness.

He is responsible for the maintenance of the social media pages, websites and all aspects of corporate branding. A lover of all technology, Evon continues to prove himself to be a viable asset to the company.

Steve Gardner

Sales Office Manager

There is no "I" in Team! A core feature of the way Mr. Gardner manages the Sales Office for the Company. Working in an environment where communication is key to keep things flowing smoothly between staff and customers, Mr. Gardner uses his innate social skills to ensure this is done in a stress free and professional manner. His ability to keep communication open and clear is supported by his thorough methods and attention to detail. With ten years of experience under his belt, he maintains high levels of service enjoyed by a strong core of repeat customers, as well as new ones.

Jacqueline Archie

Administrative Assistant

With an educational background from The Institute of Management, Ms. Archie plays a supportive role within the Company. Through her no nonsense attitude and ten years' experience in the Company, she provides dependable internal service where accuracy is key. Ms. Archie is currently trusted with administering invoices and receivables for supermarkets and restaurants, two of the Company's most important customer segments. In addition, she is equally known for her administrative effectiveness in the sales office.

Arthur Haye

Accountant

As Atlas was charged with balancing the skies, the unassuming Accountant, Arthur Haye, balances a variety of accounting functions at the Company. He plays a key role in maintaining the company's financial operations and providing accurate data related to its financial health. He is dedicated to furthering his education and is currently pursuing his Association of Chartered and Certified Accountants at the professional level. Mr. Haye has been with the Company for ten years, a journey he began after working with the Student Loan Bureau and other accounting and auditing firms in Jamaica.

Natoya Shakespeare

Accounting Assistant

A self-proclaimed people-person, Ms. Shakespeare enjoys investigating and solving customer service matters. Her strong work ethic and love of interaction fuels the enthusiasm she brings to her role as Administrative Assistant at the Company. In her position, she is responsible for Customer Relations Management and Data Entry, two key inputs to maintaining customer satisfaction. From maintaining long-term relationships with existing customers to cultivating new ones, her people skills and thorough product knowledge make Ms. Shakespeare a perfect fit for the role. She holds a business degree with a Major in Finance, and even after ten years with the Company continues to show enthusiasm in her daily interactions with co-workers and customers.

Amanda Gardner

Accounting Assistant

After graduating with a B.Sc. in Business Administration, Ms. Gardner started her career at the Company. As Administrative Assistant Manager, she proficiently handles a variety of administrative tasks, and also assists in the accounting department. Her infectious light-hearted demeanor and high-level of professionalism facilitate efficient communication across departments and projects. Ms. Gardner is adept at maintaining accurate records of employee compensation while multi-tasking to meet the demands of a fast-paced environment. A foodie who loves to try new restaurants, she has both a personal and professional passion for fresh, high-quality foods.

Andrew Rayson Williams

Warehouse Supervisor & Inventory Controller

Andrew Rayson Williams has been employed to Everything Fresh Limited for over eight years now. He started out as regular warehouse personnel but eagerly embraced the challenge of added responsibility at every opportunity. He currently serves in the capacity of inventory controller and warehouse supervisor. He has significant experience in the area of customer service management. He enjoys working with others and considers himself a highly motivated team player. He is very detail oriented and thinks one is always equally accountable as he is responsible.

CORPORATE GOVERNANCE

Everything Fresh Limited is committed to high standards of governance. The company's board of directors implements the corporate strategy and manages the company to the benefit of all stakeholders.

Board of Directors Compositions

The board is comprised of nine members who are qualified, objective, committed and possess diverse skill sets to effectively discharge their duties. The board officials met four times for the year with ad hoc procedures adopted for urgent matters.

Attendance Record of Directors

DIRECTORS	BOARD MEETINGS	19-Jan-2018	05-Jul-2018	09-Aug-2018	08-Nov-2018
Gregory Pullen (Chairman)	4	✓	✓	✓	✓
Courtney Pullen	4	✓	✓	✓	✓
Melene Pullen	4	✓	✓	✓	✓
Nesha Carby	4	✓	✓	✓	✓
Garrett Gardner	4	✓	✓	✓	✓
Donovan Perkins	4	✓	✓	✓	✓
Mark Croskery	3	✓	✓		✓
Jennifer Lewis	4	✓	✓	✓	✓
Vivette Miller	4	✓	✓	✓	✓

BOARD COMMITTEES

The Board has constituted three Board Committees:

Audit and Compliance Committee

An Audit Committee charged with assisting the board of directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the company's process for monitoring compliance with laws and regulations and the code of conduct.

The Members are as follows: Jennifer Lewis – Chairman, Donovan Perkins, and Vivette Miller.

Audit & Compliance Committee

Members	07-Aug-2018	05-Nov-2018
Jennifer Lewis (Chairman)	✓	✓
Donovan Perkins	✓	✓
Vivette Miller	✓	

Remuneration Committee

The Members are Vivette Miller – Chairman, Donovan Perkins and Jennifer Lewis

Corporate Governance Committee

The Members are Donovan Perkins – Chairman, Vivette Miller and Jennifer Lewis

These Committee are scheduled to meet within the 2019 financial year.

The Company's Corporate Governance Guidelines policy was approved by the board and is available on the company's website: ***www.everythingfreshja.com***

Shareholders who have queries can direct them to the Investor Relations Officer c/o - 78 Marcus Garvey Drive, Kingston 11 or email: info@everythingfreshja.com

Shareholders wishing to request a copy of the minutes of the Annual General Meeting please send written correspondence to the Investor Relations Officer at the address indicated above.

TOP TEN SHAREHOLDINGS *AS AT DECEMBER 31, 2018*

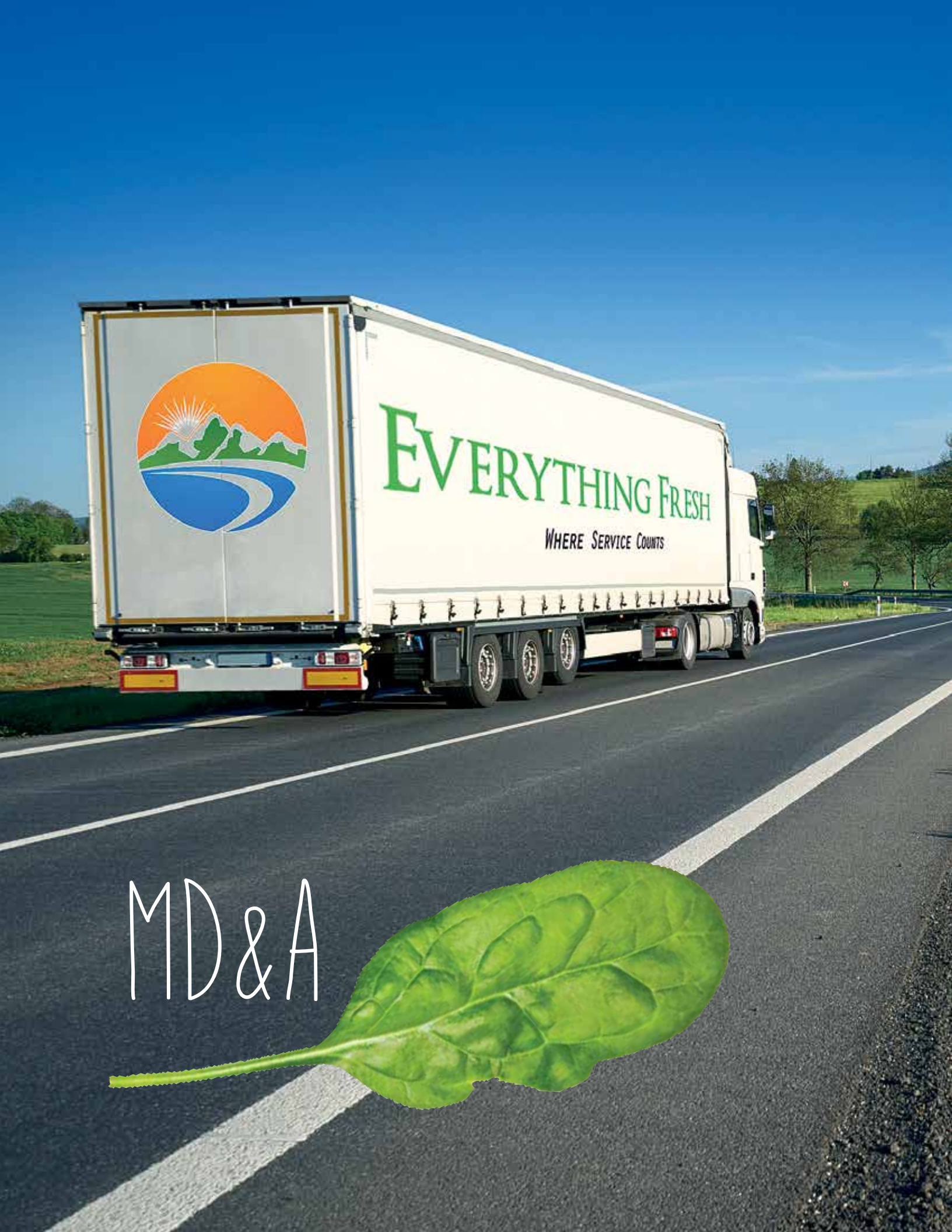
PRIMARY HOLDER	JOINT HOLDER	TOTAL	PERCENTAGE
Quality Investments Ltd		624,000,000	80
Stocks & Securities Ltd (Alpha)		68,566,700	8.7906
Star Holdings Limited		5,000,000	0.641
Gregory Pullen	Shemala Mitchell	4,688,564	0.6011
Anthony Chance	Claudine Chance	3,000,000	0.3846
Andrew Pairman	Paula Pairman	2,586,000	0.3315
Caribbean Foods Limited	-	2,000,000	0.2564
SSL Money Managers Growth	-	1,435,870	0.1841
Chas E. Ramson Limited	-	1,200,000	0.1538
Carlisle Allister Howson	Andrea Marie Senior-Howson	1,200,000	0.1538
Leo Williams	-	1,160,000	0.1487
Total	**-**	**714,837,134**	

