Caribbean Producers (Jamaica) Limited
Report to Shareholders
Twelve Months Ended June 30, 2019

CARIBBEAN PRODUCERS JAMAICA LIMITED

YEAR ENDED JUNE 30, 2019

Consolidated Financial Results for the year ended 30 June 2019

The Board of Directors are pleased to present the company's consolidated audited results for the year ended June 30, 2019.

A challenging fiscal year due to extraordinary impact of failed implementation of new technology

At the start of the year, CPJ announced plans for two major capital projects that were earmarked for meeting its future growth targets and to strengthen its competitive position in the future.

- The construction of a new 56,000 square feet Distribution Centre to compliment the existing 120,000 square feet of warehouse capacity. This project was completed on time and budget.
- The implementation of new technology to enable the greater capabilities to manage the large and complex portfolio of inventory along with the integration of supply chain operations across our multiple geographic domiciles.

The CPJ Group experienced a critical failure at implementation of the new IT system at the start of the FY. This event resulted in significant variable and one-off costs, along with the lost bids and annual contract opportunities for servicing its core business, the hotel and food service markets.

The impact and the recovery extended throughout the first 3 quarters which correlated with the peak tourism season. The logistic challenges created excessive delays and challenges for smooth procurement and delivery capability to fulfil demand.

Nevertheless, the robust 25-year business model demonstrated resilience during the year by containing disruption to the largest and most sensitive hospitality and food service accounts at the cost of profitability to retain the business relationships and commitments.

The Group was still able to increase its gross sales despite these extraordinary events and recorded its highest level of gross revenues to date. The group reported its best performing year with gross revenue of US$109.62M [compared to PY US$107.80M]. The management and team placed emphasis on the relationship management throughout the year and continued to execute new initiatives and portfolio offerings to remain relevant.

The Group focussed on competing in selected product classes with positive results. The four key tactical categories which delivered year on year growth were Spirits (33%), RTD beverages (13%), Seafood (7%), and Frozen groceries (7%).

The Company also received industry and peer accolades during the year, including recognition for "invaluable support" to the Hospitality Industry and the best corporate website from the Jamaica Hotel and Tourism Association and the Jamaica Stock Exchange respectively.

The compressed margins and the consequential increase in non-budgeted variable costs along with the extraordinary write off the IT asset, resulted in a loss of US$1.17M for the group.

The earnings per share decreased from 0.19 cents to a loss per share of 0.11 cents. The stock price for the CPJ share was at $4.88 as at June 30, 2019.

The Balance Sheet of the Group and current ratio as at end of June 30, 2019

Current assets increased by US$7.09M (15.80%) from US$44.88M to US$51.97M. Total assets increased by US$9.08M (16%) when compared to 2018. Total liabilities increased by US$10.61M (30.5%) when compared to prior year.

The Group demonstrated efficient treasury management to enable the construction of the new infrastructure including the new 56,000 square feet distribution centre in Montego Bay and the new retail outlet in St. Lucia. The Group remains liquid with a current ratio of 1.91:1 when compared to 2.49:1 prior year.

Outlook

FY 2019 presented the Company with multiple challenges to navigate the disruptive impact to the business during its most sensitive earning season. The experience enabled the Company to strengthen a number of critical areas of the business including process reengineering and the introduction of new technical talent at the senior management and Board level.

Management believes that the Group is still poised for further growth and profitability in the new fiscal year, with exciting opportunities despite the interruption to profitability in FY 2019.

The core business model remains resilient and the introduction of new delivery and procurement capabilities creates opportunities for greater efficiency and economies of scale. Also, the introduction of new product categories, combined with the planned incremental growth of hotels on the island over the next 3 years also presents an attractive growth trajectory.

The launch of the new Distribution Centre is projected to enable higher operational efficiencies and ultimately support long term value in our ability to fulfill greater demands that will be required, to support the growth of the hotel industry.

The Management remains committed to the objective to maximize long term shareholder value. By creating scale and implementing strategic business transformation initiatives, CPJ remains ahead of the competition and ensuring that it is the preferred partner and purveyor of choice.

The Management expresses its sincere gratitude to its vendors, suppliers, customers, employees and shareholders for their continued support and belief in the CPJ brand.

Mark Hart
Executive Chairman

David Lowe, Ph.D.
Chief Executive Officer

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

FINANCIAL STATEMENTS

JUNE 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Caribbean Producers (Jamaica) Limited ("the Company") comprising the separate financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries ("the Group"), set out on pages 8 to 59 which comprise the Group's and Company's statement of financial position as at June 30, 2019, the Group's and Company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at June 30, 2019, and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

1. Valuation of inventories

Key Audit Matter	*How the matter was addressed in our audit*
Due to the highly perishable nature of the stock items held and a need for an adequate storage environment from the receipt to the delivery of inventory items, there is an inherent risk that material misstatement could arise due to inventory being impaired.	Our audit procedures in response to this matter, included: • Checking management's process of identifying obsolete inventory during the count and observing the year end count to ascertain if the process is employed and if the process, by design, is adequate to identify stock items which may be impaired. • Reviewing sales campaigns subsequent to the year-end to determine if items nearing expiration were being sold below costs. • Computing the net realisable value (NRV) of a sample of the inventory items. • Reviewing the slow moving inventories report and assessing the adequacy of the process given the findings from the slow moving report.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. Measurement of Expected Credit Losses

Key Audit Matter	*How the matter was addressed in our audit*
IFRS 9, *Financial Instruments*, was implemented by the Group effective July 1, 2018. The standard is new and complex and requires the Group to recognise expected credit losses ('ECL') on financial assets measured at amortised cost. The determination of ECL is highly subjective and requires management to make significant judgements and estimates and the application of forward-looking information.	Our audit procedures in response to this matter, included: • Obtaining an understanding of the model used by management for the calculation of expected credit losses on financial assets. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records. • Involving our financial risk management specialist, to review the ECL model, assess the appropriateness of the Group's impairment methodology, management's assumptions and compliance with the new requirements of IFRS 9, *Financial Instruments*. • Involving our financial risk management specialists to evaluate the appropriateness of economic parameters including the use of forward looking information. • Testing the accuracy of the ECL calculation. • Testing the group's recording and ageing of accounts receivable. • Assessing the adequacy of the disclosures of the key assumptions and judgements as well as the details of the transition adjustment for compliance with IFRS 9.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

Other information

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Report on Additional Matters as Required by the Jamaican Companies Act

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

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

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

KPMG

Chartered Accountants
Montego Bay, Jamaica

August 28, 2019

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Appendix to the Independent Auditors' Report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Appendix to the Independent Auditors' Report (continued)

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

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Financial Position
June 30, 2019
(Presented in United States dollars)

	Notes	Group 2019	Group 2018	Company 2019	Company 2018
CURRENT ASSETS					
Cash and cash equivalents	5	4,212,776	3,756,720	4,182,025	3,749,947
Accounts receivable	6	15,889,156	15,214,933	14,519,281	13,422,406
Inventories	7	31,865,641	25,906,462	26,216,658	21,577,170
		51,967,573	44,878,115	44,917,964	38,749,523
CURRENT LIABILITIES					
Bank overdraft	5	1,067,854	776,993	-	-
Short-term loans	8	5,150,000	1,700,000	5,150,000	1,700,000
Accounts payable	9	15,520,287	10,134,927	13,335,864	8,474,046
Short-term promissory notes	10	4,317,794	4,317,794	4,317,794	4,317,794
Current portion of long-term borrowings	18	1,070,490	615,127	1,026,347	615,127
Taxation payable		70,648	450,413	142,757	359,771
		27,197,073	17,995,254	23,972,762	15,466,738
NET CURRENT ASSETS		24,770,500	26,882,861	20,945,202	23,282,785
NON-CURRENT ASSETS					
Investments		71,581	71,581	71,581	71,581
Interest in subsidiary	11	-	-	3,050,406	3,047,948
Deferred tax asset	12	1,096,001	955,302	1,096,001	956,171
Property, plant and equipment	13	14,303,532	11,776,693	11,611,467	9,327,025
Intangible asset	14	32,585	707,091	6,000	702,245
		15,503,699	13,510,667	15,835,455	14,104,970
		$40,274,199	40,393,528	36,780,657	37,387,755
EQUITY					
Share capital	15	4,898,430	4,898,430	4,898,430	4,898,430
Accumulated surplus		17,074,870	18,606,749	16,963,578	18,477,473
Equity attributable to shareholders		21,973,300	23,505,179	21,862,008	23,375,903
Non-controlling interest	16	141,254	140,294	-	-
		22,114,554	23,645,473	21,862,008	23,375,903
NON-CURRENT LIABILITIES					
Long-term promissory notes	17	7,270,669	8,269,110	7,270,669	8,269,110
Long-term borrowings	18	7,832,373	5,742,742	7,647,980	5,742,742
Due to related company	19(a)	3,056,603	2,736,203	-	-
		18,159,645	16,748,055	14,918,649	14,011,852
		$40,274,199	40,393,528	36,780,657	37,387,755

The financial statements on pages 8 to 59 were approved for issue by the Board of Directors on August 28, 2019 and signed on its behalf by:

Director
Mark Hart

Director
David Lowe

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Profit or Loss and Other Comprehensive Income
Year ended June 30, 2019
(Presented in United States dollars)

