

JETCON CORPORATION LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019



JETCON CORPORATION LIMITED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

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Crooks Jackson Burnett
Chartered Accountants

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Independent auditors' report

**To the Members of
Jetcon Corporation Limited**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Jetcon Corporation Limited (the Company) set out on pages 2 to 21, which comprise statement of financial position as at December 31, 2019, statement of profit or loss and other comprehensive income, statements of 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 company as at December 31, 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the **Auditor's Responsibility 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.

Our Audit Approach

Audit Scope

As part of designing our audit, we determined materially and assessed the risk of material misstatement in the financial statements. In particular, we consider where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all our audits, we also address the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud

Independent auditors' report
Jetcon Corporation 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 of the current period. Those 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.

Completeness, Existence and Accuracy and Impairment Loss - Inventories

- **Key Audit Matter**

At reporting date, the value of the company's inventory amounted to \$444,682,692 representing 65.33% of the company's total assets. Due to the high level of stock items that the company carries, there is a risk that could arise due to:

- Breakdown in physical control over inventories
- Inaccurate method of valuation
- Overstocking, resulting in items of inventory being sold subsequently at "lower of cost".

- **How our audit addressed the Key audit matter**

Our audit procedures in response to this matter, included:

- Observing the annual inventory count for adherence to appropriate stock take process and testing of items by agreeing count quantities to final inventory report.
- Testing control over management review of costing.
- In respect of motor vehicles, testing to supporting suppliers invoices and all direct associated costs.
- Tested sales subsequent to reporting date and evaluated such sales to determine whether items of inventory, if any, were sold at a price below cost, in the context of "*net realizable value*".
- Conducted an evaluation of the overall sales performance of the company for the period January 1, 2020 to the date of finalizing the financial statements.

Based on our independent evaluation we determined that the valuation method used in the valuation of inventory is adequate and that the inventory on hand at year-end is not impaired.

Independent auditors' report
Jetcon Corporation Limited

Our opinion on the financial statements does not cover the other information and we do not and 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 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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation of financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Independent auditors' report
Jetcon Corporation Limited

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the company 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 company's financial statements, including the disclosures, and whether the company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the 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 auditors' report is Effie Crooks.


Chartered Accountants

February 28, 2020

2 Seymour Avenue, Kingston 6, Jamaica W.I.

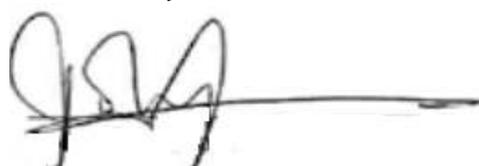
JETCON CORPORATION LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
YEAR ENDED DECEMBER 31, 2019

	Note	2019 \$	2018 \$
Revenue		1,025,926,150	1,161,472,587
Cost of Sales	4	<u>(890,252,534)</u>	<u>(999,173,012)</u>
Gross Profit		135,673,616	162,299,575
Other operating income	3	<u>1,141,631</u>	<u>935,257</u>
		<u>136,815,247</u>	<u>163,234,832</u>
Expenses:			
Selling and marketing expenses	5	(22,713,413)	(23,571,544)
Administrative expenses	5	(50,145,969)	(44,945,546)
Financial expenses	6	<u>(3,651,870)</u>	<u>(2,776,272)</u>
Total expenses		<u>(76,511,252)</u>	<u>(71,293,362)</u>
Net profit before tax		60,303,995	91,941,470
Taxation	7	<u>-</u>	<u>(60,000)</u>
Net profit after tax		<u>60,303,995</u>	<u>91,881,470</u>
Other comprehensive income:			
Increase in fair value of <i>available-for-sale</i> investment security	10	<u>(11,081)</u>	<u>58,612</u>
Total comprehensive income		<u>60,292,914</u>	<u>91,940,082</u>
Earnings per stock unit for profit attributable to stockholders of the company during the year			
	16	<u>\$0.10</u>	<u>\$0.16</u>