DIRECTORS AND CONNECTED PARTIES SHAREHOLDINGS *AS AT DECEMBER 31, 2018*

PRIMARY HOLDER	DIRECT	CONNECTED PARTY	TOTAL	PERCENTAGE
Courtney Pullen	-	624,000,000	624,000,000	80
Melene Pullen	-	624,000,000	624,000,000	80
Garret Gardner	-	624,000,000	624,000,000	80
Nesha Carby	-	624,000,000	624,000,000	80
Jennifer Lewis	40,000	-	40,000	0.0051
Gregory Pullen	4,688,564	-	4,688,564	0.6011
Donovan Perkins	453,814	-	453,814	0.0582
Vivette Miller	80,000	-	80,000	0.0103
Mark Croskery	-	198,897	198,897	0.0255
Leo Williams (mentor)	1,160,000	-	1,160,000	0.1487
Total	**6,422,378**	**624,198,897**	**630,621,275**	

SENIOR MANAGERS AND CONNECTED PARTIES SHAREHOLDINGS *AS AT DECEMBER 31, 2018*

PRIMARY HOLDER	DIRECT	CONNECTED PARTY	TOTAL	PERCENTAGE
Jacqueline Archie	43,000	-	43,000	0.0055
Arthur Haye	120,000	-	120,000	0.0154
Natoya Shakespeare	625,000	-	625,000	0.0801
Amanda Gardner	263,000	-	263,000	0.0337
Total	**1,051,000**	**-**	**1,051,000**	



MD&A

Management Discussion & Analysis

Our oversubscribed initial public offering (IPO) with a raise of $364.8 million of fresh capital net of expenses coming into the company in June 2018, allowed Everything Fresh to increase operations, improve efficiencies and expand more rapidly through strategic acquisitions. It also helped to underpin and strengthen our processes for tighter regulatory scrutiny. As expected, the more visible platform of a public company on the Jamaica Stock Exchange has stretched our recognition further with suppliers and customers and has already begun to convert into many new opportunities. The listing also increased our national presence to an extent equivalent to millions of dollars of marketing spend in broadening business awareness.

COMPANY HIGHLIGHTS

Adding to our listing, the company also focused on re-tooling and redefining the work environment for more efficient logistical distribution and also a focus on the acquisition of a vertically integrated local meat processor and manufacturer – The Meat Experts.

Overall, annual sales increased 3.9 per cent to $1.88 billion for the year ending December 2018 which equated to $72 million more than the year earlier. At the start of the year Everything Fresh was already operating at near full capacity at our Marcus Garvey Drive headquarters location. This realignment in our business has allowed us to take on additional sales during the year and will equip us for greater achievements going forward. Our investment extended beyond the physical to the vital area of additional focus on the human resources required to support the growth planned for 2019.

Management Discussion & Analysis

FINANCIAL HIGHLIGHTS

Net profit before tax

For the fiscal year ended December 2018, the company recorded net profit before tax of $18.8 million or 58.5 percent less than the year earlier. This reduction in net profit is attributable to one-time expenses tied to plant upgrades, expansion and acquisition activities. Earnings per share for the year totaled 2.98 cents which was a function of net profit after tax of $16.3 million on the weighted average number of shares of 547.5 million units, compared to 6.81 cents the year earlier.

Inventory

During the year, inventory increased to $200.5 million from $131 million a year. Essentially, we were able to buy in bulk, thereby increasing our economies of scale and simultaneously reducing our unit costs of goods. These savings from bulk purchases will inevitably flow to the bottom line on a continued basis as the changes settle down.

Capital Expenditure

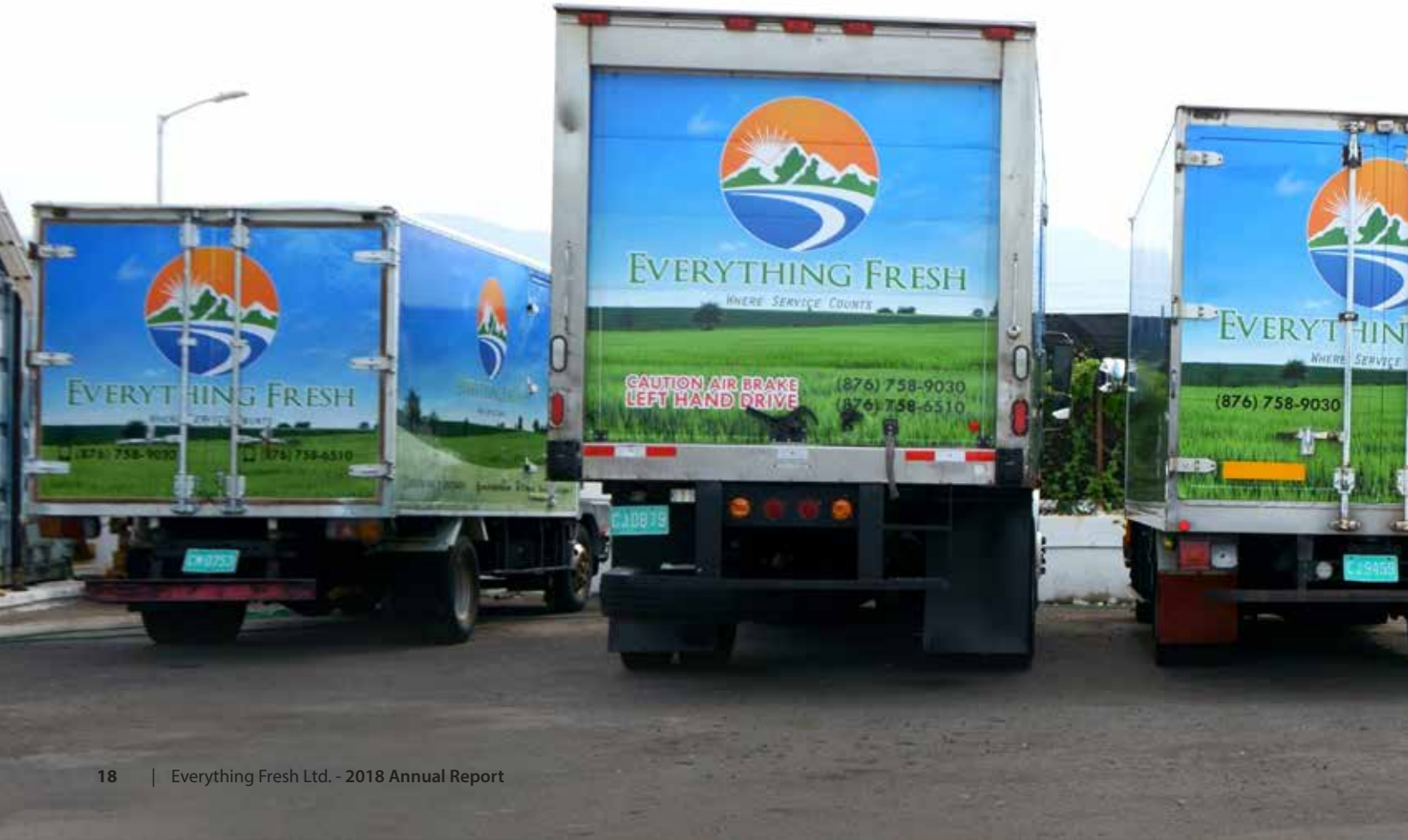
During this same year, the company increased its capital expenditure to $58 million from $31 million in the year earlier. Specifically, the spend was for upgrades and expansion of cold storage, hardware, software, electrical systems and office space expansion. These were necessary to prepare a more robust support system for the growth expected in 2019 driven largely by key existing and selective new sales lines.

Total assets

The statement of financial position reflects an increase in total assets to $874 million from $491 million or 78 percent higher than the year earlier. With more financial resources, we can drive revenues more deliberately going forward. The bulk of the growth in assets came from increased cash for investments of $120 million compared to nil the year earlier. A larger cash balance at $185 million or 181 percent more than a year ago, supported higher inventory at $200.5 million or 52 percent higher year on year. Finally, we saw a doubling of fixed assets to $58 million from $31 million a year earlier.