	Notes	Group		Company	
		2019	2018	2019	2018
Gross operating revenue	20	109,620,529	107,795,501	94,576,574	93,306,931
Cost of operating revenue	21(a)	(83,397,830)	(79,367,737)	(71,671,765)	(68,312,666)
Gross profit		26,222,699	28,427,764	22,904,809	24,994,265
Selling and administration expenses	21(b)	(22,861,791)	(21,949,403)	(20,014,280)	(19,498,758)
Depreciation and amortisation	13,14	(2,466,027)	(2,460,328)	(2,032,658)	(2,108,914)
Expected credit losses		1,842	-	43,337	-
Write-off of intangible asset	14	(679,713)	-	(679,713)	-
Other operating income, net	22(a)	175,059	99,145	98,452	74,142
Operating profit		392,069	4,117,178	319,947	3,460,735
Finance income	22(b)	569	191,791	569	185,895
Finance costs	22(c)	(1,677,861)	(1,670,924)	(1,602,679)	(1,628,669)
(Loss)/profit before taxation		(1,285,223)	2,638,045	(1,282,163)	2,017,961
Taxation	23	117,354	(327,439)	116,485	(140,273)
(Loss)/profit for the year, being total comprehensive (loss)/income		$(1,167,869)	2,310,606	(1,165,678)	1,877,688
Attibutable to:					
Shareholders		(1,168,829)	2,098,476	(1,165,678)	1,877,688
Non-controlling interest		960	212,130	-	-
		$(1,167,869)	2,310,606	(1,165,678)	1,877,688
Earnings per stock unit (cents)	24	(0.11)	0.19	(0.11)	0.17

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Changes in Equity
Year ended June 30, 2019
(Presented in United States dollars)

	Group			
	Share capital (note 15)	Accumulated surplus	Non-controlling interest (note 16)	Total
Balances at June 30, 2017	4,898,430	17,030,012	(71,836)	21,856,606
Transaction with owners:				
Dividends (note 27)	-	(521,739)	-	(521,739)
Total Comprehensive Income for the year:				
Profit for the year, being total comprehensive income	-	2,098,476	212,130	2,310,606
Balances at June 30, 2018	4,898,430	18,606,749	140,294	23,645,473
Adjustment on initial application of IFRS 9 (note 3)	-	(363,050)	-	(363,050)
Adjusted balances as at July 1, 2018	4,898,430	18,243,699	140,294	23,282,423
Total Comprehensive Loss for the year:				
Loss for the year, being total comprehensive loss	-	(1,168,829)	960	(1,167,869)
Balances at June 30, 2019	$4,898,430	17,074,870	141,254	22,114,554

	Company			
Balances at June 30, 2017	4,898,430	17,121,524	-	22,019,954
Transaction with owners:				
Dividends (note 27)	-	(521,739)	-	(521,739)
Total Comprehensive Income for the year:				
Profit for the year, being total comprehensive income	-	1,877,688	-	1,877,688
Balances at June 30, 2018	4,898,430	18,477,473	-	23,375,903
Adjustment on initial application of IFRS 9 (note 3)	-	(348,217)	-	(348,217)
Adjusted balances as at July 1, 2018	4,898,430	18,129,256	-	23,027,686
Total Comprehensive Loss for the year:				
Loss for the year, being total comprehensive loss	-	(1,165,678)	-	(1,165,678)
Balances at June 30, 2019	$4,898,430	16,963,578	-	21,862,008

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Cash Flows
Year ended June 30, 2019
(Presented in United States dollars)

	Notes	Group		Company	
		2019	2018	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit for the year		(1,168,829)	2,098,476	(1,165,678)	1,877,688
Adjustments for:					
Depreciation and amortisation	13, 14	2,466,027	2,460,328	2,032,658	2,108,914
Loss on disposal of property, plant and equipment	22(a)	8,624	41,935	18,903	41,935
Transfer and adjustments to property, plant and equipment		22,309	(6,798)	22,309	(6,798)
Intangible asset write-off		679,713	-	679,713	-
Interest income	22(b)	(569)	(882)	(569)	(882)
Interest expense	22(c)	1,677,861	1,670,924	1,602,679	1,628,669
Non-controlling interest		960	212,130	-	-
Taxation	23	(117,354)	327,439	(116,485)	140,273
		3,568,742	6,803,552	3,073,530	5,789,799
Increase in current assets:					
Accounts receivable		(1,060,618)	(1,306,169)	(1,339,828)	(884,200)
Inventories		(5,959,179)	(1,281,115)	(4,639,488)	(588,156)
Increase in current liability:					
Accounts payable		5,434,910	2,853,972	4,911,368	2,474,843
Cash generated from operations		1,983,855	7,070,240	2,005,582	6,792,286
Interest paid		(1,727,411)	(1,627,044)	(1,652,229)	(1,584,789)
Tax paid		(379,765)	(613,841)	(217,014)	(582,930)
Net cash (used)/provided by operating activities		(123,321)	4,829,355	136,339	4,624,567
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest in subsidiary		-	-	(131,067)	(43,676)
Additions to property, plant and equipment and intangible asset	13, 14	(5,061,393)	(2,613,999)	(4,359,474)	(1,825,347)
Proceeds from disposal of property, plant and equipment		32,387	42,962	17,694	42,962
Interest received		569	882	569	882
Net cash used by investing activities		(5,028,437)	(2,570,155)	(4,472,278)	(1,825,179)
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid		-	(521,739)	-	(521,739)
Promissory notes received		1,559	1,442	1,559	1,442
Promissory notes repaid		(1,000,000)	(1,000,000)	(1,000,000)	(1,000,000)
Long-term/short-term borrowings received		15,512,153	12,668,254	15,283,617	12,668,254
Due to related company		320,400	(7,801)	-	-
Long-term/short-term borrowings repaid		(9,517,159)	(12,939,675)	(9,517,159)	(12,910,112)
Net cash provided/(used) used by financing activities		5,316,953	(1,799,519)	4,768,017	(1,762,155)
Net increase in cash and cash equivalents		165,195	459,681	432,078	1,037,233
Cash and cash equivalents at beginning of the year		2,979,727	2,520,046	3,749,947	2,712,714
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		$ 3,144,922	2,979,727	4,182,025	3,749,947
Comprised of:					
Cash and cash equivalents	5	4,212,776	3,756,720	4,182,025	3,749,947
Bank overdraft		(1,067,854)	(776,993)	-	-
		$ 3,144,922	2,979,727	4,182,025	3,749,947

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

1. Identification

Caribbean Producers (Jamaica) Limited ("company" or "parent company") is incorporated under laws of and domiciled in Jamaica. Its registered office is situated at Shop No. 14, Montego Freeport Shopping Centre, Montego Bay, St. James and its principal place of business is at 1 Guinep Way, Montego Freeport, Montego Bay, St. James.

The company's shares are listed on the Junior Market of the Jamaica Stock Exchange.

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

The Group's principal activities are the wholesale and distribution of food and beverages, the distribution of non-food supplies and the manufacture and distribution of fresh juices and meats.

The details of the company's subsidiaries as at June 30, 2019 are as follows:

Company	Principal activity	Percentage of ordinary shares held by company	Place of incorporation
CPJ Investments Limited	Holds investment in CPJ (St. Lucia) Limited	100	St. Lucia
CPJ (St. Lucia) Limited	Wholesale and distribution of food and beverages and distribution of non-food supplies	51	St. Lucia

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

New and amended standards that came into effect during the current financial year:

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the group's annual financial statements in which IFRS 9, *Financial Instruments,* and IFRS 15, *Revenue from Contracts with Customers,* have been applied from July 1, 2018. Changes to significant accounting policies are described in note 3.

New and amended standards and interpretations not yet effective:

At the date of approval of the financial statements, there were certain new and amended standards and interpretations to existing standards, which were in issue, but were not yet effective and had not been early adopted by the group. Those which management considered may be relevant to the group are as follows:

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

(a) Statement of compliance (continued):

New and amended standards and interpretations not yet effective (continued):

- The group will adopt IFRS 16, *Leases,* effective July 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

  Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

  Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

  The group plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balances of retained earnings as of July 1, 2019 with no restatement of comparative information.

- Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

  The group is assessing the impact that the amendment will have on its 2020 financial statements.

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

(a) Statement of compliance (continued):

New and amended standards and interpretations not yet effective (continued):

- Amendment to IAS 28, *Investments in Associates and Joint Ventures* is effective for annual periods beginning on or after January 1, 2019 and addresses equity-accounted loss absorption by long-term interests. It will affect companies that finance associates and joint ventures with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests) and involves the dual application of IAS 28 and IFRS 9, *Financial Instruments*. The Group is required to apply both IFRS 9 and IAS 28 in a three-step annual process:

  1. Apply IFRS 9 independently - prior years' IAS 28 loss absorption is ignored.

  2. If necessary, prior years' IAS 28 loss allocation is trued-up in the current year, because the IFRS 9 carrying value may have changed.

  3. Any current year IAS 28 losses are allocated to the extent that the remaining long-term interests balance allows. Any unrecognised prior years' losses are reversed by current year IAS 28 profits.

  The Group is assessing the impact that the amendment will have on its 2020 financial statements.

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

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

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

  The group is assessing the impact that the interpretation will have on its 2020 financial statements.

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

(a) Statement of compliance (continued):

New and amended standards and interpretations not yet effective (continued):

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides the following definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

  The group is assessing the impact that this new amendment will have on its 2021 financial statements.

- Annual Improvements to IFRS Standards 2015-2017 cycle contain amendments to IFRS 3, *Business Combinations*, IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs* that are effective for annual periods beginning on or after January 1, 2019.

  (i) The amendments to IFRS 3 and IFRS 11 clarify how an increased interest in a joint operation should be accounted for. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, this is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

  (ii) IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently (either in profit or loss, OCI or equity) with the transactions that generated the distributable profits.