JETCON CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2019

	Note	2019 \$	2018 \$
ASSETS			
Property, plant and equipment	9	135,729,469	81,903,972
Investments	10	93,309	104,390
Total non-current assets		<u>135,822,778</u>	<u>82,008,362</u>
Inventories	11	444,682,692	434,648,425
Receivables	12	87,154,925	32,813,588
Cash and bank balances	13	10,675,373	11,046,798
Parent company	14	2,345,638	2,345,638
Total current assets		<u>544,858,628</u>	<u>480,854,449</u>
TOTAL ASSETS		<u><u>680,681,406</u></u>	<u><u>562,862,811</u></u>
EQUITY			
Share capital	15 [a]	88,817,218	88,817,218
Retained earnings		441,718,715	398,919,720
Capital reserves	15 [b]	16,803,819	16,814,900
Total equity attributable to shareholders		<u>547,339,752</u>	<u>504,551,838</u>
LIABILITIES			
Long-term liabilities	18	29,300,606	-
Total non-current liabilities			
Payables	17	94,601,162	53,564,128
Bank overdraft		-	4,746,845
Current portion of long-term liabilities	18	9,439,886	-
Total current liabilities		<u>104,041,048</u>	<u>58,310,973</u>
Total liabilities		<u>133,341,654</u>	<u>58,310,973</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		<u><u>680,681,406</u></u>	<u><u>562,862,811</u></u>

The financial statements on pages 2 to 21 were approved for issue by the Board of Directors on February 28, 2020 and signed its behalf by:



John H. Jackson
Chairman



Andrew B. Jackson
Director

JETCON CORPORATION LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2019

	Share capital \$	Capital reserves \$	Retained earnings \$	Total \$
Balance as at December 31, 2017	88,817,218	16,756,288	327,460,750	433,034,256
Net profit			91,881,470	91,881,470
Transactions with owners:				
Dividend paid			(20,422,500)	(20,422,500)
Other comprehensive income for the year - fair value adjustment		58,612		58,612
Balance as at December 31, 2018 <i>(see note 15)</i>	88,817,218	16,814,900	398,919,720	504,551,838
Net profit			60,303,995	60,303,995
Transactions with owners:				
Dividend paid <i>(note 8)</i>			(17,505,000)	(17,505,000)
Other comprehensive income for the year - fair value adjustment		(11,081)	-	(11,081)
Balance as at December 31, 2019 <i>(see note 15)</i>	88,817,218	16,803,819	441,718,715	547,339,752

JETCON CORPORATION LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

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	2019	2018
	\$	\$
CASH FLOWS WERE PROVIDED BY/ (USED IN):		
OPERATING ACTIVITIES		
Net profit after taxation	60,292,914	91,940,082
Item not affecting cash resources:		
Fair value adjustment to investment instrument	11,081	(58,612)
Taxation charge	-	60,000
Depreciation	3,484,581	2,100,763
	63,788,576	94,042,233
Changes in non-cash working capital components:-		
Inventories	(10,034,267)	(40,826,975)
Receivables	(54,341,337)	25,192,167
Payables	41,037,034	(32,133,148)
Taxation paid	-	(60,000)
Cash provided by operating activities	40,450,006	46,214,277
FINANCING ACTIVITIES		
New Loans received	41,688,642	-
Repayment of Loans	(2,948,150)	(19,054,235)
Dividend paid	(17,505,000)	(20,422,500)
Cash (used in)/provided by financing activities	21,235,492	(39,476,735)
INVESTMENT ACTIVITIES		
Purchase of property, plant and equipment	(57,310,078)	(15,280,614)
Cash used in investment activities	(57,310,078)	(15,280,614)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT	4,375,420	(8,543,072)
CASH AND CASH EQUIVALENT - Beginning of year	6,299,953	14,843,025
CASH AND CASH EQUIVALENT - End of year	10,675,373	6,299,953
REPRESENTED BY:		
Cash and bank balances	10,675,373	11,046,798
Bank overdraft	-	(4,746,845)
CASH AND CASH EQUIVALENT AT END OF YEAR	10,675,373	6,299,953

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

1. Identification

The company is incorporated under the Jamaican Companies Act. It's a 60.31% subsidiary of St. Andrew Investments Limited. Jetcon Corporation Limited and its parent company are domiciled in Jamaica, having their registered offices at 2 Sandringham Avenue, Kingston 10, Jamaica.