Total liabilities

Total liabilities grew at a much slower pace to $250.7 million compared to $248.2 million a year earlier. Borrowing accounted for a large component of the liabilities at $135.9 million in 2018 from $117.6 million a year earlier, due to increased credit card balances associated with more rapid and larger inventory purchases. In contrast however, it also coincided with a reduction in short term bank loans. Overall, the influx of IPO funds which increased cash and investments along with the slower pace in the rise of liabilities resulted in the significant expansion of shareholders' equity to $623.3 million in 2018 from $243 million in 2017.



STRATEGIC ACQUISTION

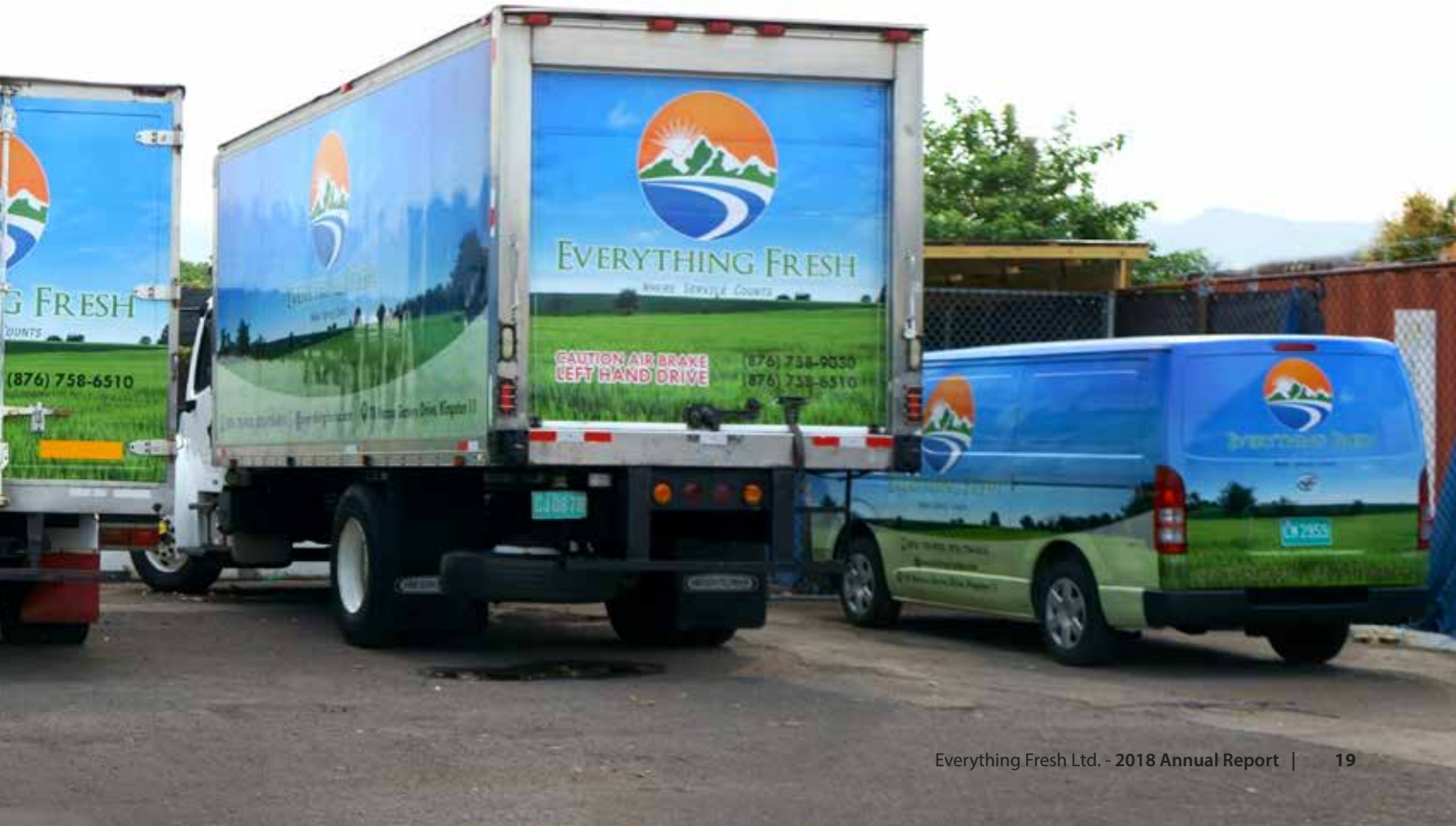
Consistent with indications from the IPO stage, the company pursued and successfully negotiated plans to acquire The Meat Experts. In diversifying its method of sourcing products for its clients, this was a strategic effort to strengthen our supply chain to core segments of clients. The deal closed in January 2019 for a consideration of approximately $50 million along with plans to spend an additional $30 million for upgrades in the near term. The Meat Experts operates from a central location in the island in Bog Walk, St. Catherine and comes with integrated abattoir facilities, cutting, processing, packaging and cold storage facilities and an island spanning logistics network. Everything Fresh plans to rapidly incorporate The Meat Experts as a complimentary channel to increase our sales and allow us to locally manufacture and offer critical products. We are no longer 'only' importers.

OUTLOOK

Our acquisition of The Meat Experts allows us greater access to increased cold storage / lowered expenses through shared back office operations which include management, administration, logistics, sales team and more. Eliminating redundancies will strengthen the resulting business significantly.

There may be other strategic acquisitions on the horizon as we review further opportunities for revenue growth and revenue stream diversification.

As we look ahead, we anticipate further increases in cold storage space and additional investment in logistics resources. We will continue to seek out opportunities to supply goods and services to new hotels as well as those presently under expansion. We see bright and strong potential given the growing and increasingly dynamic tourism market.



FINANCIAL ANALYSIS

Income Statement Highlights (J$)

	2013	2014	2015	2016	2017	2018
Revenue	919,289,662	989,961,192	1,368,745,971	1,576,004,379	1,807,940,235	1,879,660,773
Cost of Goods Sold	771,505,984	825,074,203	1,168,327,513	1,366,424,598	1,578,892,230	1,660,955,865
Gross Profit	147,783,678	164,886,989	200,418,458	209,579,781	229,048,005	218,704,908
Other Income	11,288	1,933,075	325,307	802,456	2,521,154	2,216,076
Operating Expenses	79,328,045	107,365,498	118,232,163	140,479,176	174,349,999	188,637,695
Finance Costs	7,808,330	1,792,202	6,799,935	14,382,343	11,851,249	13,525,189
Pre-Tax Profits	60,658,591	57,662,364	75,711,667	55,520,718	45,367,911	18,758,100
Income Tax Expense	17,332,984	14,809,071	19,512,433	16,262,191	8,068,111	2,415,066
Net Profit	43,325,607	42,853,293	56,199,234	39,258,527	37,299,800	16,343,034

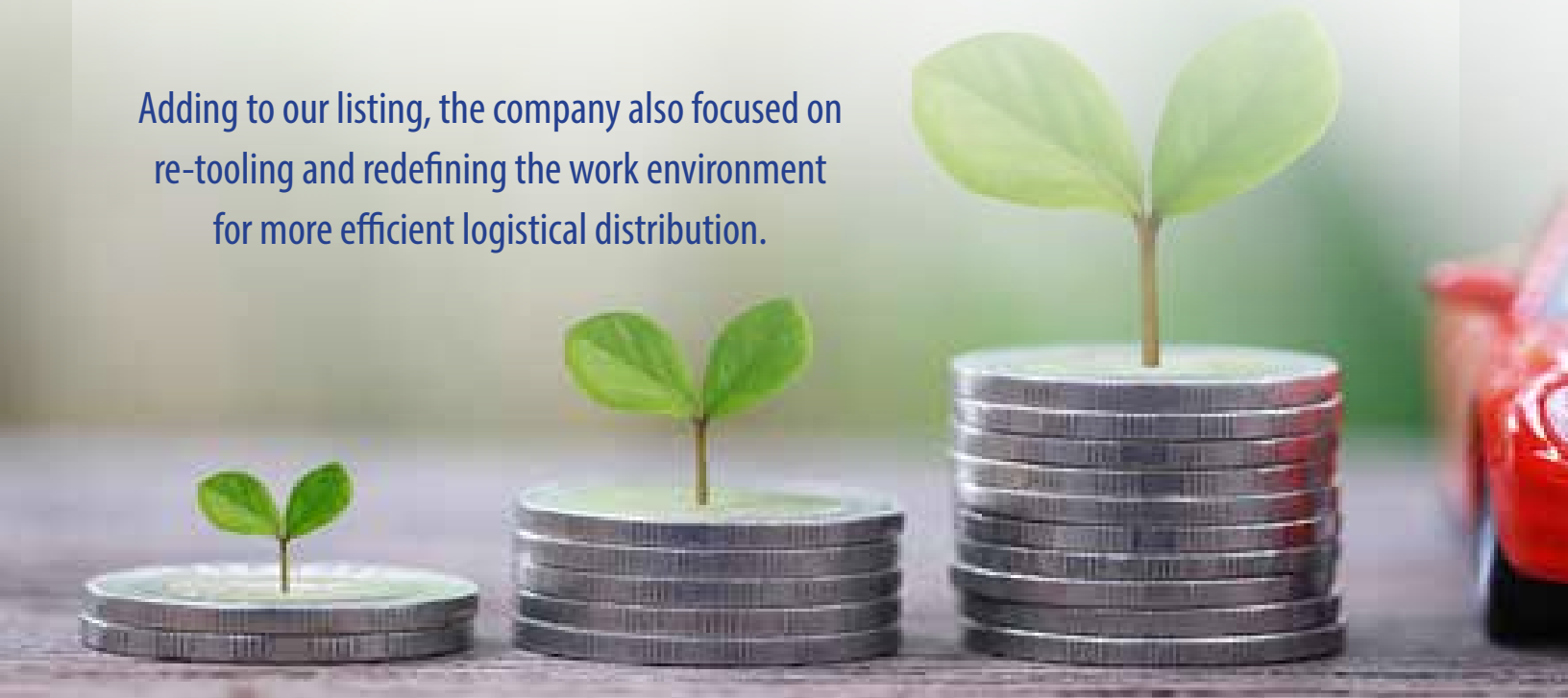
Balance Sheet Highlights (J$)