  The Group is assessing the impact that the amendments will have on its 2020 financial statements.

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

  – New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;

  – A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.

  – A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

  The group is assessing the impact that this new amendment will have on its 2021 financial statements.

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

(b) Basis of preparation and measurement:

The financial statements are prepared under the historical cost convention, and are presented in United States dollars ($), which is the Group's functional currency.

The significant accounting policies stated in note 4(a) to (t) have been applied in the period presented in these financial statements and conform in all material aspects with IFRS.

(c) Going concern:

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

(d) Use of estimates and judgements:

The preparation of the financial statements to conform with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

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

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

- Applicable from July 1, 2018:

  Classification of financial assets:

  The assessment of the business model within which the assets are held and assessment of whether the contractual cash flows from a financial asset are solely payments of principal and interest (SPPI) on the principal amount requires management to make certain judgements on its business operations.

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

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

(i) Judgements (continued):

- Applicable from July 1, 2018 (continued):

Impairment of financial assets:

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

- Applicable from July 1, 2018:

Allowance for impairment losses on financial assets:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 4(p) and 4(q), which also set out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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

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

(ii) Key assumptions concerning the future and other sources of estimation uncertainty (continued):

Applicable before July 1, 2018

Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, caused for example, by default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are observable on significant receivables with similar characteristics, such as credit risks.

(iii) Net realisable value of inventories:

Applicable for 2019 and 2018

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

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

(iv) Judgement in evaluation of contingencies:

Applicable for 2019 and 2018

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

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

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

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

(v) Residual value and expected useful life of property plant and equipment:

Applicable for 2019 and 2018

The residual value and the expected useful life of an asset are reviewed at least at each reporting date, and, if expectations differ from previous estimates, the change is accounted for prospectively. The useful life of an asset is defined in terms of the asset's expected utility to the company and its subsidiaries.

(e) Basis of consolidation:

(i) A "subsidiary" is an enterprise controlled by the company. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date control commences until the date that control ceases.

The consolidated financial statements include the financial statements of the company and its subsidiaries (note 1), made up to June 30, 2019.

(ii) Intra-group balances and transactions, and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(iii) Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain or bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issued debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts, generally, are recognised in profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in fair value of the contingent consideration are recognised in profit or loss.

The Group measures goodwill at the acquisition date as:

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

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

(e) Basis of consolidation (continued):

(iii) (Continued)

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

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

(iv) The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(v) Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interest to have a deficit balance.

(vi) When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

3. Changes in accounting policies

The group has initially adopted IFRS 9 *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* from July 1, 2018.

A number of other new standards were also effective from July 1, 2018 but they do not have a material effect on the group's financial statements.

Due to the transition method chosen by the group in applying IFRS 15 and IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect the requirements of these new standards.

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

– additional disclosures related to IFRS 9 [see notes 4(p), 4(q), 6 and 28(a)(i)];
– additional disclosures related to IFRS 15 [see note 4(m)].

(Presented in United States dollars)

3. Changes in accounting policies (continued)

IFRS 15, *Revenue from Contract with Customers*

Under IFRS 15, an entity recognises revenue to reflect the transfer of promised goods or services to customers 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: Recognise 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 nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was adopted on July 1, 2018, and supersedes all existing guidance on revenue recognition.

The adoption of IFRS 15 did not impact the timing or amount of sales from contracts with customers and the related assets and liabilities recognised by the group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

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 new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented separately in the statement of profit or loss and OCI.

Additionally, the group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

The impact, net of tax, of transition to IFRS 9 on the opening retained earnings and other reserve is as follows:

	Accumulated surplus	
	Group	Company
Closing balance under IAS 39 (June 30, 2018)	18,606,749	18,477,473
Recognition of expected credit losses under IFRS 9:		
Accounts receivable and amounts due from subsidiary company	(386,395)	(371,562)
Deferred tax on transition	23,345	23,345
Opening balance under IFRS 9 (July 1, 2018)	$18,243,699	18,129,256

(Presented in United States dollars)

3. Changes in accounting policies (cont'd)

IFRS 9, *Financial Instruments* (continued)

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets as at July 1, 2018. The effect of adopting IFRS 9 on the carrying amount of financial assets at July 2018 date soley to the new impairment requirements. There is no change to the classification of financial liabilities.

The Group

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at June 30, 2018	Remeasurement	IFRS 9 carrying amount at July 1, 2018
Financial assets					
Investments	Loans and receivables	Amortised cost	71,581	-	71,581
Cash and cash equivalents	Loans and receivables	Amortised cost	3,756,720	-	3,756,720
Accounts receivable	Loans and receivables	Amortised cost	15,214,933	(386,395)	14,828,538
Total			$19,043,234	(386,395)	18,656,839
Financial liabilites					
Bank overdraft	Other financial liabilities	Other financial liabilities	776,993	-	776,993
Short-term loans	Other financial liabilities	Other financial liabilities	1,700,000	-	1,700,000
Short-term promissory notes	Other financial liabilities	Other financial liabilities	4,317,794	-	4,317,794
Long-term promissory notes	Other financial liabilities	Other financial liabilities	8,269,110	-	8,269,110
Long-term and short-term borrowings	Other financial liabilities	Other financial liabilities	6,357,869	-	6,357,869
Due to related company	Other financial liabilities	Other financial liabilities	2,736,203	-	2,736,203
Accounts payable	Other financial liabilities	Other financial liabilities	10,134,927	-	10,134,927
Total			$34,292,896	-	34,290,896

(Presented in United States dollars)

3. Changes in accounting policies (cont'd)

IFRS 9, *Financial Instruments* (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The Company

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at June 30, 2018	Remeasurement	IFRS 9 carrying amount at July 1, 2018
Financial assets					
Investments	Loans and receivables	Amortised cost	71,581	-	71,581
Cash and cash equivalents	Loans and receivables	Amortised cost	3,749,947	-	3,749,947
Accounts receivable	Loans and receivables	Amortised cost	13,422,406	(242,953)	13,179,453
Advances to subsidiary	Loans and receivables	Amortised cost	3,047,948	(128,609)	2,919,339
Total			$20,291,882	(371,562)	19,920,320
Financial liabilites					
Short-term loans	Other financial liabilities	Other financial liabilities	1,700,000	-	1,700,000
Short-term promissory notes	Other financial liabilities	Other financial liabilities	4,317,794	-	4,317,794
Long-term promissory notes	Other financial liabilities	Other financial liabilities	8,269,110	-	8,269,110
Long-term and short-term borrowings	Other financial liabilities	Other financial liabilities	6,357,869	-	6,357,869
Accounts payable	Other financial liabilities	Other financial liabilities	8,474,046	-	8,474,046
Total			$29,118,819	-	29,118,819

A deferred tax credit of $23,345 was recognised for the group and the company on transition to IFRS 9 arising from the income in impairment allowance.

The impact, net of tax, of transition to IFRS 9 on the opening accumulated surplus at July 2018 is as follows:

	Group	Company
Impairment allowance on:		
Accounts receivable	386,395	242,953
Interest in subsidiary	-	128,609
Related deferred tax (note 12)	(23,345)	(23,345)
	$363,050	348,217

(Presented in United States dollars)

3. Changes in accounting policies (continued)

IFRS 9, *Financial Instruments* (continued)

Impairment of financial assets

IFRS 9 replace 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.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

For an explanation of how the group classifies and measures financial instruments under IFRS 9, see note 4(p).

Transition

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The group has determined that application of IFRS 9's impairment requirements at July 1, 2018 resulted in an additional allowance for impairment as follows:

	Group	Company
Loss allowance at June 30, 2018 under IAS 39	89,068	73,264
Increase in impairment recognised at July 1, 2018:		
Accounts receivable	386,395	242,953
Advances to subsidiary	-	128,609
Loss allowance at July 1, 2018 under IFRS 9	$475,463	444,826

Additional information about how the group measures allowance for impairment is described in note 28(a)(i).

The company had no transition adjustment for impairment losses as a result of the adoption of IFRS 9.

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at July 1, 2018. Accordingly, the information presented for 2018, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

4. Significant accounting policies

Except for the changes in note 3, the group has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

(a) Cash and cash equivalents:

This comprises cash and bank balances and short-term deposits maturing within three months or less from the date of deposit or acquisition that are readily convertible into known amounts of cash and which are not subject to significant risk of changes in value.

Bank overdrafts that form an integral part of the group's cash management for financing operations are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(b) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses [see note 4(q)].

(c) Inventories:

Inventories are valued at the lower of cost, determined on the weighted average basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

The cost of raw materials, labour and appropriate allocations for overhead expenses are included in manufactured finished goods.

(d) Property, plant and equipment:

(i) Recognition and measurement:

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

The carrying amount of an asset is written down immediately to its recoverable amount if the amount is greater than its estimated recoverable amount.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent expenditure:

Subsequent expenditure is capitalised only if it is probable that future economic benefits associated with the expenditure will flow to the group.

4. Significant accounting policies (continued)

(d) Property, plant and equipment (continued):

(iii) Depreciation:

Depreciation is recognised in profit or loss on the straight-line basis at annual rates estimated to write down the assets to their residual values over their expected useful lives. No depreciation is charged on construction in progress.

The depreciation rates are as follows:

Leasehold improvements	6.67%, 10% and 20%
Furniture, fixtures and equipment	10%, 20% and 33.33%
Computer equipment	33.33%
Motor vehicles	20%

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

(e) Intangible asset:

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

(f) Accounts payable:

Trade and other payables are measured at amortised cost

(g) Provisions:

A provision is recognised when the group has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risk specific to the obligation.