The main activities carried out during the year were the importation and sale of motor vehicles, motor vehicle parts and the servicing of vehicles.

Effective March 24, 2016, the company's shares were listed on the Junior Market of the Jamaica Stock Exchange.

2. Statement of Compliance, Basis of Preparation and Significant Accounting Policies**(a) Statement of Compliance**

The financial statements of the company have been 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.

(b) Basis of preparation

The preparation of these financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed under their respective headings. 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 and future years if the revision affects both current and future periods.

Standards, Interpretations and Amendments to published Accounting Standards effective in the current year

During the year, certain new standards, interpretations and amendments to existing standards became effective. Management has assessed the relevance of all such new standards, interpretations and amendments that became effective January 1, 2019 and have determined that the following will affect the amounts and disclosures in these financial statements:

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

(a) 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.

(b) 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.

This amendment has not impacted the 2019 financial statements [see note 20].

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. BASIS of PREPARATION and SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, Interpretations and Amendments to published Accounting Standards effective in the current year

- **IFRS 16, 'Leases'** is effective for periods beginning on or after January 1, 2019. The new standard affects primarily the accounting by leases and has changed the recognition of almost all leases on balance sheet. This standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and the financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value items valued at US\$5,000 or less. The accounting by lessors has not significantly changed.

Standards, Interpretations and Amendments to Existing Standards that are not yet effective and have not been early adopted by the Company

- **Definition of Material - Amendment to IAS 1 and ISA 8** [effective for annual periods beginning on or after January 1, 2020]. The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and errors, which use a consistent definition of materiality throughout International Financial Standards and the Conceptual Framework for Financial Reporting in IAS 1, clarify when information is material and incorporate some of the guidelines in IAS 1 about immaterial information.

The amendment further clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses material in the context of the financial statements as a whole. The standard also states that the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining these as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

- **Definition of Business - Amendments to IFRS 3** [effective for annual periods beginning on or after January 1, 2020]. The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. It also states that the definition of the term 'output' is amended to focus on goods and services provided to customer, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.
- **Revised Conceptual Framework for Financial Reporting** [effective for annual periods beginning on or after January 1, 2020]. The IASB has issued a revised conceptual Framework which will be used in standard-setting decisions with immediate effect. These new standards include increasing the prominence of stewardship with objective of financial reporting. It also includes changes in reinstating prudence as a component of neutrality. Further key changes include defining a reporting entity, which may be a legal entity, or a portion of an entity and revising the definitions of an asset and a liability as well as removing the probability threshold for recognition and adding guidance on de-recognition.

The standard further includes changes to adding guidance on different measurement basis and stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. BASIS of PREPARATION and SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, Interpretations and Amendments to Existing Standards that are not yet effective and have not been early adopted by the Company [continued]

- **Revised Conceptual Framework for Financial Reporting**

The standard clarifies that no changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from January 1, 2020.

Management is evaluating the impact that the foregoing standards and amendments to standard may have on its financial statements when they are adopted.

Significant Accounting Policies

(b) Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue from sale of goods is recognised in the profit or loss when the significant risks and reward of ownership have been transferred to the buyer, usually when the company has delivered the goods to the customer.

No revenue is recorded if there are significant uncertainties regarding recovery of the consideration due, the associated costs or possible return of goods.

Revenue is shown net of Consumption Tax, returns, rebates and discounts. Interest income is recognised as it accrues, unless collectibility is in doubt.

(c) Foreign Currency Transactions

i. Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the entity operates ["the functional currency"]. The financial statements are presented in Jamaican dollars, which is also the company's functional currency.

ii. Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Gains or losses arising from fluctuations in exchange rates are recognised in the profit and loss account. Foreign currency balances at the balance sheet date are converted at the rates applicable for that date.