	2013	2014	2015	2016	2017	2018
Non-Current Assets	16,247,704	14,806,010	30,684,072	30,291,753	31,250,015	61,883,974
Current Assets	167,433,363	217,119,871	296,075,987	418,325,311	459,991,714	812,075,834
Total Assets	183,681,067	231,925,881	326,760,059	448,617,064	491,241,729	873,959,808
Current Liabilities	115,568,910	120,945,342	159,610,149	242,577,489	248,222,466	250,675,711
Non-Current Liabilities	703,567	718,836	688,973	320,111	0	0
Total Liabilities	116,272,477	121,664,178	160,299,122	242,897,600	248,222,466	250,675,711
Net Assets	67,408,590	110,261,703	166,460,937	205,719,464	243,019,263	623,284,097

Ratios

	2013	2014	2015	2016	2017	2018
Current Ratio	1.45	1.80	1.85	1.72	1.85	3.24
Inventory turns ratio	27.9	23.2	18.1	12.4	11.7	10.5
Gross Profit Ratio	0.16	0.17	0.15	0.13	0.13	0.12

Adding to our listing, the company also focused on re-tooling and redefining the work environment for more efficient logistical distribution.



Revenue Analysis

The Company has consistently been able to grow its revenues during the period 2013-2018. During this period, revenue grew by a compound annual growth rate (CAGR) of 15.4%, culminating with a high of $1,879,660,773 in FY 2018. The steady growth in revenue can be attributed to the strong sales and service culture of the Company which is focused on delivering value to each and every client. The Company's equal emphasis on execution has allowed it to translate proper strategic planning into increased sales. The Company has been able to increase sales by applying a two-pronged approach; the first being to expand on the contracts with existing customers, by supplying them with new and various types of meats, dairy, fruits, and seafood. The second is by acquiring new contracts as the economy develops, the tourism sector expands, and the reputation of the Company grows.

Cost of Goods sold

Cost of goods sold has remained fairly constant in relation to total sales. In the period 2013-2018, cost of goods sold was an average of 86% of total revenue. The company remains committed to continually sourcing the most affordable products without sacrificing on freshness, health, environmental safety, and sustainability.

Gross Profit

The Company recorded Gross Profits of $218,704,908 for the financial year 2018. This represents a decrease of 4.5% over the previous year, and a total increase of 48% over the last 6 financial years.

2018 was a year of reconfiguring the business to reposition it for growth in both local and regional markets. This included investments in capacity and resources. The gross profit reflects these decisions.

The Company was recently able to re-negotiate certain contracts with its suppliers, and clients, which are expected to positively impact the gross profit going forward.

Operating Expenses

Operating Expenses totalled $188,637,695 in FY 2018, marking an 8% increase from the previous year. Over the 6-year period under review, operating expenses have increased at a CAGR of 18.9%, and a total of 138%. This can be primarily attributed to increases in rent as well as salaries paid to employees, and general staff benefits and welfare as we strategically increased our human resource complement in preparation for growth.

Balance Sheet

The Company has successfully expanded its balance sheet over the 6-year period 2013-2018. The Company's total assets have increased by a total of 376%. This is primarily due to the raising of $364,749,733 in new equity from the Initial Public Offering in June 2018. The Company is comfortable bringing in larger volumes of inventory which it is able to distribute in a timely manner, and collect trade receivables due on the respective sales.

Total liabilities have increased by a total of 117% from 2013-2018, and at a compounded annual growth rate of 16.7%. This was primarily due to the increase in recent years of the short term or 90-day loan facilities which the Company took advantage of for working capital purposes. Long term liabilities have decreased dramatically in fulfilment of post IPO expectations.

As an indication of the company's continued agility, inventory turns have stabilized at approximately eleven (11), over the last three year period.

Current Ratio

The Company has maintained a current ratio between 1.00-3.50 throughout the past six years. The trend has been upward sloping, signified by an increase from 1.45 in 2013 to 1.85 as at December 31, 2017. The ratio then nearly doubled by the end of December 2018 when it increased to 3.24 due to the capital that was raised form the share issue that year. The Company's current assets are more than sufficient to cover all of its short-term liabilities due within one year and are representative of the strong financial position of the Company.

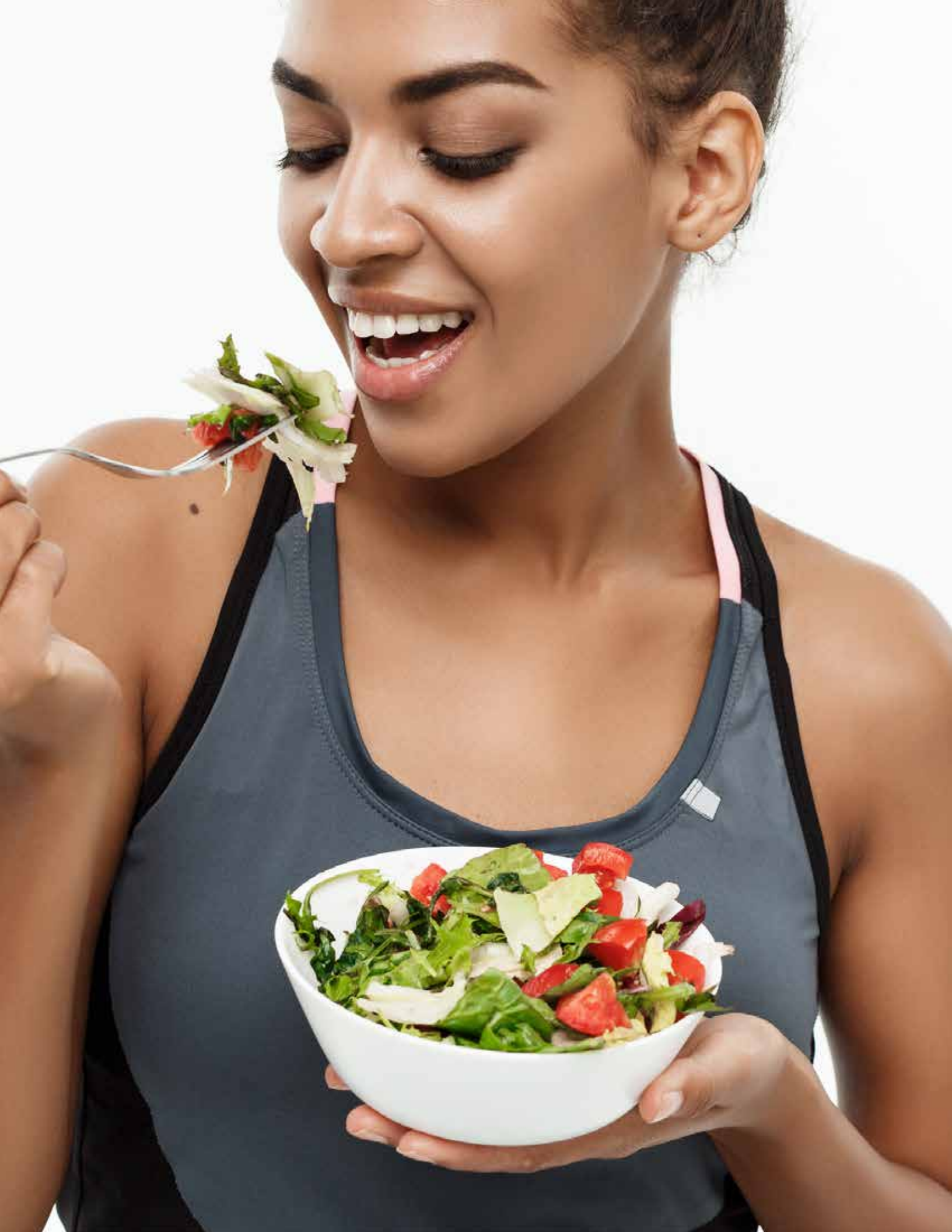
Long Term Debt to Equity

The Company continues to grow the business without taking on any long-term debt. This is was due mainly to the new equity raised in the initial public offering (IPO) and also to the fast inventory turnover which generates the cash flow needed to make future orders, and the diligence of the team to collect on due payments. The Company's debt comprises of:

(i) A revolving loan facility with the Export-Import Bank of Jamaica repayable over ninety days attracting an interest rate of 8% per annum.