(h) Related parties:

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

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

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

(ii) has significant influence over the group; or

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

4. Significant accounting policies (continued)

(h) Related parties (continued):

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

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

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

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

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

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

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

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

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

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

(i) Investments:

(i) Interest in subsidiary:

Interest in subsidiary is measured at cost, less provision for impairment, if any.

(ii) Advances to subsidiary:

Advances to subsidiary is measured at amortised cost, less impairment losses.

(j) Share capital and dividends:

Ordinary shares are classified as equity and carried at cost. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

4. Significant accounting policies (continued)

(k) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at cost. Subsequent to initial recognition, interest bearing borrowings are measured at amortised cost, with any difference between cost and redemption value recognised in profit or loss over the period of the borrowing on an effective interest basis.

(l) Transaction costs:

(i) Transaction costs of share issue:

Transaction costs on the issue of shares are deducted from the proceeds of the issue of share capital to the extent the costs are directly attributable to the issue of the shares.

(ii) Debt issuance costs:

Debt issuance costs represent financing and certain related fees associated with securing long-term borrowings. Amortisation is charged to profit or loss on the effective interest basis over the life of the related borrowings.

(m) Revenue:

The effect of initially applying IFRS 15 on the group's revenue from contracts is described in note 3.

Revenue recognition under IFRS 15 (applicable after July 1, 2018)

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of product	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15 (applicable from July 1, 2018).*
Wholesale and distribution of food and beverage, the distribution of non-food supplies and the manufacturing and distribution of fresh juices and meats.	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated and the revenue is recognised at that point in time. Invoices are usually payable within 30 days.	Revenue is recognised when the goods are delivered and have been accepted by the customers.

4. Significant accounting policies (continued)

(m) Revenue (continued):

Revenue recognition under IFRS 15 (applicable after July 1, 2018) (continued)

Type of product	*Nature and timing of satisfaction of performance obligations, including significant payment terms.*	*Revenue recognition under IFRS 15 (applicable from July 1, 2018).*
	Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other paysbles and the right to recover returned goods is included in inventory. The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly. The company gives rebates to select customers based on the volume of purchase made. Certain major customers receive volume rebates based on purchases made. Rebates are included in other payables and payments are made to the customers.	

4. Significant accounting policies (continued)

(m) Revenue (continued):

Revenue recognition under IAS 18 (applicable before July 1, 2018)

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

(n) Expenses/income:

(i) Expenses:

Expenses are recognised in profit or loss on the accrual basis.

(ii) Finance costs:

Finance costs comprise interest payable on borrowings calculated using the effective interest method and material bank overdraft interest.

(iii) Finance income:

Finance income comprises interest earned on funds invested and is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

(iv) Operating lease payments:

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(v) Employee benefits:

Employee benefits include current or short-term benefits such as salaries, statutory contributions paid, annual vacation leave and non-monetary benefits such as medical care and housing. Short-term employee benefits are recognised as a liability, net of payments made, and charged as expenses as incurred. The expected cost of vacation leave that accumulates is recognised over the period that the employees become entitled to the leave.

(o) Taxation:

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

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

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

4. Significant accounting policies (continued)

(o) Taxation (continued):

A deferred tax liability is recognised for taxable temporary differences, except to the extent that the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary differences will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise investments, cash and cash equivalents and accounts receivable and interest in subsidiary. Financial liabilities comprise accounts payable, short-term loans, bank overdraft, short-term promissory notes, long-term promissory notes, long-term borrowings and due to related company.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from July 1, 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

4. Significant accounting policies (continued)

(p) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from July 1, 2018

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

Amortised cost represents the net present value ("NPV") of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Investments
- Cash and cash equivalents
- Accounts receivable
- Interest in subsidiary

Due to their short-term nature, the group initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs. The group's financial liabilities, which includes accounts payable are recognised initially at fair value.

Financial assets and liabilities – Subsequent measurement and gains and losses: Policy applicable from July 1, 2018

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in the individual policy statements associated with each item.

4. Significant accounting policies (continued)

(p) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets and liabilities– Policy applicable before July 1, 2018

The group classified non-derivative financial assets as *Loans and receivables:* measured at amortised cost using the effective interest method.

The company classified non-derivative financial liabilities into the other financial liabilities category. These are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

Financial asset and liabilities – Policy applicable from July 1, 2018

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in the consolidated statement of comprehensive income.

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

4. Significant accounting policies (continued)

(q) Impairment:

Financial assets

Policy applicable from July 1, 2018

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and at fair value through OCI.

The group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information.

The group assumes that the credit risk on financial assets has increased significantly if it is more than 180 days past due.

The group recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to action such as realising security if any is held; or
- the financial asset is more than 180 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

4. Significant accounting policies (continued)

(q) Impairment (continued):

Financial assets (continued)

Policy applicable from July 1, 2018 (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

Policy applicable before July 1, 2018

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

(i) Calculation of recoverable amount:

The recoverable amount of the group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

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

4. Significant accounting policies (continued)

(q) Impairment (continued):

Financial assets (continued)

Policy applicable before July 1, 2018 (continued)

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(r) Operating segments:

An operating segment is a component of the group:

(i) that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components.

(ii) whose operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and

(iii) for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The group has primarily geographical segments determined by the contries in which the group operates. Transactions between business segments have been eliminated.

(s) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Monetary assets and liabilities denominated in other currencies at the reporting date are translated to United States dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

(t) Determination of fair value:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The group's financial instruments lack an available trading market. Further, the company has no financial instruments that are carried at fair value. The carrying value of the group's financial instruments approximates their fair value.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2019
(Presented in United States dollars)

5. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
Cash	8,526	7,743	5,324	6,234
Bank balances	4,204,250	3,742,759	4,176,701	3,737,495
Deposits	-	6,218	-	6,218
	4,212,776	3,756,720	4,182,025	3,749,947
Bank overdraft (a)	(1,067,854)	(776,993)	-	-
	$3,144,922	2,979,727	4,182,025	3,749,947

(a) The overdraft facility is secured by way of a guarantee and postponement of claims from a related party.

(b) The company has a multi-purpose operating line of credit in the amount of $8,500,000 which facilitates an overdraft limit of J$120 million. The overdraft is subject to interest at the bank's base lending rate less 5% and is secured as disclosed in note 18.

6. Accounts receivable

	Group		Company	
	2019	2018	2019	2018
Trade receivables (a)	11,175,116	11,651,440	9,748,404	9,988,991
Other receivables (b)	5,138,121	3,652,561	4,995,503	3,506,679
	16,313,237	15,304,001	14,743,907	13,495,670
Less: Allowance for impairment losses	(424,081)	(89,068)	(224,626)	(73,264)
	$15,889,156	15,214,933	14,519,281	13,422,406

(a) Trade receivables include due from directors amounting to $6,035 (2018: $9,374) for the group and the company; and $213,190 (2018: $214,231) due from related companies, which are controlled by directors for the group and the company.

(b) Other receivables include due from directors amounting to $14,382 (2018: $9,848) for the group and the company; and $18,605 (2018: $18,605) due from related companies, which are controlled by directors for the group and the company.

(c) Information about the Group's exposure to credit and market risks and impairment losses for trade receivables is included at note 28(a).

7. Inventories

	Group		Company	
	2019	2018	2019	2018
Goods held for resale – duty paid	23,445,155	17,022,561	19,420,789	13,973,320
Goods held in bonded warehouse	772,149	786,549	165,925	182,686
Goods in transit	5,764,560	5,236,655	4,898,070	4,685,632
Raw materials	1,161,769	2,250,720	1,144,741	2,236,183
Others	722,008	609,977	587,133	499,349
	$31,865,641	25,906,462	26,216,658	21,577,170

(Presented in United States dollars)

7. Inventories (continued)

During the year, expenses relating to inventory write-offs amounted to $1,998,410 (2018: $2,020,422) for the group and $2,394,334 (2018: $1,808,142) for the company.

During the year inventories of $70,417,782 (2018: $68,070,924) for the group and $82,937,004 (2018: $79,845,087) for the company were recognised as an expense in cost of sales.

8. Short-term loans

	Group and Company	
	2019	2018
The Bank of Nova Scotia Jamaica Limited loans	$5,150,000	1,700,000

These are US$ revolving loans that bear interest at 4.25% and are secured as disclosed in note 18. Total draw-down during the year was $12,300,000 (2018: 8,700,000) and total respayments $8,850,000 (2018: $9,500,000).

9. Accounts payable

	Group		Company	
	2019	2018	2019	2018
Trade payables (a)	12,560,329	7,954,102	10,887,027	6,666,005
Other payables (b)	2,959,958	2,180,825	2,448,837	1,808,041
	$15,520,287	10,134,927	13,335,864	8,474,046

(a) Trade payables include due to related companies, which are controlled by directors amounting to $459,184 (2018: $246,015) for the group and $338,208 (2018: $127,707) for the company.

(b) Other payables include $12,533 (2018: $42,759) due to related companies for the group and the company which are controlled by directors.

10. Short-term promissory notes

	Group and Company	
	2019	2018
8% related company loan	750,000	750,000
8% related party loans	1,858,333	1,858,333
7% related party loan	1,563,333	1,563,333
6% related party loan	146,128	146,128
	$4,317,794	4,317,794

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

(b) The related company is controlled by directors.