(d) Financial Instruments

Financial Instruments carried on the balance sheet include cash, investments, bank balances, receivables and payables. The particular recognition methods are disclosed in the individual policy statements associated with each of them.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. BASIS of PREPARATION and SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued)

(e) Plant, Machinery and Equipment

Plant, machinery and equipment and other assets are carried at cost and valuation less accumulated depreciation. Depreciation is calculated on a straight line basis, (except motor vehicles, which is computed on the reducing balance basis), at rates estimated to write-off the cost of the assets over their expected useful lives. Annual rates used are as follows:

Freehold buildings	2 1/2%
Furniture, fixtures and equipment	10%/20%
Computer systems and motor vehicles	20%

Gains and losses on disposal of plant, machinery and equipment are determined by comparing proceeds with the carrying amount and are included in the profit and loss account.

Repairs and maintenance expenditure are charged to the profit and loss account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the company.

(f) Impairment of Non-Current Assets

Plant, machinery and equipment and other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of the asset's net selling price and the value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows.

(g) Inventories

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

(h) Cash and Cash Equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and short-term deposits with original maturity of 90 days or less.

(i) Trade Receivables

Trade receivables are carried at original invoiced amounts less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Provision is the difference between the carrying amount and the recoverable amount. The carrying amount of the asset is reduced through the use of an allowance account, and the loss is recognised in the profit or loss. When trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoverables of amount previously written off are credited to the profit or loss.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. BASIS of PREPARATION and SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued)

(j) Accounts payable

Accounts payable is measured at amortised cost. A provision is recognised in the statement of financial position when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefit will be required to settle the obligation and the amount can be estimated reliably. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that affects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(k) Investments

These are classified as *available-for-sale* investments and are stated at fair value. Unrealised gains and losses arising from changes in the fair value of these securities are recognised in equity revaluation reserve. When securities classified as *available-for-sale* are sold or impaired, the accumulated fair value adjustments are included in the profit or loss account as gains and losses from investment securities. (*see note 10*)

The fair value of *available-for sale* investments is based on their quoted market bid price at the balance sheet date. Where the quoted market price is not available, fair value is estimated using discounted cash flow techniques.

(l) Employee Benefits

Annual leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. At year-end the company had no liability for annual leave as a result of services rendered by employees.

(m) Taxation

(i) Current taxation

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes 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 balance sheet date. Current and deferred taxes are recognised as income tax expense or benefit in the profit or loss account except, to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

(ii) Deferred taxation

A deferred tax charge is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. The tax rates used in these financial statements are those enacted at balance sheet date.

Deferred tax charges are recognised for temporary differences between the carrying amounts of assets and liabilities and the amounts as measured for tax purposes, which will result in taxable amounts in future periods. The carrying amounts of deferred tax is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax to be utilised.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

2. BASIS of PREPARATION and SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant Accounting Policies (continued)

(n) Related party transactions and balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. (referred to in IAS 24 as the "reporting entity"). Related Party transactions and balances are recognised and disclosed for the following:

- 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 parent of the reporting entity.
- b. A reporting entity, if any of the following conditions applies:
 - i. the entity and the reporting entity are members of a group (which means that each parent, subsidiary and fellow subsidiary is related to each other).
 - 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. the 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 reporting entity or an entity related to the reporting entity. If the reporting entity is itself a plan, the sponsoring employers are also 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} above has significant influence over the entity (or is a member of the key management personnel of the entity).

3. OTHER OPERATING INCOME

	2019	2018
	\$	\$
Interest income	559,634	757,627
Miscellaneous	581,997	177,630
	<u>1,141,631</u>	<u>935,257</u>

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

4. COST OF SALES

	2019	2018
	\$	\$
Cost of Sales - Motor Vehicles	858,238,945	956,592,218
Motor vehicle parts and servicing	24,487,719	37,699,624
Other direct costs	7,525,870	4,881,170
	<u>890,252,534</u>	<u>999,173,012</u>