(ii) Two credit facilities with First Global Bank also repayable over ninety days, attracting interest rates of 7.25% and 10.25% respectively per annum.

AUDITED FINANCIAL STATEMENTS



BDO

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Chartered Accountants
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Kingston 5, Jamaica

INDEPENDENT AUDITORS' REPORT

To the Members of
Everything Fresh Limited

Report on the Financial Statements

Opinion

We have audited the financial statements of Everything Fresh Limited (the company) set out on pages 5 to 41, which comprise the statement of financial position at 31 December 2018, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2018, and of its financial performance and its cash flows for the year 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 those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

Other Matter

The financial statements of the company for the year ended 31 December 2017 were examined by other independent auditors whose report dated 13 February 2018 expressed an unqualified opinion thereon.

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 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. We have determined that there are no key audit matters to communicate in our report.

Other Information

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

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

BDO

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Everything Fresh Limited

Other Information (Cont'd)

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

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

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

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

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

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

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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Everything Fresh Limited

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also (cont'd):

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Everything Fresh 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 kept, 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 Donna Hobson.

Chartered Accountants

29 March 2019

Statement of Profit or Loss And Other Comprehensive Income

Year ended 31 December 2018 (Stated in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
REVENUE	6	1,879,661	1,807,940
COST OF SALES		(1,660,956)	(1,578,892)
GROSS PROFIT		218,705	229,048
Other operating income	7	2,216	2,521
		220,921	231,569
EXPENSES:			
Administrative and other expenses		(177,991)	(171,325)
Selling and promotion expenses		(10,647)	(3,025)
		(188,638)	(174,350)
OPERATING PROFIT		32,283	57,219
Finance costs	10	(13,525)	(11,851)
PROFIT BEFORE TAXATION		18,758	45,368
Taxation	11	(2,415)	(8,068)
NET PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME		16,343	37,300
EARNINGS PER STOCK UNIT	12	2.98¢	6.81¢

Statement of Financial Position

Year ended 31 December 2018 (Stated in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	57,990	30,975
Intangible asset	14	3,894	-
Deferred tax asset	15	-	275
		61,884	31,250
CURRENT ASSETS:			
Inventories	16	200,460	131,206
Receivables	17	289,578	248,355
Related parties	18	13,896	14,642
Taxation recoverable		2,881	-
Deposit on investments	19	120,362	-
Cash and short term deposit	20	184,898	65,789
		812,075	459,992
		873,959	491,242
EQUITY AND LIABILITIES			
EQUITY:			
Share capital	21	364,850	100
Retained earnings		258,434	242,919
		623,284	243,019
CURRENT LIABILITIES:			
Borrowings	22	135,896	117,639
Payables	23	114,779	129,013
Taxation payable		-	1,335
Related parties	18	-	236
		250,675	248,223
		873,959	491,242

Approved for issue by the Board of Directors on 29 March 2019 and signed on its behalf by:

Gregory Pullen
Chairman

Courtney Pullen
Director

Statement of Changes In Equity

Year ended 31 December 2018 (Stated in Jamaican dollars unless otherwise indicated)

	Note	No. of Shares '000	Share Capital $'000	Retained Earnings $'000	Total $'000
BALANCE AT 1 JANUARY 2017		100	100	205,619	205,719
TOTAL COMPREHENSIVE INCOME					
Net profit for the year		-	-	37,300	37,300
BALANCE AT 31 DECEMBER 2017					
as originally presented		100	100	242,919	243,019
Effect of adopting new standards	3(a)	-	-	(828)	(828)
Restated balance at 1 January 2018		100	100	242,091	242,191
TOTAL COMPREHENSIVE INCOME					
Net profit for the year		-	-	16,343	16,343
Issue of shares, net of transaction costs	21	779,900	364,750	-	364,750
		779,900	364,750	16,343	381,093
BALANCE AT 31 DECEMBER 2018		780,000	364,850	258,434	623,284

Statement of Cash Flows

Year ended 31 December 2018 (Stated in Jamaican dollars unless otherwise indicated)

	Note	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit for the year		16,343	37,300
Adjustments for:			
Unrealised foreign exchange gains		(3,752)	(1,987)
Impairment allowance		1,161	-
Depreciation	13	7,535	6,195
Interest income	7	(1,835)	(15)
Interest expense	10	11,105	10,823
Taxation	11	2,415	8,068
		32,972	60,384
Changes in operating assets and liabilities:			
Inventories		(69,254)	7,065
Receivables		(43,211)	356
Payables		(15,959)	12,904
Related companies		510	(14,399)
		(94,942)	66,310
Taxation paid		(6,356)	(15,103)
Cash (used in)/provided by operating activities		(101,298)	51,207
CASH FLOWS FROM INVESTING ACTIVITIES:			
Deposit on investments	19	(120,362)	-
Interest received		1,628	15
Purchase of intangible asset		(3,894)	-
Purchase of property, plant and equipment	13	(34,550)	(7,878)
Cash used in investing activities		(157,178)	(7,863)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of shares, net of expenses	21	364,750	-
Interest paid		(10,672)	(10,823)
Loan received	20	367,313	415,885
Loan repayments	20	(409,091)	(405,376)
Cash provided by/(used in) financing activities		312,300	(314)
NET INCREASE IN CASH AND CASH EQUIVALENTS		53,824	43,030
Exchange gain on foreign cash balance		1,818	-
Cash and cash equivalents at beginning of year		65,180	22,150
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	120,822	65,180

Notes to the Financial Statements

Year ended 31 December 2018 (Stated in Jamaican dollars unless otherwise indicated)

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

   (a) Everything Fresh Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 78 Marcus Garvey Drive, Kingston 11. The company became listed on the Junior Market of the Jamaica Stock Exchange on 22 June 2018.

   (b) The principal activities of the company are the importation and distribution of dairy products, meats, seafood, fruits, vegetables and dry goods.

2. **REPORTING CURRENCY:**

   Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). These financial statements are presented in Jamaican dollars, which is considered the company's functional and presentation currency, unless otherwise stated.

3. **SIGNIFICANT ACCOUNTING POLICIES:**

   The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated. Amounts are rounded to the nearest thousand, unless otherwise stated.

   (a) **Basis of preparation**

   These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention. They are also prepared in accordance with requirements of the Jamaican Companies Act.

   The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

   New, revised and amended standards and interpretations that became effective during the year

   Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and has concluded that the following new standards and amendments are immediately relevant to its operations:

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New, revised and amended standards and interpretations that became effective during the year (cont'd)

In these financial statements, the company adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers with a transitional date of 1 January 2018. These standards were applied on a retrospective basis, with certain exceptions. As permitted, the company did not restate its prior period comparative financial statements.

The nature and the impact of the new standards and amendments is described below:

IFRS 9, 'Financial Instruments', (effective for accounting periods beginning on or after 1 January 2018). IFRS 9 replaces IAS 39 as at 1 January 2018. The company has not restated the 2017 comparative information for financial instruments in the scope of IFRS 9. Therefore, the 2017 comparative information is reported under IAS 39 and is not comparable to the information presented for 2018. Changes arising from the adoption of IFRS 9 have been recognised directly in retained earnings as of 1 January 2018 and are disclosed in note 25.

Changes to classification and measurement

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories of financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity and loans and receivables at amortised cost) have been replaced by:

- Amortised cost
- Fair value through other comprehensive income (FVOCI)
- Fair value through profit or loss (FVPL)

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New, revised and amended standards and interpretations that became effective during the year (cont'd)

IFRS 9, 'Financial Instruments', (effective for accounting periods beginning on or after 1 January 2018). (cont'd)

Changes to classification and measurement (cont'd)

Under IFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on the business model and their contractual terms. The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed.

The company's classification of its financial assets and liabilities is explained in note 3(k) and the quantitative impact of applying IFRS 9 as at 1 January 2018 is disclosed note 25.

Changes to the impairment calculation

The adoption of IFRS 9 has fundamentally changed the company's accounting for doubtful debt provision by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the company to record an allowance for ECLs for trade receivables. The allowance is based on the ECLs associated with probability of default in the next twelve months, unless there has been a significant increase in credit risk since origination. If the financial asset meets the definition of purchased or originated credit impaired (POCI), the allowance is based on the change in ECLs over the life of the asset.

IFRS 15, 'Revenue from Contracts with Customers', (effective for accounting periods beginning on or after 1 January 2018). The standard deals with revenue recognition and establishes 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. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New, revised and amended standards and interpretations that became effective during the year (cont'd)

IFRS 15, 'Revenue from Contracts with Customers', (effective for accounting periods beginning on or after 1 January 2018). (cont'd)

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

IFRS 15 also includes disclosure requirements to provide comprehensive information about the amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

Management has assessed the impact on the financial statements and noted that the impact is not material. Management has utilised the modified retrospective transition approach. The company applied IFRS 15 on 1 January 2018 and has elected not to restate comparative information in accordance with the transitional provisions. As a result, the comparative information provided continues to be accounted for in accordance with the company's previous accounting policy.