(Presented in United States dollars)

11. Interest in subsidiary

Interest in subsidiary comprises:

	Company	
	2019	2018
Shares, at cost	10,000	10,000
Advances (see note below)	3,182,252	3,037,948
	3,192,252	3,047,948
Less: Impairment allowance	(141,846)	-
	$3,050,406	3,047,948

These advances represent amounts loaned to a subsidiary company and are interest-free and unsecured. These amounts are due and repayable on June 30, 2024.

12. Deferred tax asset

The deferred tax asset is attributable to differences in tax and financial statement reporting in respect of the following:

	Group					
	2017	Recognised in income [note 23(a)]	2018	Recognised in equity (note 3)	Recognised in income [note 23(a)]	2019
Accounts payable	49,000	13,494	62,494	-	(15,205)	47,289
Accounts receivable	-	-	-	23,345	(7,330)	16,015
Unrealised foreign exchange gains	(20,000)	4,610	(15,390)	-	6,640	(8,750)
Tax effect of losses carried forward	271,345	(103,006)	168,339	-	(159,542)	8,797
Property, plant and equipment	496,946	242,913	739,859	-	292,791	1,032,650
	$797,291	158,011	955,302	23,345	117,354	1,096,001

	Company					
	2017	Recognised in income [note 23(a)]	2018	Recognised in equity (note3)	Recognised in income [note 23(a)]	2019
Accounts payable	49,000	13,494	62,494	-	(15,205)	47,289
Accounts receivable	-	-	-	23,345	(7,330)	16,015
Unrealised foreign exchange gains	(20,000)	4,610	(15,390)	-	6,640	(8,750)
Tax effect of losses carried forward	-	-	-	-	8,797	8,797
Property, plant and equipment	685,000	224,067	909,067	-	123,583	1,032,650
	$714,000	242,171	956,171	23,345	116,485	1,096,001

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2019
(Presented in United States dollars)

13. Property, plant and equipment

	Group					
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Construction in progress	Total
Cost:						
June 30, 2017	9,451,017	12,635,538	2,106,289	1,873,889	111,289	26,178,022
Additions	116,534	768,117	374,868	84,115	692,757	2,036,391
Disposals	(74,892)	(54,092)	(84,935)	(225,360)	-	(439,279)
Adjustments	(391)	7,189	-	-	-	6,798
June 30, 2018	9,492,268	13,356,752	2,396,222	1,732,644	804,046	27,781,932
Additions	129,259	815,420	101,480	288,130	3,714,764	5,049,053
Disposals	(11,824)	(243,868)	(13,784)	(92,857)	-	(362,333)
Transfers (note 14)	551,716	504,274	34,561	-	(1,112,560)	(22,009)
Adjustments	2,251	277,911	(232,980)	(63,912)	-	(16,730)
June 30, 2019	10,163,670	14,710,489	2,285,499	1,864,005	3,406,250	32,429,913
Depreciation:						
June 30, 2017	5,136,470	5,926,097	1,809,813	980,119	75,861	13,928,360
Charge for the year	671,519	1,221,218	209,733	328,791	-	2,431,261
Disposals	(18,099)	(45,803)	(72,371)	(218,109)	-	(354,382)
June 30, 2018	5,789,890	7,101,512	1,947,175	1,090,801	75,861	16,005,239
Charge for the year	691,538	1,240,851	221,532	282,964	-	2,436,885
Disposals	(7,291)	(219,170)	(13,784)	(81,077)	-	(321,322)
Adjustments	32,942	236,208	(213,646)	(49,925)	-	5,579
June 30, 2019	6,507,079	8,359,401	1,941,277	1,242,763	75,861	18,126,381
Net book values:						
June 30, 2019	$ 3,656,591	6,351,088	344,222	621,242	3,330,389	14,303,532
June 30, 2018	$ 3,702,378	6,255,240	449,047	641,843	728,185	11,776,693

	Company					
	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Motor vehicles	Construction in progress	Total
Cost:						
June 30, 2017	8,777,196	11,158,019	2,028,851	1,422,799	9,074	23,395,939
Additions	99,671	719,211	323,209	-	110,839	1,252,930
Disposals	(74,892)	(54,092)	(84,935)	(225,360)	-	(439,279)
Adjustments	(391)	7,189	-	-	-	6,798
June 30, 2018	8,801,584	11,830,327	2,267,125	1,197,439	119,913	24,216,388
Additions	64,460	785,447	83,462	238,560	3,181,545	4,353,474
Disposals	(11,824)	(243,868)	(13,784)	(59,731)	-	(329,207)
Adjustments	2,251	277,911	(232,980)	(63,912)	-	(16,730)
June 30, 2019	8,856,471	12,649,817	2,103,823	1,312,356	3,301,458	28,223,925
Depreciation:						
June 30, 2017	5,012,762	5,531,905	1,770,664	846,539	-	13,161,870
Charge for the year	603,513	1,058,218	189,401	230,743	-	2,081,875
Disposals	(18,099)	(45,803)	(72,371)	(218,109)	-	(354,382)
June 30, 2018	5,598,176	6,544,320	1,887,694	859,173	-	14,889,363
Charge for the year	587,948	1,044,974	189,748	187,456	-	2,010,126
Disposals	(7,291)	(219,170)	(13,784)	(52,365)	-	(292,610)
Adjustments	32,942	236,208	(213,646)	(49,925)	-	5,579
June 30, 2019	6,211,775	7,606,332	1,850,012	944,339	-	16,612,458
Net book values:						
June 30, 2019	$2,644,696	5,043,485	253,811	368,017	3,301,458	11,611,467
June 30, 2018	$3,203,408	5,286,007	379,431	338,266	119,913	9,327,025

(Presented in United States dollars)

14. Intangible asset

	Computer software	
	Group	Company
Cost:		
June 30, 2017	214,498	188,413
Addition	577,608	572,417
June 30, 2018	792,106	760,830
Addition	12,340	6,000
Transfer from property, plant and equipment (note 13)	22,009	-
Write-off	(679,713)	(679,713)
June 30, 2019	146,742	87,117
Amortisation:		
June 30, 2017	55,948	31,546
Charge for the year	29,067	27,039
June 30, 2018	85,015	58,585
Charge for the year	29,142	22,532
June 30, 2019	114,157	81,117
Carrying amount:		
June 30, 2019	$ 32,585	6,000
June 30, 2018	$707,091	702,245

15. Share capital

	Group and Company	
	2019	2018
Authorised:		
176,000,000,000 ordinary shares of no par value		
Stated capital, issued and fully paid:		
1,100,000,000 ordinary shares of no par value	5,117,611	5,117,611
Less: Transaction costs of share issue	(219,181)	(219,181)
	$4,898,430	4,898,430

(Presented in United States dollars)

16. Non-controlling interest

This represents non-controlling interest of 49% in the company's subsidiary CPJ (St. Lucia) Ltd.

The following table summarises the financial information of CPJ (St. Lucia) Ltd., the group's subsidiary that has non-controlling interest, before any intra-group eliminations:

	The group	
	2019	2018
	$	$
Percentage ownership interest	49%	49%
Non-current assets	2,718,650	2,453,645
Current assets	7,384,078	6,261,256
Non-current liabilities	(6,406,137)	(5,772,977)
Current liabilities	(3,558,787)	(2,662,053)
Net assets (100%)	137,804	279,871
Non-controlling interest share of net assets	67,524	137,137
Revenue	15,837,112	15,207,661
Net profit from continuing operations	1,960	432,918
Intra-group eliminations	-	-
	1,960	432,918
Profit allocated to Non-controlling interest (NCI)	960	212,130
Cash flows from operating activities	(277,363)	199,688
Cash flows from investing activities	(666,824)	(788,652)
Cash flows from financing activities	677,302	11,413
Net decrease in cash and cash equivalents	(266,885)	(577,551)

17. Long-term promissory notes

	Group and Company	
	2019	2018
Due to related companies:		
6% loan	100,000	100,000
8% loan	500,000	1,500,000
9% loan	6,000,000	6,000,000
Due to related company:		
Non-interest bearing loans	650,000	650,000
Due to third party:		
8% loan	20,669	19,110
	$7,270,669	8,269,110

(a) These US$ loans are unsecured and not repayable before June 30, 2020.

(b) Related companies are controlled by directors.

