CARIBBEAN FLAVOURS AND FRAGRANCES LTD.
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"Tease the Senses"

Report on the 2019 Audited Financial Statements to our Shareholders

The Board of Directors is pleased to report on the performance of Caribbean Flavours and Fragrances Limited (CFF) for the year ending 31 December 2019.

Revenue for the YEAR was $462.462 million showing a marginal increase when compared to revenue for the corresponding pro-rated 12 month period to 31 December 2018 ($449.532 million). The gross profit reported for the YEAR was $139.160 million as compared to $161.405 million of the pro-rated 12 month period ending 31 December 2018. The net profit before tax reported for the 12 months was $36.807 million as compared to the $78.723 million reported for the pro-rated 12 month period ending 31 December 2018.

During the period under review the company faced significant increases in logistics costs and increases from some suppliers this resulted in substantial increases in Cost of Sales. Nevertheless, the year also offered many opportunities to lay foundations which are aligned to the company's strategic goals.

CFF is known for quality and cutting edge flavour technology and many of the strategies are cost driven as the development of product prototypes as well as the acceptance of solutions in the market takes time. Some returns expected would have not been realized during the 2019 financial year. In addition, outcomes from our strategy implementation and investment in the sugar reduction product portfolio was co-dependent on the introduction of a concurrent regulatory framework and enforcement regime. While the buy-in came from a number of local and regional players in the market, the regulatory framework and enforcement mechanisms to be instituted by the Government were delayed, which negatively impacted the returns we had projected from the market.

We remain positive and bullish about the future as the base work done in 2019 has begun to show some results. This will continue to produce downstream benefits in 2020 and years to come. We continued to demonstrate our steadfast commitment to our shareholders by paying a gross dividend of $19.382 million during the year.

We are committed to constantly seeking new ways to become more innovative and efficient and to diversify our product offerings and our markets. We are building on the small successes in export markets and will continue to expand this area of the business. We strive to provide new quality products with best–in-class quality and competitively-priced products. We are recertified with the Safe Quality Food certification, the hallmark for quality in our sector.

The Board wishes to thank our management team and employees for their commitment and dedication during this year as well as our shareholders, customers and other stakeholders for their support. We continue to expand our business and live by our motto, to '***Tease the Senses***'.

Derrick F. Cotterell
Managing Director

Caribbean Flavours and Fragrances Limited
Financial Statements
31 December 2019

McKENLEY
& ASSOCIATES
CHARTERED ACCOUNTANTS

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Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

Report on the Audit of the Financial Statements

Our Opinion

We have audited the financial statements of Caribbean Flavours and Fragrances Limited ("the Company") which comprise the statement of comprehensive income, the statement of financial position as at 31 December 2019, the statement of cash flows and the statement of changes in equity for the year ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis for Opinion

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

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

Independence

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

Our Audit Approach

Audit scope

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

Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Key audit matters are selected from the matters communicated with the Audit Committee members (those charged with Governance) but are not intended to represent all matters that were discussed with them. These matters are addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. During the audit, we encountered no key audit matter for disclosure.

Other Information

Management is responsible for the other information. The other information comprises the Annual Report inclusive of the Director's, Chairman of the Board and the Chief Executive Officer Reports but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

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

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

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

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

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

Independent Auditor's Report

To the Members of
Caribbean Flavours and Fragrances Limited

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not to express an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are not responsible for the direction, supervision, and performance of the Company. We remain solely responsible for our audit opinion.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention to our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Independent Auditors' Report

To the Members of
Caribbean Flavours and Fragrances Limited

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

and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit.