Amendment to IFRS 15, 'Revenue from Contracts with Customers', (effective for accounting periods beginning on or after 1 January 2018). These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). The IASB has also included additional practical expedients related to transition to the new revenue standard.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

New, revised and amended standards and interpretations that became effective during the year (cont'd)

IFRIC 22, 'Foreign Currency Transactions and Advance Consideration', (effective for accounting periods beginning on or after 1 January 2018). The interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date if initial recognition of the non-monetary asset or non-monetary liability. Also, the interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts. Management has assessed the impact on the financial statements and noted that the impact is not material.

New standards, amendments and interpretations not yet effective and not early adopted

IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019). The new standard eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with IAS 17. Leases are now recorded in the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of the lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognized lease assets and financial liabilities. An optional exemption exists for short term and low-value leases. The accounting by lessors will not significantly change.

The company expects to adopt the standard using a modified retrospective approach where the cumulative effect of initially applying it is recognized as an adjustment to the opening balance of retained earnings and comparatives are not restated. The company is still assessing the impact of the adoption of this standard, however it is not expected to be significant.

IFRIC 23, 'Uncertainty over Income Tax Treatments', (effective for accounting periods beginning on or after 1 January 2019). This IFRIC clarifies how the recognition and measurement requirements of IAS 12 'Income Taxes', are applied where there is uncertainty over income tax treatments. The IFRIC had clarified previously that IAS 12, not IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', applies to accounting for uncertain income tax treatments. IFRIC 23 explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over tax treatments. The adoption of this standard is not expected to have a significant impact on the company.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(a) **Basis of preparation (cont'd)**

New standards, amendments and interpretations not yet effective and not early adopted (cont'd)

Annual improvements 2015-2017, (effective for accounting periods beginning on or after 1 January 2019). These amendments include minor changes to:

- **IFRS 11 'Joint Arrangements',** a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- **IAS 12**, **'Income Taxes'** a company accounts for all income tax consequences of dividend payments in the same way.
- **IAS 23**, **'Borrowing Costs'** a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

(b) **Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss.

(c) **Property, plant and equipment**

Items of property, plant and equipment are recorded at historical cost or deemed cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Property, plant and equipment (cont'd)

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Warehouse improvements	10 years
Fixtures and equipment	10 years
Motor vehicles	8 years
Cold storage rooms	10 years

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss.

(d) Intangible asset

Intangible asset, which represents computer software, is deemed to have a finite useful life of five years and is measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

(e) Inventories

Inventories are stated at the lower of cost and fair value less costs to sell, cost being determined on the first-in, first-out basis. Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses.

(f) Leases

Leases of assets under which all the risk and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating lease are recognised in profit or loss on the straight-line basis over the term of the lease.

(g) Revenue recognition

Policy applicable after 1 January 2018

Sale of goods

Revenue is recognised at a point in time in the amount of the price, before tax on sales, expected to be received by the company for goods supplied as a result of their ordinary activities, as contractual performance obligations are fulfilled, and control of goods passes to the customer. Revenue is decreased by any trade discounts granted to customers.

For contracts that permit return of goods, revenue is recognised to the extent that it is highly probable that a significant reversal will not occur.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(g) **Revenue recognition (cont'd)**

Policy applicable after 1 January 2018 (cont'd)

Sale of goods (cont'd)

The right to recover returned goods is measured at the former carrying amount of inventory less any expected cost to recover.

Interest income

Interest income is recognised in profit or loss using the effective interest method. The "effective interest rate" is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instruments to its gross carrying amount.

When calculating the effective interest rate for financial instruments, the company estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

Policy applicable before 1 January 2018

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods.

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

Interest income is recognized in the income statement for all interest bearing instruments on an accrual basis unless collectibility is doubtful.

(h) **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 asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(i) Current and deferred income taxes

Taxation expense in profit or loss comprises current and deferred tax charges.

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 is the tax that is expected to be paid or recovered on 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 profit or loss, 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.

(j) Employee benefits

Defined contribution plan

The company operates a defined contribution pension plan which is funded by employees' contribution of 5% -10% of salary and employer's contribution of 5%. Once the contributions have been paid, the company has no further obligations. Contributions are charged to the statement of profit or loss, in the year to which they relate.

(k) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

Financial assets

(i) Recognition and derecognition

Financial assets are initially recognised on the settlement date, which is the date that an asset is delivered to the company. This includes regular purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(k) Financial instruments (cont'd)

Financial assets (cont'd)

(i) Recognition and derecognition (cont'd)

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains all or substantially all the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such de-recognised financial assets that is created or retained by the company is recognised as a separate asset or liability.

(ii) Classification

The company classifies all its of financial instruments at initial recognition based on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value, except in the case of financial assets recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

The company classifies its financial assets as those measured at amortised cost.

(iii) Measurement category

Amortised cost

These assets arise principally from the provision of goods and services to customers (eg. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest (SPPI). They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The company's financial assets measured at amortised cost comprise trade and other receivables, deposit on investments, due from related parties and cash and short term deposit in the statement of financial position.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(k) **Financial Instruments (cont'd)**

Financial assets (cont'd)

(iii) **Measurement category (cont'd)**

Amortised cost (cont'd)

Cash and short term deposit includes cash at bank and in hand and short term deposit. For the purpose of the statement of cash flows, cash and cash equivalents comprise cash at bank and in hand, short term deposit with original maturity of three months or less and credit card balances. Credit card balances are shown in borrowings under current liabilities in the statement of financial position.

(iv) **Impairment**

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses (ECL).

During this process the probability of the non-payment of the trade receivables is assessed by taking into consideration historical rates of default for each segment of trade receivables as well as the estimated impact of forward looking information. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within the statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Financial liabilities

The company's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: trade and other payables, due to related parties and borrowings.

The company derecognizes a financial liability when its contractual obligations expire or are discharged or cancelled.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(l) 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.

(m) Dividend distribution

Dividend distribution to the company's shareholders is recognized as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

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

(n) Borrowings

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

(o) Segment reporting

An operating segment is a component of the company 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 company's other components. Each operating segment's operating results are reviewed regularly by the company's Chief Operating Decision Maker (CODM), to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The company has identified the Managing Director as its CODM.

During the year, a review of the operating segment was conducted. Based on the economic and operational similarities and the way the CODM monitors the operations, the company has concluded that the entire operations of the company are considered as one operating segment.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

In the process of applying the company's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):

(b) Key sources of estimation uncertainty

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Allowance for impairment losses on trade receivables

Allowances for doubtful accounts were established until 31 December 2017 based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Effective 1 January 2018, such allowances are determined upon origination of the trade receivable based on a model that calculates the expected credit loss (ECL) of the trade receivables.

Under this ECL model, the company segments its trade receivable in a matrix by days past due and determined for each age bracket an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the trade receivables.

The average ECL rate increases in each segment of days past due until the rate is 100% for the segment of 365 days or more past due. The use of assumptions make uncertainty inherent in such estimates.

(ii) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The company applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in statement of income through impairment or adjusted depreciation provisions.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):

(b) Key sources of estimation uncertainty (cont'd)

(iv) Net realizable value of inventories

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

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

5. FINANCIAL RISK MANAGEMENT:

The company is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the company is exposed to risks that that arise from its use of financial instruments. This note describes the company's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(a) Principal financial instruments

The principal financial instruments used by the company, from which financial instrument risk arises, are as follows:

- Trade and other receivables
- Cash and short term deposit
- Trade and other payables
- Deposit on investments
- Borrowings
- Due from/to related parties

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(b) Financial instruments by category

Financial assets

	Amortised cost 2018 $'000	Loans and receivables 2017 $'000
Deposit on investments	120,362	-
Cash and short term deposit	184,898	65,789
Due from related parties	13,896	14,642
Receivables	279,729	225,430
Total financial assets	598,885	305,861

Financial liabilities

	Amortized cost 2018 $'000	2017 $'000
Payables	106,326	125,404
Due to related parties	-	236
Borrowings	135,896	117,639
Total financial liabilities	242,222	243,279

(c) Financial risk factors

The Board has overall responsibility for the determination of the company's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the company's finance function. The Board receives monthly reports from the Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the company's competitiveness and flexibility. Further details regarding these policies are set out below:

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(i) Market risk

Market risk arises from the company's use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk arises from transactions for sales, purchases and US dollar cash and bank balances. The company manages this 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 net foreign currency assets.

Concentration of currency risk

The company is exposed to foreign currency risk in respect of US dollar and Euro as follows:

	2018 US J$'000	2018 EURO J$'000	2017 US J$'000	2017 EURO J$'000
Cash and cash equivalents	77,311	-	60,137	-
Trade payables	(80,948)	(20,050)	(106,603)	(20,082)
Borrowings	(72,027)	-	(112,029)	-
	(75,664)	(20,050)	(158,495)	(20,082)

Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances, borrowings and payable balances, and adjusts their translation at the year-end for 4% (2017 – 4%) depreciation and a 2% (2017 – 2%) appreciation of the Jamaican dollar against the EURO and the US dollar. The changes below would have no impact on other components of equity.