5. EXPENSES

	\$	\$
Administrative:		
Staff costs	25,577,753	22,510,930
Directors' fees	1,950,000	2,750,000
Security and insurance	6,833,423	2,956,512
Audit fee	1,343,750	1,343,750
Repairs and maintenance	1,341,995	859,889
Depreciation	3,484,581	2,288,892
Rent, utility and general office expenses	6,190,735	8,657,808
Travelling, transportation and entertainment	913,189	681,711
Other	2,510,543	2,896,054
	<u>50,145,969</u>	<u>44,945,546</u>
Sales and marketing:		
Salaries and statutory contributions	11,470,388	11,762,528
Advertising, sponsorship and promotion	8,204,359	10,287,906
Annual report	3,038,666	1,521,110
	<u>22,713,413</u>	<u>23,571,544</u>
	<u>963,111,916</u>	<u>1,067,690,102</u>

Staff costs

	2019	2018
	\$	\$
Wages and associated costs [included in cost of sales]	9,006,295	10,592,586
Salaries and statutory contributions - Sales and marketing	11,470,388	11,762,528
Salaries and statutory contributions - Administrative	19,638,665	16,864,879
Staff benefits	5,939,088	5,646,051
	<u>25,577,753</u>	<u>22,510,930</u>
	<u>46,054,436</u>	<u>44,866,044</u>

The average number of persons employed full-time by the company during the year was 35 [2018 = 30].

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

6. FINANCIAL EXPENSES

	2019	2018
	\$	\$
Bad debt provision	-	657,837
Finance charge	384,936	83,273
Loan interest	1,261,676	565,789
Bank charges and credit card commission	1,875,014	1,210,773
Overdraft interest	130,244	258,600
	<u>3,651,870</u>	<u>2,776,272</u>

7. TAXATION

- (a) There is no current taxation charge. The Minimum Business Tax (MBT) was amended to impose a NIL rate with effect April 1, 2019 and the company's profits tax as a result of 'remission of taxes' granted by Tax Administration Jamaica [see note 7(c)].

	2019	2018
	\$	\$
Taxation charge	-	60,000

- (b) The taxation charge differs from the theoretical amount that would arise using the income tax rate as follows:

	\$	\$
Surplus for the year before taxation	<u>60,303,995</u>	<u>91,941,470</u>
Computed "expected" tax at 25%	15,075,999	22,985,368
Adjusted as a consequence of the following:		
Minimum Business tax	-	60,000
Adjustment for the effect of remission of tax	<u>(15,075,999)</u>	<u>(22,985,368)</u>
	<u>-</u>	<u>60,000</u>

- (c) Remission of income tax:

The company's shares were listed on the Junior Market of the Jamaica stock Exchange [JSE], effective March 24, 2016. Consequently, the company is entitled to a remission of taxes for ten (10) years in the proportions set out below, provided it complies with the criteria of the Income Tax (Jamaica Stock Exchange Junior Market) regulation and its shares remain listed for at least fifteen (15) years: To obtain the remission of income taxes, the following conditions should be adhered to over the period:

- (i) The company remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE.
- (ii) The subscribed participating voting shareholders does not exceed \$500 million.
- (iii) The company has at least 50 participating voting shareholders.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

7. TAXATION [continued]

The financial statement have been prepared on the basis that the company will have the full benefit of the tax remissions. The period is as follows:

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

As a consequence of the company obtaining a remission of tax status, effective March 24, 2016, the deferred tax asset position at the prior year-end was reversed; therefore reporting a nil deferred tax position at year-end.

8. DIVIDENDS

By resolution dated April 27, 2019 the directors declared the payment of dividend of \$.03 per share totalling \$17,505,000 to be paid to shareholders on the company's register of members as at July 15, 2019.