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

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

McKenley + Associates

Chartered Accountants

27 February 2020
Kingston, Jamaica

Caribbean Flavours and Fragrances Limited
Statement of Comprehensive Income
Year Ended 31 December 2019

	Note	12 months ended 31 December 2019 $'000	18 months ended 31 December 2018 $'000
Revenue	3	462,462	674,298
Cost of sales	5	(323,302)	(432,190)
Gross profit		139,160	242,108
Selling and distribution costs	5	(3,404)	(7,262)
Administrative expenses	5	(113,837)	(140,990)
Operating profit		21,919	93,856
Finance income	6	15,408	25,381
Finance cost	6	(520)	(1,152)
Profit before tax		36,807	118,085
Taxation	7	(5,307)	(2,204)
Net profit being total comprehensive income for year		31,500	115,881
Dividends paid		(22,480)	*(22,480)
Retained earnings		9,020	93,401
Earnings per share	8	$0.35	$1.29

*restated for comparative purposes

Caribbean Flavours and Fragrances Limited
Statement of Financial Position
31 December 2019

	Note	2019 $'000	2018 $'000
Non-current assets			
Property, plant, and equipment	9	18,551	21,196
Rights of use	9	81,083	-
Current assets			
Inventories	10	166,897	130,862
Receivables	11	66,366	96,364
Taxation recoverable		4,671	5,999
Investments	12	214,107	154,416
Cash and cash equivalents	13	11,546	65,632
		463,587	453,273
Current liabilities			
Payables	14	44,680	*40,866
Taxation payable		-	2,204
Current portion of long-term borrowings	16	2,819	2,531
Current portion of lease liability	16	3,381	-
		50,880	45,601
Net current assets		412,707	407,672
		512,341	428,868
Shareholders' Equity			
Share capital	15	56,200	56,200
Retained earnings		373,978	367,770
		430,178	423,970
Non- current liability			
Borrowings	16	2,014	4,898
Lease liability	16	80,149	-
		512,341	428,868

*restated for comparative purposes

Approved for issue by the Board of Directors on 27 February 2020 and signed on its behalf by:

Howard Mitchell – Director

Clive Nicholas – Director

Caribbean Flavours and Fragrances Limited
Statement of Financial Position
31 December 2019

	Note	12 months ended 31 December 2019 $'000	18 months ended 31 December 2018 $'000
Cash flows from operating activities:			
Profit for the year		31,500	115,881
Items not affecting cash:			
Prior year non cash adjustment		(2,812)	-
Interest income	6	(1,579)	(11,519)
Interest expense	6	520	1,152
Depreciation	9	6,476	7,185
Depreciation- right of use	9	5,592	-
		39,697	112,699
Changes in operating assets and liabilities -			
Inventories		(36,035)	(33,646)
Receivables		29,998	(36,242)
Payables		3,814	*6,260
Taxation payable		(2,204)	2,204
Taxation recoverable		1,328	(1,176)
		(3,098)	(62,600)
Cash provided by operating activities		36,599	50,099
Cash flows from investing activities			
Purchase of fixed assets	9	(3,831)	(13,466)
Right of use	9	(86,675)	-
Purchase of investments		(59,691)	(23,213)
Interest received		1,579	11,519
Net cash used in investing activities		(148,618)	(25,160)
Cash flows from financing activities			
Loan repayments		(5,742)	(3,503)
Lease liability		86,675	-
Interest expense		(520)	(1,152)
Dividends paid	18	(22,480)	*(22,480)
Net cash provided by / (used in) financing activities		57,933	(27,135)
Decrease in cash and cash equivalents		(54,086)	(2,196)
Cash and cash equivalents at the beginning of the year		65,632	67,828
Cash and cash equivalents at the end of the year	13	11,546	65,632
Represented by:			
Cash on hand		-	51,303
Bank balances		11,546	14,329
		11,546	65,632

* restated for comparative purpose

Caribbean Flavours and Fragrances Limited
Statement of Changes in Equity
Year Ended 31 December 2019

	Note	Share Capital	Retained Earnings	Total
		$'000	$'000	$'000
Balance at 30 June 2016		56,200	220,152	276,352
Net profit for 12 months ended 30 June 2017		-	82,877	82,877
Dividend paid		-	*(31,472)	(31,472)
Balance at 30 June 2017		56,200	271,557	327,757
Net profit for 18 months ended 31 December 2018		-	115,881	115,881
Dividend paid	18	-	*(22,480)	(22,480)
Balance at 31 December 2018		56,200	364,958	421,158
Net profit for 12 months ended 31 December 2019		-	31,500	31,500
Dividend paid	18	-	* (22,480)	(22,480)
Balance at 31 December 2019		56,200	373,978	430,178

*restated. See note 2 (t).