18. Long-term borrowings

		Group		Company	
		2019	2018	2019	2018
8% Bonds	(a)	3,814,808	3,834,597	3,814,808	3,834,597
10.5% Sagicor Bank Jamaica Limited [J$4,434,649 (2018: J$6,518,329)]	(b)	33,835	49,990	33,835	49,990
10.9% Sagicor Bank Jamaica Limited [J$6,995,620 (2018: J$9,709,770)]	(c)	53,374	74,466	53,374	74,466
10.9% Sagicor Bank Jamaica Limited [J$1,733,535 (2018: J$3,054,398)]	(d)	13,226	23,425	13,226	23,425
10.5% Sagicor Bank Jamaica Limited [J$1,078,053 (2018: J$1,584,591)]	(e)	8,225	12,153	8,225	12,153
9.25% Bank of Nova Scotia Jamaica Limited [J$75,419,852 (2018: J$103,012,483)]	(f)	575,425	747,700	575,425	747,700
4.75% Bank of Nova Scotia Jamaica Limited	(g)	1,025,000	1,325,000	1,025,000	1,325,000
9.5% Bank of Nova Scotia Jamaica Limited [J$14,615,408 (2018: J$19,230,800)]	(h)	111,510	147,431	111,510	147,431
10% Bank of Nova Scotia Jamaica Limited [J$12,666,640 (2018: J$16,666,648)]	(i)	96,642	127,820	96,642	127,820
9.5% Bank of Nova Scotia Jamaica Limited [J$3,630,918 (2018: J$4,720,196)]	(j)	27,703	36,200	27,703	36,200
9.5% Bank of Nova Scotia Jamaica Limited [J$1,393,327 (2018: J$2,273,323)]	(k)	10,631	17,435	10,631	17,435
9% Bank of Nova Scotia Jamaica Limited [J$2,436,000 (2018: J$3,828,000)]	(l)	18,586	29,358	18,586	29,358
8.75% Bank of Nova Scotia Jamaica Limited [J$1,875,000 (2018: J$5,375,000)]	(m)	15,260	41,222	15,260	41,222
7% Bank of Nova Scotia Jamaica Limited [J$4,216,667 (2018: J$Nil)](n)		32,172	-	32,172	-
7% Bank of Nova Scotia Jamaica Limited [J$4,607,500 (2018: J$Nil)](o)		34,565	-	34,565	-
7% Bank of Nova Scotia Jamaica Limited [J$5,792,738 (2018: J$Nil)](p)		45,991	-	45,991	-
4.35% Bank of Nova Scotia Jamaica Limited	(q)	2,750,000	-	2,750,000	-
6.95% Bank of Nova Scotia Jamaica Limited [J$14,673,214 (2018: J$Nil)]	(r)	111,971	-	111,971	-
4.5% First Caribbean International Bank Limited	(s)	228,536	-	-	-
		9,007,460	6,466,797	8,778,924	6,466,797
Less: Current portion		(1,070,490)	(615,127)	(1,026,347)	(615,127)
		7,936,970	5,851,670	7,752,577	5,851,670
Debt issuance costs:	(t)				
At beginning of the year		(108,928)	(80,147)	(108,928)	(80,147)
Additional costs incurred in the year		(17,327)	(68,149)	(17,327)	(68,149)
Debt costs amortised during the year		21,658	39,368	21,658	39,368
At the end of the year		(104,597)	(108,928)	(104,597)	(108,928)
		$7,832,373	5,742,742	7,647,980	5,742,742

(a) On April 27, 2018, the company authorised the private placement by way of an exempt distribution under the Guidelines for Exempt Distributions (Guidelines SR-GUID-08/05-0016) of a series of 5-year unsecured promissory Bonds ("the Bonds") denominated in Jamaican dollars ("J$") for an aggregate principal amount of J$500,000,000. These bonds mature in May 2023.

18. Long-term borrowings (continued)

(b) This represents the balance due on an initial loan of J$13,195,000. The loan is repayable in eighty-four monthly instalments of principal and interest of J$222,477; the final instalment being due in April 2021.

(c) This represents the balance due on an initial loan of J$17,768,000. The loan was repayable in eighty-four monthly instalments of principal and interest of J$303,298; the final instalment being due in August 2021.

(d) This represents the balance due on an initial loan of J$6,976,000. The loan is repayable in seventy-two monthly instalments of principal and interest of J$132,425; the final instalment being due in August 2020.

(e) This represented the balance due on an initial loan of J$2,880,006. The loan is repayable in seventy-two monthly instalments of principal and interest of J$54,084; the final instalment being due in August 2021.

(f) This represents the balance due on an initial loan of J$147,160,689. The applicable rate of interest is 9.25% per annum up to July 16, 2018 and thereafter the 6 months Weighted Average Treasury Bill Yield (WATBY) rate plus 4.82% per annum (with a floor of 9% per annum), reset quarterly. The loan matures in November, 2020.

(g) This represents the balance due on an initial loan of $2,000,000. The applicable rate of interest is 4.75% per annum up to July 16, 2018 and thereafter the 6 months LIBOR rate plus 4.35% per annum, reset quarterly. The loan is repayable in sixty months and matures on July 16, 2020.

(h) This represents the balance due on an initial loan of J$30,000,000, funded by the Development Bank of Jamaica Limited (DBJ). The DBJ's authorised lending rate for its energy funding line is currently at 6.5% per annum, plus a commission of 3% per annum, gives an effective all-in-one interest rate of 9.5% per annum. The loan is for seven years with a six months moratorium. The principal is repayable in seventy-seven equal monthly payments of J$384,616 and one final payment of J$384,568. The loan matures on August 8, 2022.

(i) This represents the balance due on an initial loan of J$26,000,000, funded by the DBJ. The DBJ's authorised lending rate for its regular J$ funding line is currently at 7% per annum, plus a commission of 3% per annum, gives an effective all-in-one interest rate of 10% per annum. The principal is repayable in seventy-seven equal monthly payments of J$333,334 and one final payment of J$333,282. The loan matures on August 12, 2022.

(j) This represents the balance due on an initial loan of J$7,625,000. The applicable rate of interest is 9.5% per annum for years 1 to 5 and thereafter the 6 months WATBY plus 3% for years 6 and 7. The loan is repayable in eighty-four months with initial principal payment of J$90,841 followed by eighty-three monthly payments of J$90,773. The loan matures on October 29, 2022.

(k) This represents the balance due on the initial loan of J$4,400,000. This initial loan is repayable in fifty-nine monthly payments of J$73,333 and matures January 31, 2021. The interest rate on this initial disbursement is fixed at 9.5% per annum.

18. Long-term borrowings (continued)

(l) This represents the balance due on an initial loan of J$6,960,000 for the purchase of two motor vehicles. The interest rate of 9% per annum is fixed for the term. The loan is repayable in sixty monthly instalments of J$116,000; the final instalment being due in March 2021.

(m) This represent the balance due on an initial loan of J$7,500,000 for the purchase of two motor vehicles. The interest rate of 8.75% per annum is fixed for the term. The loan is repayable in sixty monthly instalments of J$125,000; the final instalment being due in February 2022.

(n) This represents the balance due on an initial loan of J$4,600,000 received in January 2019. The interest rate of 7% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of J$76,667; the final installment being due in January 2024.

(o) This represents the balance due on an initial loan of J$4,850,000 received in January 2019. The interest rate of 7% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of J$80,833; the final installment being due in April 2024.

(p) This represents the balance due on an initial loan of J$6,175,000 received in April 2019. The interest rate of 7% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of J$73,512; the final installment being due in May 2024.

(q) This represents the balance due on an initial loan of US$2,750,000 received in May 2019. The interest rate of 4.35% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of US$35,246; the final installment being due in May 2024.

(r) This represents the balance due on an initial loan of J$14,850,000 received in May 2019. The interest rate of 6.95% per annum is fixed for the term. The loan is repayable in sixty (60) monthly installments of principal and interest of J$176,785; the final installment being due in May 2024.

(s) This represents the balance outstanding on a revolving loan facility of $650,000 received in April 2019. Total drawdown for the period was $228,536. The interest rate of 4.5% per annum is fixed for the term.

(t) This represents costs incurred in obtaining certain long-term borrowings. The costs are being written off over the period of the borrowings on the effective interest basis.

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

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

18. Long-term borrowings (continued)

The borrowings at (f) to (r) and short-term loans (note 8) with the Bank of Nova Scotia Jamaica Limited are primarily secured as follows:

- Demand debenture stamped to cover US$14,112,000 and J$50,000,000, with power to upstamp, constituting a charge over assets of the company and:

  (i) Limited guarantee of a related company, supported by a first legal mortgage for $1,000,000 over certain commercial properties owned by the said related company.

  (ii) Limited guarantee of another related company supported by a first legal mortgage for $2,000,000 over certain commercial properties owned by this related company.

  (iii) Limited guarantee by both related companies mentioned in (i) and (ii) supported by a second legal mortgage for J$64,890,278 over commercial properties owned per (i) and (ii).

- Assignment of peril insurance policy providing adequate replacement coverage over charged assets with loss if any payable to the bank.

- Subordination and postponement agreement for $6,000,000 due to a related company (note 17).

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

- Unsupported guarantee of CPJ Investmenst Limited.

The borrowings at (s) with First Caribbean International Bank (Barbados) Limited is primarily secured as follows:

- Supported by a first legal mortgage of $6,375,000 over certain immovable property.

Breach of loan covenants:

- The Group has certains loans totalling $8,670,264 as at June 30, 2019. These loans contain convenants which are to be tested annually/semi-annually. If the covenants are not met, the loans can be repayable on demand.

- According to the agreements, the debt service coverage ratio cannot be less than 1.5:1 and the debt to EBTTDA cannot exceed 3:1. The Group is in breach of these ratios. However, management obtained a waiver from the respective institutions in August 2019. Accordingly, the loans were not payable on demand at June 30, 2019 (see note 30).

(Presented in United States dollars)

19. Related party balances and transactions

(a) The statement of financial position includes balances arising in the ordinary course of business with related parties.

The amounts due to related company are payable to non-controlling interests and are interest-free, unsecured and have no fixed repayment terms.

Other related party balances are disclosed in notes 6, 9, 10, 11 and 17.

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

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Sales to related companies/parties	(829,212)	(498,721)	(829,212)	(498,721)
Sales to subsidiary	-	-	(793,157)	(719,091)
Interest expense paid to related companies/parties	646,000	729,136	646,000	729,136
Rent paid to a related company	762,145	241,251	516,488	57,218
Agency fee paid to a related company	1,410,000	1,224,000	1,410,000	1,224,000
Directors' emoluments:				
Fees	21,000	14,780	21,000	14,750
Management remumeration	637,757	703,074	637,757	703,074
Compensation for key management:				
Short-term benefits	853,524	979,133	578,443	619,584

Related companies are controlled by directors.