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Foreign currency sensitivity (cont'd)

	% Change in Currency Rate 2018	Effect on Profit before Taxation 2018 $'000	% Change in Currency Rate 2017	Effect on Profit before Taxation 2017 $'000
Currency:				
USD	-4	(3,027)	-4	(6,340)
USD	+2	1,513	+2	3,170
EURO	-4	(802)	-4	(803)
EURO	+2	401	+2	401

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company is not exposed to market price fluctuations at the reporting date.

Cash flow and fair value 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.

Floating rate instruments expose the company to cash flow interest rate risk, whereas fixed rate instruments expose the company to fair value interest rate risk.

The company is primarily exposed to cash flow interest rate risk on its short term investments and short term borrowings.

Short term investments and borrowings are the only interest bearing assets and liabilities respectively, within the company. The company's short term investments and borrowings are due to mature within a year of the reporting date.

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(i) Market risk (cont'd)

Cash flow and fair value interest rate risk (cont'd)

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits, as these deposits have a short term to maturity and are constantly reinvested at current market rates.

There is no significant exposure to interest rate risk on borrowings as these revolving loans are due to be repaid within 90 days of commencement.

(ii) 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. Credit risk arises from trade receivables, related company balances and cash and bank balances.

Maximum exposure to credit risk

The maximum exposure to credit risk is equal to the carrying amount of trade and other receivables and cash and short term deposit in the statement of financial position.

Trade receivables

Revenue transactions in respect of the company's primary operations are done on a credit basis. The company has policies in place to ensure that sales are made to customers with an appropriate credit history.

Trade receivables impairment provision

The impairment requirements of IFRS 9 are based on an Expected Credit Loss (ECL) model. The guiding principle of the ECL model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments.

For trade receivables and contract assets that do not have a financing component, it is a requirement of IFRS 9 to recognize a lifetime expected credit loss. This was achieved in the current year by the development and application of historical data relating to trade receivables and write-offs, as well as forecasting payment probabilities.

The 2017 trade receivables were analyzed in compliance with IFRS 9 which resulted in an impairment amount of $828,000. As such, an adjustment was made to the retained earnings in accordance with the transitional provision of IFRS 9.

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(c) Financial risk factors (cont'd)

(ii) Credit risk (cont'd)

Trade receivables impairment provision (cont'd)

The company estimates expected credit losses (ECL) on trade receivables using a provision matrix based on historical credit loss experience as well as the credit risk and expected developments for each group of customers. The following table provides information about the ECL's for trade receivables as at 31 December 2018.

Aging	Gross Carrying Amount $'000	Default Rate %	Lifetime ECL Allowance $'000
Current (not past due)	184,700	0.3	554
1 - 30 days	35,294	0.3	106
31 – 60 days	16,643	0.4	67
61 – 90 days	5,397	3.0	162
91 -120 days	2,835	10.0	283
121 days and over	4,062	20.1	817
Total	248,931		1,989

Cash and bank balances and short term investment

Cash transactions are limited to high credit quality financial institutions. The company has policies that limit the amount of credit exposure to any one financial institution.

(iii) Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, and the availability of funding through an adequate amount of committed credit facilities.

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(c) **Financial risk factors (cont'd)**

(iii) **Liquidity risk (cont'd)**

Liquidity risk management process

The company's liquidity risk management process, as carried out within the company and monitored by the Accounts Department, includes:

(i) Monitoring future cash flows and liquidity on a daily basis.
(ii) Maintaining a portfolio of short term investment balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
(iii) Maintaining committed lines of credit.
(iv) Optimising cash returns on investments.

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

	Within 1 Year $'000
31 December 2018	
Borrowings	136,272
Payables	106,326
Total financial liabilities (contractual maturity dates)	242,598

	Within 1 Year $'000
31 December 2017	
Borrowings	118,015
Payables	125,404
Due to related parties	236
Total financial liabilities (contractual maturity dates)	243,655

5. FINANCIAL RISK MANAGEMENT (CONT'D):

(d) Capital management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders. The Board of Directors monitors the return on capital, which the company defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to stockholders.

There are no particular strategies to determine the optimal capital structure. There are also no external capital maintenance requirements to which the company is subject.

6. REVENUE:

Revenue represents the price of goods sold and transferred to customers at a point in time after discounts and allowances.

7. OTHER OPERATING INCOME:

	2018 $'000	2017 $'000
Interest income	1,835	15
Rental income	381	2,506
	2,216	2,521

8. EXPENSES BY NATURE:

Total direct, administrative, selling and other expenses:

	2018 $'000	2017 $'000
Cost of inventories recognised as expense	1,623,085	1,578,304
Staff costs (note 9)	127,326	98,502
Directors' fees	1,510	-
Transportation and motor vehicle expenses	27,407	28,794
Advertising and promotion	5,103	654
Legal and professional fees	7,827	2,043
Insurance	925	857
Printing and stationery	910	576
Rental	10,911	9,762
Utilities and postage	14,991	10,419
Security	413	387
Other warehouse expenses	1,572	1,858
Donations and subscriptions	757	-
Auditors' remuneration	1,800	950
Foreign exchange loss	619	3,993
Bad debts	3,049	-
License and inspection fees	4,036	3,564
Repairs and maintenance	7,196	1,862
Depreciation	7,535	6,195
Asset tax	200	200
Other administrative expenses	2,422	4,322
	1,849,594	1,753,242

	2018 $'000	2017 $'000
Cost of sales	1,660,956	1,612,381
Administrative expenses	177,991	137,836
Selling expense	10,647	3,025
	1,849,594	1,753,242

9. STAFF COSTS:

	2018 $'000	2017 $'000
Salaries and wages	63,150	46,404
Directors' remuneration	39,470	31,780
Statutory contributions	10,304	8,162
Pension costs	5,648	4,408
Accommodation and meals	1,224	1,261
Other	7,530	6,487
	127,326	98,502

The number of persons employed by the company at year end was 29 (2017 -25).

10. FINANCE COSTS:

	2018 $'000	2017 $'000
Processing fees	2,420	1,028
Interest expense -		
Bank overdraft	50	146
Loan interest	8,153	7,624
Other	2,902	3,053
	13,525	11,851

11. TAXATION:

(a) Taxation is computed on the operating results for the year, adjusted for tax purposes, and comprises:

	2018 $'000	2017 $'000
Current taxation	2,140	8,663
Deferred tax (note 15)	275	(595)
	2,415	8,068

(b) The tax on the profit before taxation differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2018 $'000	2017 $'000
Profit before taxation	18,758	45,368
Taxation calculated @ 25%	4,689	11,342
Adjusted for the effects of:		
Expenses not deducted for tax purposes	3,038	2,056
Employment tax credit	(1,709)	(3,713)
Net effect of other charges and credits	(1,202)	(1,617)
	4,816	8,068
Adjustment for the effect of tax remission:		
Current tax	(2,401)	-
Taxation charge in income statement	2,415	8,068

11. TAXATION (CONT'D):

(c) Remission of income tax:

The company's shares were listed on the Jamaica Stock Exchange Junior Market, effective 22 June 2018. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided the shares remain listed for at least 15 years.

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

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

12. EARNINGS PER STOCK UNIT:

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue at year end.

	2018	2017
Net profit attributable to stockholders ($'000)	16,343	37,300
Weighted average number of ordinary stocks units ('000)	547,521	547,521
Basic earnings per stock unit (¢ per share)	2.98	6.81

13. PROPERTY, PLANT AND EQUIPMENT:

	Warehouse Improvements $'000	Cold Storage Rooms $'000	Fixtures & Equipment $'000	Motor Vehicles $'000	Total $'000
Cost-					
1 January 2017	3,266	30,147	7,084	9,181	49,678
Additions	4,959	-	1,089	1,830	7,878
31 December 2017	8,225	30,147	8,173	11,011	57,556
Additions	6,207	18,611	6,747	2,985	34,550
31 December 2018	14,432	48,758	14,920	13,996	92,106
Depreciation -					
1 January 2017	741	10,443	3,067	6,135	20,386
Charge for the year	822	3,015	858	1,500	6,195
31 December 2017	1,563	13,458	3,925	7,635	26,581
Charge for the year	1,008	3,670	1,183	1,674	7,535
31 December 2018	2,571	17,128	5,108	9,309	34,116
Net Book Value -					
31 December 2018	11,861	31,630	9,812	4,687	57,990
31 December 2017	6,662	16,689	4,248	3,376	30,975

14. INTANGIBLE ASSET:

This represents purchase of software which was not yet commissioned at the reporting date and as such no amortisation charge was incurred.

15. DEFERRED TAX:

Deferred tax is calculated in full on temporary differences under the liability method using applicable tax rate of 25%.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	2018 $'000	2017 $'000
Deferred tax asset	-	275

The movement in deferred tax is as follows:

	2018 $'000	2017 $'000
Balance at start of year	275	(320)
(Charged)/credited for the year (note 11)	(275)	595
Balance at end of year	-	275

The balance on the deferred tax account for 2017 was written back to the income statement as the company will not be incurring tax liabilities consequent to being listed on the Jamaica Stock Exchange Junior Market (note 11 (c)).

16. INVENTORIES:

This consists of goods for resale such as meat, dairy products, fruits and vegetables which are stated at the lower of cost or net realizable value.