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES

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

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

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

Subsidiary: change of accounting year-end date to 31 December

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

Statement of compliance

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation

Revenues and expenses

Revenues and expenses are recorded on the accrual basis, whereby transactions and events are recognized in the period in which the transactions and events occur, regardless of whether there has been a receipt or payment of cash or its equivalent. Revenue is recognised at a point in time as the Company does not enter into any long term contracts beyond 12 months.

Judgments and estimates

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

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

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

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

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

Inventories

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Judgments and estimates (continued)

Income and other taxes

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

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

Allowance for impairment losses on receivables

Estimation – Management's estimate of allowance on accounts receivable is based on analysis of the aged receivables along with historical experience with delinquency and default rates being heavily weighted against repeat customers. Default rates and the allowance amounts are regularly reviewed against the actual outcomes to ensure that they remain appropriate. Management also makes estimates of the likely estimated future cash flows from impaired receivables which may be materially different in the subsequent financial year. At year-end, management has implemented a basic expected credit loss model to impair its receivables.

Others

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

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

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

IFRS 16, 'Leases' (effective for accounting periods beginning on or after 1 January 2019) IFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead, all leases are treated in a similar way to finance leases in accordance with IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets US$5,000 and short-term leases (i.e., leases with a lease term of 12 months or less).

Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Upon adoption of IFRS 16, the lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The adoption of IFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements (note 3,5 and 23). Management has decided it will apply the modified retrospective adoption method, and therefore, the revised requirements are not reflected in the prior year financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

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

The following new standards, amendments and interpretations that are not yet effective and have not been adopted early in these financial statements, will or may affect the company's future financial statements:

IAS 1 and IAS 8 - Definition of Material - Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that' 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 based on those financial statements, which provide financial information about a specific reporting entity.
The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments are not expected to have any impact on the Company financial statements of the Company.

(b) Functional and presentation currency

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

(c) Foreign currency translation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial instruments – recognition and measurement

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Fair value through profit or loss

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

Held-to-maturity investments

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

Available-for-sale

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

Loans and receivables

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

Other liabilities

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

De-recognition of financial instruments

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, plant and equipment

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

The annual rates are as follows: -

Leasehold property & improvements	10%
Buildings	2 ½%
Plant and machinery, furniture and fixtures, office equipment	10%
Computer equipment	33 1/3%
Motor vehicles	25%

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

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

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

(f) Inventories

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets

The company classifies its financial assets into the category amortized cost. The classification depends on the purpose for which the financial assets were acquired.

Receivables, cash and equivalents and investments

The company's financial assets measured at amortized cost comprise trade receivables and cash and cash equivalents and investments in the statement of financial position.
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short terms highly liquid investments with an original maturity of three months or less.

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

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process, the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within the statement of profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(h) Dividends

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

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

(i) Trade and other payables

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Current and deferred Income taxes

Current

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

Deferred tax

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

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

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

Effective 3 October 2018, the 100% tax remission status of the Company expired under the Junior Market tax incentive agreement. The Company is now subject to 50% tax remission of Income Taxes for the next 5 years to 2 October 2023.

(k) Cash and cash equivalents

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

(l) Employee benefits

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions

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

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

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

(n) Debt: borrowing cost and interest

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Earnings per share

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

(p) Share Capital

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

(q) Impairment of non-current assets

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

Calculation of recoverable amount and reversal of impairment

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

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

(r) Segment reporting

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Related parties

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

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

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

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

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

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

(t) Comparative balances

When necessary, comparative figures are reclassified to conform to the changes in presentation in the current year. However, the comparative profit or loss figures relate to transactions for the 18 months ended 31 December 2018 while the current figures cover the 12 months from 1 January 2019 to 31 December 2019. The current statement of financial position as at 31 December 2019 while the comparative statement of financial position as at 31 December 2018.

The Company's year-end was changed to 31 December to align with that of its Parent Company to facilitate consolidating the Company's results.