20. Gross operating revenue

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

21. Nature of expenses

(a) Cost of operating revenue:

Cost of operating revenue primarily comprises the costs to purchase or process inventory items, such as meats, seafood, dairy products and beverages, which were sold by the group to third parties during the year.

(Presented in United States dollars)

21. Nature of expenses (continued)

(b) Selling and administration expenses:

	Group		Company	
	2019	2018	2019	2018
Advertising	1,109,746	1,138,412	1,027,143	1,057,090
Audit fees	111,745	79,568	96,290	66,596
Bad debts	-	60,055	-	46,314
Bank charges	150,615	128,851	134,389	107,600
Cleaning and sanitation	57,910	69,589	50,012	61,518
Data processing	604,107	465,340	604,107	465,340
Donations	575	9,001	391	350
Garbage disposal	131,203	91,773	117,217	82,664
Insurance	560,282	444,552	514,962	410,524
Miscellaneous	756,311	506,111	275,622	236,820
Motor vehicle expenses	2,622,285	2,489,444	2,537,194	2,420,830
Penalties and interest	22,253	250,408	22,253	250,408
Pest control	18,139	21,631	14,934	20,175
Printing, postage and stationery	185,102	184,353	156,368	152,051
Professional fees	1,687,183	1,472,520	1,677,514	1,464,388
Rates and taxes	149,955	163,237	139,082	151,745
Rental of premises (note 25)	1,238,969	1,202,728	1,050,887	1,018,695
Repairs and maintenance	918,969	948,658	734,878	778,872
Security	527,657	424,725	470,610	379,247
Service fees	109	5,048	109	5,048
Staff costs:				
Salaries, wages, and other payroll costs	8,436,585	8,368,872	7,280,249	7,284,357
Payroll taxes	818,728	820,735	773,704	782,984
Staff welfare	490,116	476,097	470,291	460,301
Subscriptions	66,075	36,750	60,623	32,490
Travel and entertainment	386,623	410,490	340,955	374,233
Utilities	1,810,549	1,680,455	1,464,496	1,388,118
	$22,861,791	21,949,403	20,014,280	19,498,758

22. Disclosure of income/(expenses)

	Group		Company	
	2019	2018	2019	2018
(a) Other operating income, net:				
Loss on disposal of property, plant and equipment	(8,624)	(41,935)	(18,903)	(41,935)
Suppliers rebate	69,705	-	69,705	-
Others	113,978	141,080	47,650	116,077
	$175,059	99,145	98,452	74,142

(Presented in United States dollars)

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

	Group		Company	
	2019	2018	2019	2018
(b) Finance income:				
Foreign exchange gains, net	-	190,909	-	185,013
Interest income - third party	569	882	569	882
	$ 569	191,791	569	185,895
(c) Finance costs:				
Foreign exchange loss, net	(42,297)	(-)	(35,589)	-
Interest on promissory notes	(914,458)	(1,056,984)	(914,458)	(1,056,984)
Interest on long-term and short term borrowings	(655,305)	(573,061)	(652,632)	(571,685)
Overdraft interest	(65,801)	(40,879)	-	-
	$(1,677,861)	(1,670,924)	(1,602,679)	(1,628,669)

23. Taxation

(a) Taxation is based on the following:

	Group		Company	
	2019	2018	2019	2018
Current tax	-	485,450	-	382,444
Deferred tax (note 12):				
Tax losses	159,542	103,006	(8,797)	-
Origination and reversal of temporary differences	(276,896)	(261,017)	(107,688)	(242,171)
	(117,354)	(158,011)	(116,485)	(242,171)
Tax (credit)/charge recognised during the year	$(117,354)	327,439	(116,485)	140,273

(b) Reconciliation of actual taxation (credit)/charge:

	Group		Company	
	2019	2018	2019	2018
(Loss)/profit before taxation	$(1,285,223)	2,638,045	(1,282,163)	2,017,961
Computed "expected" tax (credit)/ charge at 25% and 30%	(321,459)	690,515	(320,541)	504,490
Tax effect of differences between treatment for financial statement and taxation purposes:				
Depreciation and capital allowances	258,992	23,599	258,992	23,599
Other items, net	(54,887)	(4,232)	(54,936)	(5,373)
Tax remission [note (c)]	-	(382,443)	-	(382,443)
	$(117,354)	327,439	(116,485)	140,273

(Presented in United States dollars)

23. Taxation (continued)

(c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on July 20, 2011. Consequently, the company is entitled to a remission of taxes for 10 years in the proportions set out below, provided the shares remain listed for at least 15 years:

- Years 2012 to 2016 - 100%
- Years 2017 to 2021 - 50%

24. Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year as follows:

	Group		Company	
	2019	2018	2019	2018
(Loss)/profit for the year attributable to the shareholders of the company	(1,168,829)	2,098,476	(1,165,678)	1,877,668
Weighed average number of ordinary stock units held during the year	$1,100,000,000	1,100,000,000	1,100,000,000	1,100,000,000
Earnings per stock unit (expressed in ¢ per share)	(0.11)	0.19	(0.11)	0.17

25. Lease commitments

At June 30, 2019, there were unexpired operating lease commitments in relation to leasehold property, payable as follows:

	Group		Company	
	2019	2018	2019	2018
Within one year	1,529,134	1,283,275	1,341,052	1,095,561
Between one and five years	3,990,997	3,757,146	3,237,669	3,006,290
After five years	5,610,580	5,915,846	4,999,313	5,164,990
	$11,130,711	10,956,267	9,578,034	9,266,841

During the year, the total operating lease expenses recognised in profit or loss amounted to $1,238,969 (2018: $1,202,728) for the group and $1,050,887 (2018: $1,018,695) for the company.

26. Contingent liabilities

(a) In 2016, Tax Administration Jamaica (TAJ) conducted a GCT audit for the period January 2012 to December 2015 and proposed an adjustment to the returns for the period. No formal assessment has been served in this regard. During the year, the management and directors continued discussions with TAJ and other relevant authorities to review and resolve the proposed adjustments. At the date of authorisation of these financial statements, the resolution process is still ongoing.

(b) The company has given guarantees in the ordinary course of business, under banking arrangements, in favour of the Collector of Customs in the amount of $365,497 (J$47,500,000). Additionally a letter of credit was issued amounting to $125,000 on behalf of the company in favour of a third party.

(c) In 2018, Jamaica Customs Agency Post Clearance Audit (PCA) conducted a review of the company's import declarations for the period from January 1, 2017 to July 31, 2018 and assessed the company for potential additional duty and taxes as per the Assessment Order dated January 22, 2019. During the period till date, the management has had discussions with JCA and sent a response disputing the assessment. As at the date of these financial statements, the resolution process is still ongoing.

27. Dividends

On November 17, 2017, the Board of Directors declared an interim dividend of $0.06 per stock unit payable on January 19, 2018 to shareholders on record as at December 15, 2017 with an ex-dividend date of December 13, 2017. There was no dividend declaration in the current year.

28. Financial instruments

(a) Financial risk management:

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

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital.

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

The risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. The Board of Directors has monitoring oversight of the risk management policies.

28. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk:

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk at the reporting date was represented by the carrying value of financial assets in the statement of financial position.

Cash and cash equivalents

The group limits its exposure to credit risk by placing cash resources with substantial counterparties who are believed to have minimal risk of default.

Accounts receivable

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. The group does not require collateral in respect of trade and other receivables.

Trade receivables mainly consist of balances due from retail and hospitality customers across Jamaica. Apart from the concentration of customers in Jamaica, the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Expected credit loss assessment – Policy applicable from July 1, 2018

The group allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and the available press information about its customers) and applying experienced credit judgement.

The group uses a provision matrix to measure ECLs on trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.

(Presented in United States dollars)

28. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

The following table provides information about the exposure to credit risk and ECL for trade receivables as at June 30, 2019 (see also note 6).

	Group 2019			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	1.7%	8,278,988	141,073	No
31-60 days past due	0.3%	2,052,809	6,059	No
61-90 days past due	2%	483,600	9,672	No
91-180 days past due	8%	100,481	8,039	No
More than 180 days past due	100%	259,238	259,238	Yes
		11,175,116	424,081	

	Company 2019			
	Weighted average loss rate	Gross carrying amount $	Loss allowance $	Credit impaired
Current (not past due)	1.3%	7,304,764	94,962	No
31-60 days past due	0.3%	1,788,122	5,278	No
61-90 days past due	2%	483,600	9,672	No
91-180 days past due	8%	62,178	4,974	No
More than 180 days past due	100%	109,740	109,740	Yes
		9,748,404	224,626	

Policy applicable before July 1, 2018

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

The ageing of trade receivables at the reporting date was:

	Group 2018		Company 2018	
	Gross $	Impairment $	Gross $	Impairment $
Not past due	7,502,139	-	6,336,651	-
Past due 31-60 days	2,651,685	-	2,478,545	-
More than 60 days	1,497,616	89,068	1,173,795	73,264
	11,651,440	89,068	9,988,991	73,264

(Presented in United States dollars)

28. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

Policy applicable before July 1, 2018 (continued)

The impairment of trade receivables at the reporting date was:

	Group		Company	
	2019	2018	2019	2018
	$	$	$	$
Balance at beginning of year	89,068	80,142	73,264	75,721
Amount charged, net	(51,382)	8,926	(91,591)	(2,457)
Transition adjustment (note 3)	386,395	-	242,953	-
Balance at end of year	424,081	89,068	224,626	73,264

These balances are deemed irrecoverable based on historical experience. The provision is determined by taking into consideration past default experience, current economic conditions and expected receipts and recoveries once impaired.