9. FIXED ASSETS

	Freehold Property \$	Leasehold Property \$	Computer systems \$	Motor Vehicles \$	Plant, Machines, Furniture & Fixtures \$	Total \$
AT COST/VALUATION						
January 1, 2018	61,007,142	3,950,000	3,331,483	5,031,454	6,758,651	80,078,730
Additions	6,228,302	-	259,675	5,305,167	3,487,470	15,280,614
December 31, 2018	67,235,444	3,950,000	3,591,158	10,336,621	10,246,121	95,359,344
Additions	54,007,502	-	381,233	-	2,921,343	57,310,078
December 31, 2019	121,242,946	3,950,000	3,972,391	10,336,621	13,167,464	152,669,422
ACCUMULATED DEPRECIATION						
January 1, 2018	2,687,947	-	1,958,796	3,997,164	2,710,702	11,354,609
Charge for the year	352,030	-	205,062	1,090,297	453,374	2,100,763
December 31, 2018	3,039,977	-	2,163,858	5,087,461	3,164,076	13,455,372
Charge for the year	360,294	-	383,430	1,255,620	1,485,237	3,484,581
December 31, 2019	3,400,271	-	2,547,288	6,343,081	4,649,313	16,939,953
NET BOOK VALUE						
December 31, 2019	117,842,675	3,950,000	1,425,103	3,993,540	8,518,151	135,729,469
December 31, 2018	64,195,467	3,950,000	1,427,300	5,249,160	7,082,045	81,903,972

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

10. INVESTMENTS - SECURITIES

	2019	2018
	\$	\$
These comprise quoted securities:-		
Investment securities at the beginning of the year	104,390	45,778
Fair value adjustment to investment instrument [net]	<u>(11,081)</u>	<u>58,612</u>
Market value	<u><u>93,309</u></u>	<u><u>104,390</u></u>

11. INVENTORIES

Inventories comprise:

	2019	2018
	\$	\$
Motor vehicles	192,825,397	160,435,935
Motor vehicles - Special Economic Zone *	140,397,746	-
Motor vehicles - bonded warehouse	18,632,277	253,687,127
Parts	<u>7,590,014</u>	<u>5,590,014</u>
Inventories on hand	359,445,434	419,713,076
Goods-in-transit	<u>85,237,258</u>	<u>14,935,349</u>
	<u><u>444,682,692</u></u>	<u><u>434,648,425</u></u>

* The Special Economic Zone [SEZ] serves as a Logistics Hub, vehicles held at locations designated SEZ have not yet cleared customs and allows for trans-shipment.

12. TRADE, OTHER RECEIVABLES AND PREPAYMENTS

These comprise:-

	2019	2018
	\$	\$
Trade receivables	21,813,213	20,419,902
Prepayments	819,842	1,033,111
Deposits with suppliers	36,697,285	510,453
Related party balances	6,420,647	3,006,678
Other receivables	<u>21,403,938</u>	<u>7,843,443</u>
	<u><u>87,154,925</u></u>	<u><u>32,813,587</u></u>

Trade receivables are stated net of provision for impairment. The provision have been computed in compliance with the provisions under IFRS 9 [see note 20 {b)].

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

13. CASH and BANK BALANCES

Cash and bank balances represent amounts held in saving and current accounts denominated in Jamaican Dollars and United States Dollars.

For the purpose of the cash flow statement, cash and cash equivalents comprise bank balances and bank overdraft.

14. PARENT COMPANY

This represents amounts due from the parent company at balance sheet date. There were no trading activities between the companies during the year.

15. SHARE CAPITAL and CAPITAL RESERVES

(a) Share capital

	2019	2018
	\$	\$
Authorised -		
900,000,000 [2018 = 900,000,000] Ordinary shares of no par value		
Issued and fully paid -		
583,500,000 [2018 = 583,500,000] Ordinary shares of no par value	97,040,590	97,040,590
Less: Transaction costs	<u>(8,223,372)</u>	<u>(8,223,372)</u>
	<u><u>88,817,218</u></u>	<u><u>88,817,218</u></u>
 (b) Capital reserve:		
Capital reserve comprise:		
	\$	\$
Unrealised surplus arising from revaluation of freehold property and investment security (see notes 9 & 10).	<u>16,803,819</u>	<u>16,814,900</u>