The financial statements for period 31 December 2018 was restated to account for dividend payments, inclusive of withholding tax. The balances impacted are as follows:

2018 restated figures	**Before**	**Adjustment**	**Final**
	$'000	**$'000**	**$'000**
Payables	37,679	3,187	40,866
Dividend paid	19,293	3,187	22,480
Retained earnings	370,957	(3,187)	367,770

3. REVENUE RECOGNITION

Sale of goods

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. Revenue is shown net of returns, discounts and GCT. The company's revenue is generally derived from selling goods with revenue recognized at a point in time when control of the goods has been delivered to the customer and acceptance by them of the payment invoice. Once the physical delivery of the products to the agreed location and customer has occurred, and the Company is no longer liable for any of the goods, the transaction is considered complete.

Interest

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

Other operating income

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

4. GOING CONCERN

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

5. LIST OF EXPENSE CATEGORIES

	12 months ended 31 December 2019 $'000	18 months ended 31 December 2018 $'000
Cost of inventories recognized as expense	323,302	432,190
Sub-total: cost of sales	323,302	432,190
Selling, advertising, promotion and distribution	2,888	6,017
Motor vehicle expenses	516	1,244
Sub-total: Selling and distribution	3,404	7,262
Administrative Cost		
Audit fee	2,150	2,550
Bank charges	1,185	2,237
Interest on lease liability	6,181	-
Depreciation	6,476	7,185
Right of use- depreciation	5,592	-
Donations and subscriptions	428	793
Entertainment	677	350
Insurance	3,139	3,842
Rent	960	14,815
Legal and professional fees	6,393	8,453
Motor vehicle	2,828	1,966
Office and general	5,102	6,960
Asset and other taxes	-	213
Printing and stationery	564	1,107
Minimum business tax	-	90
Repairs and maintenance	2,099	2,777
Staff costs (note 17)	36,823	49,816
Security	1,500	2,310
Telephone and postage	2,383	2,798
Travelling	7,368	9,830
Utilities	3,291	4,089
Directors' fees	495	810
Directors' remuneration	18,203	18,000
Sub-total: Administrative cost	113,837	140,990
Grand total	440,543	580,442

6. FINANCE INCOME AND COSTS

	12 Months ended 31 December 2019 $'000	18 Months ended 31 December 2018 $'000
Finance income:		
Interest income	1,579	11,519
Net foreign exchange gains	13,829	13,861
	15,408	25,381
Finance costs:		
Loan interest incurred	520	1,152

7. TAXATION

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

	12 Months ended 31 December 2019 $'000	18 Months ended 31 December 2018 $'000
Current taxation	5,307	2,204

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

	12 Months ended 31 December 2019 $'000	18 Months ended 31 December 2018 $'000
Profit before tax	36,807	118,085
Taxation at 25%	9,201	25,325
Difference between depreciation and capital allowances	1,413	334
Expenses not allowed for tax purposes	-	73
Remission of income tax	(5,307)	(23,528)
Current taxation	5,307	2,204

Remission of income tax

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

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

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

7. TAXATION (CONTINUED)

Remission of income tax (continued)

The Company's 100% remission of income taxes expired 2 October 2018, and as a consequence, the Company's taxable profits will be subject to 50% tax remission until 2 October 2023.

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

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

The financial statements have been prepared on the basis that the Company will have the full benefit of the tax remissions. The Company did not consider the potential 2019 deferred tax liability of approximately seven hundred thousand dollars ($700,000) to be significant, but the full impact will be recorded in the financial statements for the year ended 31 December 2020.

8. EARNINGS PER SHARE

Earnings per share are calculated by dividing the net profit by the weighted average number of ordinary shares outstanding during the year. The number of shares was 89,920,033 as at 31 December 2019 and 31 December 2018.