(ii) Liquidity risk:

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Management of the group manages liquidity risk by maintaining adequate liquid financial assets with appropriate terms and currencies, together with committed financing to meet all contractual obligations and operational cash flows, including the servicing of its long-term liabilities.

The following are the contractual maturities of financial liabilities measured at amortised cost, including interest payments. The tables show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the group can be required to pay.

	Group			
	2019			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Bank overdraft	1,067,854	1,067,854	1,067,854	-
Short-term loans	5,150,000	5,368,875	5,368,875	-
Accounts payable	15,520,287	15,520,287	15,520,287	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	7,270,669	8,449,976	-	8,449,976
Long-term borrowings	8,902,863	10,887,945	2,221,422	8,666,522
Due to related company	3,056,603	3,056,603	-	3,056,603
Total financial liabilities	$45,286,070	49,004,969	28,831,867	20,173,101

(Presented in United States dollars)

28. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

	Group 2018			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Bank overdraft	776,993	776,993	776,993	-
Short-term loans	1,700,000	1,772,250	1,772,250	-
Accounts payable	10,134,927	10,134,927	10,134,927	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	8,269,110	9,608,168	-	9,608,168
Long-term borrowings	6,357,869	7,617,587	729,623	6,887,934
Due to related company	2,736,203	2,736,203	-	2,736,203
Total financial liabilities	$34,292,896	37,299,557	18,067,222	19,232,305

	Company 2019			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Short-term loans	5,150,000	5,368,875	5,368,875	-
Accounts payable	13,335,864	13,335,864	13,335,864	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	7,270,669	8,449,976	-	8,449,976
Long-term borrowings	8,674,327	10,703,551	2,221,422	8,482,129
Total financial liabilities	$38,748,654	42,511,695	25,579,590	16,932,105

	Company 2018			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Short-term loans	1,700,000	1,772,250	1,772,250	-
Accounts payable	8,474,046	8,474,046	8,474,046	-
Short-term promissory notes	4,317,794	4,653,429	4,653,429	-
Long-term promissory notes	8,269,110	9,608,168	-	9,608,168
Long-term borrowings	6,357,869	7,617,557	729,623	6,887,934
Total financial liabilities	$29,118,819	32,125,450	15,629,348	16,496,102

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

(Presented in United States dollars)

28. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk:

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

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

The management of each of these major components of market risk and the exposure of the group at the reporting date to each major risk are addressed below.

Derivative financial instruments are not used to reduce exposure to fluctuations in interest and foreign exchange rates.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The group materially contracts financial liabilities at fixed interest rates. These primarily relate to borrowings which are subject to interest rates fixed in advance, but which may be varied with appropriate notice by the lenders.

Interest-bearing financial assets are primarily represented by cash and cash equivalents, which are contracted at various interest rates.

Financial instruments are subject to interest as follows:

	Carrying amount			
	The Group		The Company	
	2019	2018	2019	2018
Fixed rate instruments:				
Financial assets	1,058,210	1,258,124	1,058,210	1,258,124
Financial liabilities	(24,535,646)	(18,771,845)	(23,239,256)	(17,994,853)
	$(23,477,436)	(17,513,721)	(22,181,046)	(16,736,729)
Variable rate instruments:				
Financial assets	182,376	74,578	182,376	74,578
Financial liabilities	(1,628,127)	(2,108,900)	(1,628,127)	(2,108,900)
	$(1,445,751)	(2,034,322)	(1,445,751)	(2,034,322)

(Presented in United States dollars)

28. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

Cash flow sensitivity analysis for variable rate instruments

An increase or decrease in basis points in interest rates at the reporting date would have (increased)/decreased loss (2018: (decreased)/increased profit) for the year by amounts shown below:

	The Group and the Company			
	2019		2018	
	Increase 100bp	Decrease 100bp	Increase 100bp	Decrease 50bp
Effect on profit (decrease)/increase	$(14,458)	14,458	(20,343)	10,172

Fair value sensitivity analysis for fixed rate instruments

The group does not account for any fixed rate financial instrument at fair value. Therefore, a change in interest rates at the reporting date would not affect the profit or other comprehensive income recognised for the year.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The group incurs foreign currency risk primarily on receivables, purchases and borrowings that are denominated in a currency other than the United States dollar. The principal foreign currency risks of the group are denominated in Jamaica dollar (J$).

The group ensures that the risk is kept to an acceptable level by monitoring its risk exposure and by maintaining funds in J$ as a hedge against adverse fluctuations in exchange rates.

At the reporting date, net foreign currency assets/(liabilities) of the group and the company are as follows:

	Group and Company	
	2019	2018
Cash and cash equivalents	230,710,899	117,249,887
Accounts receivable	786,036,445	604,850,332
Accounts payable	(298,418,440)	(212,689,346)
Long-term borrowings	(661,323,718)	(678,974,802)
Net foreign currency assets/(liabilities)	$ 57,005,186	(169,563,929)
Equivalent to	$ 438,636	(1,301,035)

(Presented in United States dollars)

28. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

Foreign currency risk (continued)

Exchange rates for the J$ in comparison to the United States dollar were as follows:

	J$
June 30, 2019:	$129.96
June 30, 2018:	$130.33

Sensitivity analysis

Changes in exchanges rates would have the effects described below:

	Group and Company	
	Decrease/(increase) in loss for the year 2019	(Decrease)/increase in profit for the year 2018
6% (2018: 4%) strengthening against the US$	$26,318	(52,041)
4% (2018: 2%) weakening against the US$	$(17,545)	26,021

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2018.

(b) Capital risk management:

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders. The directors of the company seek to maintain a strong capital base so as to maintain shareholder and creditor confidence. The group defines capital as total shareholders' equity.

Management of the group is responsible for monitoring the group's adherence to loan covenants on a timely basis and also to obtain relevant approvals from the bank before certain decisions are finalised.

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

(c) Fair value disclosures:

The fair values of cash and cash equivalents, accounts receivable, bank overdraft, accounts payable and short-term loans and promissory notes are assumed to approximate their carrying values due to their relatively short-term nature. Long-term borrowings and promissory notes are carried at their contracted settlement value based on commercial terms. Amounts due to related companies are considered to approximate their carrying value due to their short-term nature, and/or an ability to effect future set-offs in the amounts disclosed.

(Presented in United States dollars)

29. Segment reporting

Segment information is presented in respect of the group's strategic business segments. The identification of business segments is based on the group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

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

Geographical information:

	2019			
	Jamaica	St. Lucia	Eliminations	Total
Revenue from external customers	94,576,574	15,837,112	(793,157)	109,620,529
Segment non-current assets	15,835,455	2,718,650	(3,050,406)	15,503,699
Additions to property, plant and equipment	$ 4,353,474	695,579	-	5,049,053

	2018			
	Jamaica	St. Lucia	Eliminations	Total
Revenue from external customers	93,306,931	15,207,661	(719,091)	107,795,501
Segment non-current assets	14,104,970	2,453,645	(3,047,948)	13,510,667
Additions to property, plant and equipment	$ 1,252,930	783,461	-	2,036,391

30. Subsequent event

The group was in breach of certain loan covenants. Subsequent to the year end, the group obtained a waiver from the respective financial institutions. Accordingly, the loans were not payable on demand as at June 30, 2019 (see note 18).

TOP TEN (10) STOCKHOLDERS
AS AT 30th JUNE 2019

NAME	UNITS	%
Sportswear Producers Limited	248,000,000	22.5455
Mayberry Jamaican Equities Limited	218,060,075	19.8236
Wave Trading Limited	180,632,858	16.4212
Thomas Tyler	82,830,563	7.5301
Oniks Investments Limited	75,297,515	6.8452
Ho Choi Limited	33,581,579	3.0529
Beech Realty Company Limited	31,000,000	2.8182
PWL Bamboo Holdings Limited	20,536,570	1.8670
Bricks Limited	12,000,000	1.0909
SJIML A/C 3119	11,906,171	1.0824

SENIOR MANAGERS

NAME	UNITS	%
Debbie Clarke	0	0
Hugh Logan	144,343	0.0131
Kesha Ann Harper	0	0
Vivek Gambhir	0	0

DIRECTORS AND CONNECTED PARTIES REPORT

NAME	POSITION	RELATIONSHIP	UNITS	%
Sportswear Producers Limited			248,000,000	22.5455
Mark Hart	Chairman	Connected party holding		
Mayberry Jamaican Equities Limited			218,299,305	19.8454
Konrad Mark Berry	Director	Connected party holding		
Christopher Berry	Director	Connected party holding		
Wave Trading Limited			180,632,858	16.4212
Mark Hart	Chairman	Connected party holding		
Thomas Tyler	Co-Chairman	Self	82,830,563	7.5301
Oniks Investments Limited				
Thomas Tyler	Co-Chairman	Connected party holding	75,297,515	6.8452
PWL Bamboo Holdings Limited			20,536,570	1.8670
Mark Konrad Berry	Director	Connected party holding		
Bricks Limited			12,000,000	1.0909
David Lowe	Director	Connected party holding		
Alpine Endeavours Limited			1,881,100	0.1710
Ronald Schrager	Director	Connected party holding		
Apex Pharmacy Limited			1,421,936	0.1292
Christopher Berry	Director	Connected party holding		
A+Medical Centre Limited			1,000,000	0.0909
Christopher Berry	Director	Connected party holding		
Konrad Mark Berry	Director	Self	500,000	0.0454
Theresa Chin	Director	Self	288,900	0.0262
Richard Mark Hall	Director	Self	114,090	0.0104