16. EARNINGS PER STOCK UNIT

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

	2019	2018
	\$	\$
Net profit attributable to equity holders of the company	<u>60,292,914</u>	<u>91,940,082</u>
Weighted average number of ordinary stock units in issue	<u>583,500,000</u>	<u>583,500,000</u>
Basic earnings per stock unit	<u><u>\$0.10</u></u>	<u><u>\$0.16</u></u>

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

17. TRADE, OTHER PAYABLES AND ACCRUALS

These comprise:-

	2019	2018
	\$	\$
Trade payables	48,219,478	8,879,945
Deposits - other	6,281,888	8,926,363
Statutory payables	1,098,031	1,195,449
Other payables and accruals	39,001,765	34,562,371
	<u>94,601,162</u>	<u>53,564,128</u>

18. LONG-TERM LIABILITY

	2019	2018
	\$	\$
National Commercial Bank Jamaica Limited	-	19,054,235
Jamaica Money Market Brokers	<u>38,740,492</u>	-
Long-term portion	38,740,492	19,054,235
Less - Current maturities	<u>(9,439,886)</u>	<u>(6,588,492)</u>
	<u>29,300,606</u>	<u>12,465,743</u>

Jamaica Money Market Brokers

This loan, in the amount of \$42,000,000 was received on the September 2019 and repayable over Forty-Eight months. Interest is charged at 9.0% per annum over the life of the loan and it is secured by the securities outlined below.

- i. Registered mortgage on freehold property, registered in the name of the company, together with freehold property registered in the name of its holding company, St. Andrew Investments Limited.
- ii Personal guarantees signed by director and company secretary of St. Andrew Investments Limited.

19. RELATED PARTY TRANSACTIONS

The company had no trading transactions with related parties during the year.

20. FINANCIAL RISK MANAGEMENT

The company's activities exposes it to a variety of financial risk: (including currency risk, interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company seeks to manage these by close monitoring of each class of its financial instruments as follows:

(a) Market risk**(i) Currency risk**

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company is exposed to currency risk due to fluctuations in exchange rates on transactions and balances that are denominated in currencies other than Jamaican Dollar. Foreign exchange risk arises from commercial transactions, primarily with respect to purchases, which are denominated in United States dollars. The company does not earn foreign currency to counter the effects of the fluctuation in exchange rates.

The company manages this risk by purchasing foreign currency in advance and maintaining foreign currency accounts to satisfy its foreign creditors.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

20. FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

Foreign currency sensitivity

Due to the nature of the company's operations and the very short term nature of balances denominated in currencies other than the Jamaican dollar, there is no material impact on its operations as a result of changes in foreign currency rates. The company makes advance payments on foreign purchases, this serves to counter the long-term effect of changes in the exchange rates.

The exchange rates applicable at balance sheet date are US\$ 1 = J\$131.5887 [2018= J\$126.8307] in respect of foreign currency assets and US\$ 1 = J\$133.4762 (2018 = J\$1227.9683) in respect of foreign currency liabilities.

(ii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded on the market. The company's exposure in relation to financial instrument is minimal as these are recorded at face value and no diminution in value is expected.

(iii) 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 company's cash and cash equivalents are subject to interest rate risk. The level of interest bearing deposits is low and the company has not been able to negotiate the most advantageous interest rates in relation to its overdraft; however, the terms of its long-term borrowings are considered comparable to market, based on current trends.

Interest rate sensitivity

The company has interest-bearing liabilities in the form of overdraft and is exposed to interest rate risk and this is affected by movements in market interest rates.

Significant movements in interest rates could affect the company's operations: however, at balance sheet date its level of borrowings was minimal; therefore, the associated risk level is considered low.

(b) Credit risk

Credit risk is the risk arising from a counterparty to a financial contract failing to discharge its obligations, and arises principally from the company's receivables from customers, cash and investment securities.

The maximum exposure to credit risk at reporting date is represented by the carrying value of its financial assets. The company's exposure to this risk is influenced by the individual characteristics of each customer.

Trade and other receivables

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the company and a failure to make contractual payments for a period greater than 120 days past due.