9. PROPERTY, PLANT AND EQUIPMENT

	2019						
	Leasehold Property	Leasehold Improvements	Plant, Machinery Furniture & Fixtures	Office Computer & Equipment	Motor Vehicles	Total	Leased Property Right of Use
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At cost -							
1 January 2019	3,413	4,621	14,103	1,145	16,281	39,563	-
Additions	-	-	3,831	-	-	3,831	86,675
31 December 2019	3,413	4,621	17,934	1,145	16,281	43,394	86,675
Depreciation -							
1 January 2018	3,413	493	7,322	479	6,660	18,367	-
Charge for the year	-	462	1,787	157	4,070	6,476	5,592
31 December 2019	3,413	955	9,109	636	10,730	24,843	5,592
Net Book Value -							
31 December 2019	-	3,666	8,825	509	5,551	18,551	81,083

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2018

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

10. INVENTORIES

	31 December 2019 $'000	31 December 2018 $'000
Inventories comprise:		
Raw materials	85,158	79,441
Manufactured finished goods	10,664	9,550
Imported goods for resale	71,075	41,871
	166,897	130,862

During the period, there were $1.2 Million (2018 – $2.5 Million) inventory write-downs.

11. RECEIVABLES

	31 December 2019 $'000	31 December 2018 $'000
Trade	61,518	92,929
Less provision for bad debts	(432)	(853)
	61,086	92,076
Prepaid purchases	400	404
Prepaid insurance	1,834	1,424
Staff loans & deposit on fixed assets	2,827	1,083
Other	219	1,377
	66,366	96,364

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

	31 December 2019 $'000	31 December 2018 $'000
Opening balance at 01 Jan 2019	853	432
Increase/(decrease) in provision	(421)	421
Closing balance at 31 December 2019	432	853

12. INVESTMENTS

	31 December 2019 $'000	31 December 2018 $'000
(i) 2.25 %: Jamaica Money Market Brokers	21,532	106,659
(ii) Mayberry Indemnity Transfer Account	5,000	-
(iii) Scotia Bank Money Market and Premium Funds	138,022	-
(iv) 1.35 %: NCB Capital Markets	49,553	47,757
	214,107	154,416

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

13. CASH AND CASH EQUIVALENTS

	31 December 2019 $'000	31 December 2018 $'000
Cash on hand	2,777	51,302
Cash equivalent: J$ bank balances	4,254	4,107
Cash equivalent: US$ and other foreign currency balances	4,515	10,222
	11,546	65,632

The weighted average effective interest rate, in 2019, on Jamaican dollar (J$) cash equivalent was approximately 1.1% (2018 - 2.75%), and on US$ cash equivalent was approximately 0.098% (2018 - 1.15%).

14. PAYABLES

	31 December 2019 $'000	31 December 2018 $'000
Trade payables	25,628	20,612
General Consumption Tax (GCT)	4,455	5,846
Professional fees	1,400	2,550
Statutory contributions	1,350	1,274
Vacation leave	212	354
Other	11,635	10,230
	44,680	40,866

15. SHARE CAPITAL

	31 December 2019 $'000	31 December 2018 $'000
Authorized:		
91,452,000 ordinary shares of no-par value		
Issued and fully paid:		
89,920,033 ordinary shares of no-par value	56,200	56,200

16. BORROWINGS

	31 December 2019 $'000	31 December 2018 $'000
8.35% First Global Bank (FGB)	4,833	7,429
Less: current portion on bank loan	(2,819)	(2,531)
Total borrowings	2,014	4,898
Finance lease liability	83,530	-
Less: current portion of the lease	(3,381)	-
	80,149	-

The FGB loan monthly repayment is $ 259,642, inclusive of interest and final repayment date is September 2021. The loan is secured by a lien on the motor vehicle. The monthly lease payment is $777,127, and the lease will expire in 2034.