17. RECEIVABLES:

	2018 $'000	2017 $'000
Trade receivables	248,931	222,433
Less: provision for credit losses	(1,989)	-
	246,942	222,433
Goods prepaid	32,625	2,985
Other receivables	10,011	22,937
	289,578	248,355

18. RELATED PARTY TRANSACTIONS AND BALANCES:

	2018 $'000	2017 $'000
(a) **Transactions between the company and its related companies**		
Purchases of goods -		
Quality Produce & Groceries Inc.	1,045,279	919,374
Sale of goods -		
Di Grill Shack Ltd.	4,317	3,522
(b) **Key management compensation** (included in staff costs note 9)		
Key management includes executive directors and senior managers –		
Salaries and other short-term employee benefits	67,080	52,448
Directors' emoluments -		
Fees	1,510	-
Management remuneration (included above)	42,732	34,509
(c) Year-end balances arising from transactions with related parties		
Due from -		
Di Grill Shack Ltd.	2,348	2,848
Jamaica's Finest Produce Limited	3,400	3,500
Quality Investments Limited	90	-
G&L Enterprise Limited	-	8,089
Viking Distribution Limited	-	18
N&G Distributors Limited	-	187
Directors	8,058	-
	13,896	14,642
Di Grill Shack Ltd. (included in trade receivables)	566	-
Due to -		
Viking Farms Limited	-	(175)
Directors	-	(61)
	-	(236)
Quality Produce & Groceries Inc. (included in trade payables)	80,949	-

19. DEPOSIT ON INVESTMENTS:

	2018 $'000	2017 $'000
(i) The Meat Experts Limited	49,900	-
(ii) Other investments	70,462	-
	120,362	-

(i) On 14 December 2018, the company deposited $49,900,310 for the purchase of the assets, excluding stock, of The Meat Experts Limited. The agreement was signed and the transaction completed in January 2019.

(ii) This represents deposit on a business opportunity that will be realized in the near future.

20. CASH AND CASH EQUIVALENTS:

For the purpose of the statement of cash flows, cash and cash equivalents comprise:

	2018 $'000	2017 $'000
Cash and short term deposit -		
Cash in transit	25,706	-
Local currency accounts	6,702	5,247
Foreign currency accounts	51,604	60,542
Short term deposit	100,886	-
	184,898	65,789
Less accrued interest	(207)	-
	184,691	65,789
Short term borrowings -		
Credit card balances (note 22)	(63,869)	(609)
	120,822	65,180

(a) The short term deposit has an original maturity of 90 days.

(b) Interest rate exposure

	2018 %	2017 %
Weighted average interest rate -		
Bank account – local	0.25	0.25
Bank accounts – foreign	0.05	0.05
Short term deposit	2.70	-

20. CASH AND CASH EQUIVALENTS (CONT'D):

(c) Reconciliation of movements of liabilities to cash flows arising from financing activities:

Amounts represent bank loans excluding credit card balances.

	2018 $'000	2017 $'000
At 1 January	117,030	108,508
Cash -		
Loans received	367,313	415,885
Loans repaid	(409,091)	(405,376)
Non-cash –		
Interest accrued	433	-
Foreign exchange adjustment	(3,658)	(1,987)
At 31 December (note 22)	72,027	117,030

21. SHARE CAPITAL:

	2018 $'000	2017 $'000
Authorised -		
1,000,000,000 (2017-100,000) Ordinary shares of no par value		
Stated capital –		
Issued and fully paid -		
100,000 ordinary shares of no par value	-	100
780,000,000 ordinary shares of no par value	390,162	-
Less: transaction costs of share issue	(25,312)	-
	364,850	100

On 19 January 2018, the company passed a resolution that the authorised share capital of the company be increased from 100,000 ordinary shares without par value to 1,000,000,000 ordinary shares without par value.

On 4 April 2018, 623,900,000 of the newly created ordinary shares were allotted to a related company. Further, on 22 June 2018, the company issued 156,000,000 new shares to the public through an IPO (see note 1(a)).

22. BORROWINGS:

		2018 $'000	2017 $'000
Composition of borrowings			
Credit card balances (note 20)		63,869	609
Short term loans –			
(i)	National Export-Import Bank of Jamaica Limited	32,568	73,655
(ii)	First Global Bank Limited	39,459	38,375
(iii)	Carbyne Capital	-	5,000
		72,027	117,030
		135,896	117,639

(i) The National Export-Import Bank of Jamaica Limited loan represents a revolving loan facility with a credit limit of the United States Dollar equivalent of Seventy Six Million Jamaican Dollars (J$76,000,000). The amount owing at the year end represents the Jamaican dollar equivalent of US $252,878 which includes accrued interest. The loan is repayable over 90 days and attracts a variable interest rate of 8% per annum. The loan is secured by the assignment of Trade Credit Insurance agreement and personal guarantees of Courtney Pullen and Melene Pullen.

(ii) The First Global Bank Limited loan balance represents credit facilities of US$200,000 and US$107,000. The loans are repayable over 90 days and attract a variable interest rate of 10.25% and 7.25% respectively, per annum. The loans are secured as follows :

- Deed of Assignment of Policy Assurance (Personal) for J$10,000,000 on the life of Courtney Pullen held at Sagicor Life Jamaica Limited.
- Assignment of all payments due from GK Foods and Services Limited with business name Hi-Lo Food Stores Limited.
- Unlimited guarantee of Courtney Pullen, Melene Pullen, Garret Gardner and Nesha Carby.

(iii) This loan was repaid during the year.

23. PAYABLES:

	2018 $'000	2017 $'000
Trade payables	104,526	124,454
Other accounts payables and accrued charges	10,253	4,559
	114,779	129,013

24. PENSION PLAN:

The company operates a defined contribution pension plan which is administered by Sagicor Life Jamaica Limited and is open to all permanent employees.

The plan is funded by the company's and employees' contributions. The company's contributions to the scheme are expensed and amounted to $5,648,000 for the year (2017 – $4,408,000).

25. CHANGES IN ACCOUNTING POLICES:

The company has adopted IFRS 9 and IFRS 15 for the financial year ended 31 December 2018 which resulted in a change in the company's accounting policies. As explained in note 3, IFRS 9 and IFRS 15 were generally adopted without restating comparative information. The reclassifications and adjustments arising from the new impairment rules are therefore not reflected in the statement of financial position at 31 December 2017.

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

- an increase in impairment losses recognised on financial assets;
- additional disclosures related to IFRS 9;
- additional disclosures related to IFRS 15.

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

(a) IFRS 9 - Financial Instruments

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

The key changes to the company's accounting policies and the full impact resulting from its adoption of IFRS 9 are summarized below.

25. CHANGES IN ACCOUNTING POLICES (CONT'D):

(a) IFRS 9 - Financial Instruments (cont'd)

The impact of transition to IFRS 9 on the opening retained earnings is as follows:

	$'000
Closing balance under IAS 39 (31 December 2017)	242,919
Recognition of expected credit losses under IFRS 9:	
Trade receivables	(828)
Opening balance under IFRS 9 (1 January 2018)	242,091

IFRS 9 contains three principal classification categories for financial assets:

- amortised cost
- fair value through other comprehensive income (FVOCI)
- fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The following table and the accompanying notes explain the original measurement categories of loans and receivables under IAS 39 and the new measurement categories of amortised cost under IFRS 9 for each class of the company's financial assets as at 1 January 2018. The effect of adopting IFRS 9 on the carrying amounts of financial assets at 1 January 2018 relates solely to the new impairment requirements.

	Original Classification	New classification under IFRS 9	IAS 39 carrying amount at 31 December 2017	Re-measurement	IFRS 9 carrying amount at 1 January 2018
			$'000	$'000	$'000
Financial assets					
Cash and bank balances	Loans and receivables	Amortised cost	65,789	-	65,789
Due from related parties	Loans and receivables	Amortised cost	14,642	-	14,642
Receivables	Loans and receivables	Amortised cost	225,430	(828)	224,602
			305,861	(828)	305,033

Trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase of $828,000 in the allowance for impairment over these receivables was recognised in opening retained earnings at 1 January 2018, on transition to IFRS 9.

25. CHANGES IN ACCOUNTING POLICES (CONT'D):

(a) IFRS 9 - Financial Instruments (cont'd)

Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39. The impact on the financial statements at 1 January 2018 was an increase in the impairment provision of $828,000.

(b) IFRS 15 - Revenue Recognition

IFRS 15 replaces the provisions of IAS 18 that relate to revenue recognition. IFRS 15 introduces the principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price.

The adoption of IFRS 15, Revenue Recognition from 1 January 2018 resulted in changes in accounting policies. The accounting policies under IAS 18 and IFRS 15 are set out in note 3 above. In accordance with the transitional provisions in IFRS 15, comparative figures have not been restated.

26. SEGMENT INFORMATION:

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

Financial information related to the operating segment results for the year ending 31 December 2018, can be found in the company's income statement and related notes. There are no differences in the measurement of the reportable segment results and the company's results.

Details of the segment assets and liabilities for the year ended 31 December 2018 can be found in the company's statement of financial position and related notes. There are no differences in the measurement of the reportable segment assets and liabilities and the company's assets and liabilities.

Notes

Annual Report designed by Heather Kong-Smith

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