Impairment losses on trade and other receivables are presented as net impairment losses within based operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

20. FINANCIAL RISK MANAGEMENT (continued)**(b) Credit risk (continued)**

The maximum exposure to credit risk at reporting date is represented by the carrying value of its financial assets. The company's exposure to this risk is influenced by the individual characteristics of each customer.

Computation of net impairment on financial assets in respect of the current and the prior year was recognised in the profit or loss and adjusted to retained earnings respectively:

December 31, 2019	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	91 - 120 Days Past Due	121 - 180 Days Past Due	Over 180 Days Past Due	Total
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Gross carrying amount - trade receivables	11,661,499	2,063,633	5,986,537	1,051,718	890,521	3,191,411	24,845,319
Expected loss rate	5%	8%	11%	17%	23%	40%	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Loss allowance	583,075	159,932	685,458	177,477	200,367	1,274,501	3,080,811
Provision brought forward							2,849,098
Provision - current year							183,008
Actual provision							<u>3,032,106</u>
Under provision							<u>48,705</u>

December 31, 2018	Current	31 - 60 Days Past Due	61 - 90 Days Past Due	91 - 120 Days Past Due	121 - 150 Days Past Due	Over 180 Days Past Due	Total
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Gross carrying amount - trade receivables	11,661,499	2,063,633	5,986,537	-	-	3,557,332	23,269,001
Expected loss rate	5%	8%	11%	17%	23%	40%	
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Loss allowance	583,075	159,932	685,458	-	-	1,420,633	2,849,098
Actual provision							2,191,261
Under provision, adjusted in statement of profit or loss							<u>657,837</u>

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

20. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk (continued)

Reconciliation

	2019	2018
	\$	\$
Calculated under IAS 39 - opening balance	2,849,098	1,004,126
Amount restated through opening retained earnings	-	1,187,135
Opening loss allowance as at 1 January - calculated under IFRS 9	2,849,098	2,191,261
Provision - current year	183,008	-
	<u>3,032,106</u>	
Increase/(decrease) in provision recognised in profit or loss during the year	48,705	657,837
At 31 December	<u>3,080,811</u>	<u>2,849,098</u>

(c) Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in raising funds to meet its commitments associated with financial instruments.

The company manages its liquidity risk by maintaining an appropriate level of resources in liquid or near liquid form. Its financial liability comprise payables and accruals.

The company's financial liabilities at December 31, 2019 and 2018 comprise payables, accruals bank overdraft and long-term loans.

The table below summarises the maturity profile of the company's financial liabilities at December 31, 2019 and 2018:

	Current	Current	Non-current	Non-current
	2019	2018	2019	2018
	I\$	I\$	I\$	I\$
Long-term liabilities	9,439,886	-	29,300,606	-
Payables and accruals	88,319,274	44,637,765	-	-
Customer deposits	6,281,888	8,926,363	-	-
Bank overdraft	-	4,746,845	-	-
	<u>104,041,048</u>	<u>58,310,973</u>	<u>29,300,606</u>	<u>-</u>

Assets available to meet all of the above liabilities include receivables and the expected generation of cash from the normal course of trading. Motor vehicles included in inventories and/or goods-in-transit will fulfil the company's obligations in respect of its current liabilities.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019

20. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital management

The company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital as well as to meet its liabilities when they fall due and to provide returns for its shareholders. The Board of directors monitors the return on capital on a regular basis.

The company is not subjected to any externally imposed capital requirements.

Other than the financial liabilities quantified in these financial statements there are no *off balance sheet* items, contingent liabilities or capital commitments.

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

21. CONTINGENT LIABILITY & CAPITAL COMMITMENT

In the normal course of business, the company is subject to various claims, disputes and legal proceedings. Provision is made for such matters when, in the opinion of management and its professional advisors, it is probable that a payment will be made by the company, and the amount can be reasonably estimated.

At reporting date, the company had no outstanding legal matters being pursued in the Courts. In addition, the Board, along with the company's attorney have indicated that they are not aware of any potential liability that may negatively affect the company.

Commitments

The company has a lease commitment under an operating lease, which expires on May 31, 2020. The maximum amount payable for the remaining life of the lease is \$6,000,000.