17. STAFF COSTS

	31 December 2019 $'000	31 December 2018 $'000
Casual labour	3,597	2,844
Salaries and wages	21,535	28,490
Statutory contributions	2,642	4,233
Travelling allowance	3,959	6,004
Staff welfare & training	3,897	6,370
Health and group life insurance	1,193	1,874
	36,823	49,816

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

	31 December 2019	31 December 2018
Full time	19	19
Part-time	2	2
	21	21

18. DIVIDENDS

	31 December 2019 $'000	31 December 2018 $'000
Dividends paid during the year	22,480	22,480

The Board of Directors approved the payment of a dividend of $0.25 per share to shareholders during the year. The payment was made in September 2019.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

(a) Overview and risk management framework

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

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

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

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

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

- Operational risk; and
- Reputational risk

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

(i) Credit risk

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

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

Cash and cash equivalents,

The Company limits its exposure to credit risk by:

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

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Trade receivables

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

At 31 December 2019, there were no significant concentrations of credit risk in respect of the five (5) major customers that comprise 73% (2018 -71%) of the trade receivables balance.

At 31 December 2019, amounts receivable from these customers aggregated approximately $45 million (2018- $62 million)

Due to related parties

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

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

Exposure to credit risk:

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

	31 December 2019 $'000	31 December 2018 $'000
Cash and cash equivalent	11,835	14,632
Accounts receivable	66,366	96,364
	78,201	110,996

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Impairment:

The Company establishes a provision for impairment that represents its estimate of possible incurred losses in respect of trade receivables. Impairment is assessed for each customer balance over 90 days. The Company's exposure to this risk is minimal because approximately 0.16% (31 December 2018 – 0.9%) of its gross trade debtors were over 90 days.

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

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

	31 December 2019 $'000		31 December 2018 $'000	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Past due 0 to 60 days	47,113		70,148	-
Past due 61 to 90 days	4,428		16,871	-
Past due over 90 days	9,977	432	5,910	853
	61,518	432	92,929	853

As of 31 December 2019, trade receivables of $9,976,643 (31 December 2018- $5,910,000) for the Company were impaired and the amount of the provision was $432,000 (31 December 2018 - $ 853,000). The Company made provision for all debts considered uncollectible and considered the provision to be adequate as at 31 December 2019.

Financial instruments counterparty

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

Maximum exposure to financial instruments counterparty credit risk:

	31 December 2019 $'000	31 December 2018 $'000
Credit risk exposures are as follows:		
Investments	214,107	154,416
Cash and short-term cash equivalents	11,835	14,632
	225,942	169,048

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(i) Credit risk (continued)

Due from related parties:

	31 December 2019 $'000	31 December 2018 $'000
Credit risk exposures are as follows:		
Opening balance:	-	-
Amounts loaned during the year	56,572	289,060
Amounts repaid during the year	(56,572)	(289,060)
Balance at the end of the year	-	-

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

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

(ii) Liquidity risk

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

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

Liquidity risk management process

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

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

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

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk (continued)

Cash flows of financial liabilities

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

	31 December 2019				
	Carrying Amount $'000	Contractual Cash Flows $'000	1 year or less $'000	1-2 years $'000	2-5 years $'000
Accounts payable	36,798	36,798	36,798	-	-
Long-term liabilities	5,634	5,993	3,918	2,075	-
Lease liability	83,830	135,220	9,325	18,651	107,244
Total financial liabilities	126,262	178,011	50,041	20,726	107,244

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

(iii) Market risk

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

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

Foreign currency risk

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

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

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iii) Market risk (continued)

Exposure to currency risk

At 31 December 2019, the Company was exposed to foreign currency risk primarily on cash and cash equivalents, purchases, and receivables that are denominated in a currency other than the Jamaican dollar. The principal foreign currency exposures of the Company are denominated in United States dollars (US$).

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

		31 December 2019 $'000	31 December 2018 $'000
Cash and cash equivalent		34	58
Accounts receivable		903	29
Investments		1,038	830
Accounts payable		(120)	(60)
Net cash position	US$	1,855	857
Equivalent to	J$	245,917	109,456

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

	US$	EURO€
At 31 December 2019	132.57	147.01
At 31 December 2018	127.72	144.19

Foreign currency sensitivity

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

	Increase/(decrease) in profit for the year	
	31 December 2019 $'000	31 December 2018 $'000
10% (2018:10%) strengthening of the US$ and Euro (€) against the J$	24,592	12,840
1% (2018:1%) weakening of the US$ and Euro (€) against the J$	(2,459)	(1,284)

The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2019 as that of 2018.

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk

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

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

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

	31 December 2019 $'000	31 December 2018 $'000
Fixed-rate instruments		
Financial assets	214,107	153,848
Financial liabilities	(89,165)	(7,429)
	124,942	146,419

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

Fair value sensitivity analysis for fixed-rate instruments

The Company only has fixed-rate deposits placed with licensed banks with tenure of less than 12 months for financial assets. The Company do not account for fixed-rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase or decrease in basis points in interest rates at the reporting date would not have increased/(decreased) profit for the year because there were no variable rate instruments held by the Company at 31 December 2019 (31 December 2018- NIL).

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

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

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

19. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

(iv) Interest rate risk (continued)

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

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

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

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

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

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

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

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

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

20. RELATED PARTIES TRANSACTIONS AND BALANCES

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

Expense/(income)	12 Months ended 31 December 2019 $'000	18 Months ended 31 December 2018 $'000
Key management compensation:		
Salaries	18,203	18,000
Rental expense:		
Paid to a company connected to a director	9,326	14,815
Consultancy and salary payments to a related party	4,167	4,800
Dividend payment to the parent company	12,029	11,966
Directors fees:		
Management charges	495	810
Interest income:		
Received from a related company	-	(5,847)

(b) The statement of financial position

There were no balances due to or from related parties as at 31 December 2019.

21. CAPITAL COMMITMENTS AND CONTINGENCIES

I. The Company had no outstanding significant capital commitments in respect of projects being undertaken, nor was there any lease arrangements or off-balance sheet transactions as at 31 December 2019 (31 December 2018 - $NIL).

II. As at 31 December 2019, as far as the Board of Directors of the Company are aware, there were no legal claims against the Company.

III. The Company's attorneys that routinely act on behalf of the Company, by letter dated 20 February 2020, reported as follows:

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

IV. As at 31 December 2019, under the 2016 Income Tax (Amended) Act, as a result of its listing on the Junior Market of the Jamaican Stock Exchange, the Company's 100% 5-year income tax remission period expired 2 October 2018. The amount of the income tax remission amounted to $92.2 Million

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

22. EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

To the best of management's knowledge and belief, they were not aware of any events that occurred after the statement of financial position date 31 December 2019 and through to the date of approval of these financial statements that would require adjustment to or disclosure in the aforementioned financial statements. Also, they were not aware of any event or matter, although not affecting such financial statements or disclosures, have caused or are likely to cause any material change, adverse or otherwise, in the financial position or results of operations of the Company.

SHAREHOLDINGS OF TOP TEN (10) STOCKHOLDERS, DIRECTORS AND SENIOR OFFICERS AS AT 31 DECEMBER 2019.

TOP (10) STOCKHOLDERS	NUMBER OF SHARES HELD
DERRIMON TRADING COMPANY LIMITED	58,465,327
DIGIPOINT LIMITED	8,992,003
IDEAL GLOBAL INVESTMENT LIMITED	3,096,861
MAYBERRY MANAGED CLIENTS ACCOUNT	2,673,201
IAN C. KELLY	2,322,814
KONRAD BERRY	1,363,333
NCB CAPITAL MARKETS A/C # 2231	1,175,028
TROPICAL BATTERY CO. LTD CONTRIBUTORY PENSION SCHEME	1,020,800
MAYBERRY INVESTMENT LIMITED PENSION SCHEME	972,945
JCD TRUSTEES SERVICES SIGMA VENTURE	855,811

DIRECTORS	
DERRICK COTTERELL	0
ANAND JAMES	0
IAN C. KELLY	2,322,814
CLIVE C. NICHOLAS	100,000
CARLTON E. SAMUELS	50,000
WILFORD HEAVEN	0

SENIOR MANAGERS	
ANAND JAMES	0
JANICE LEE	0
RHONDE MCPHERSON	0

CONNECTED PARTIES	
IAN C. KELLY (DIRECTOR OF DERRIMON TRADING LTD)	2,322,814
DERRICK COTTERELL (DIRECTOR OF DERRIMON TRADING LTD)	0