

2019

ANNUAL  
REPORT



EVERYTHING FRESH



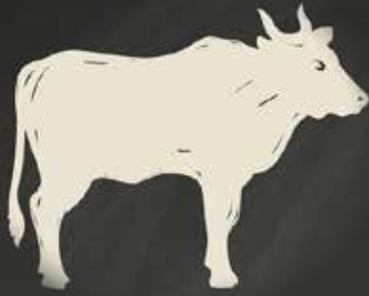
# MISSION

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

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GROSS PROFIT

\$256M

TOTAL ASSETS

\$976M

# FINANCIAL HIGHLIGHTS

\$2.2B

2019 REVENUE

17%

SALES GROWTH



**TASTY!**

YOU MUST TRY IT!

WE OFFER ONLY PRIME STEAKS



ALL NATURAL FRESH BEEF AND PORK

# COMPANY AND ITS HISTORY



## History of the Business

Everything Fresh Limited was incorporated on August 18th, 2003, commencing operations some five years later in October of 2008. The Company imports and manufactures high-demand food products to include dairy products, assorted dry and canned goods, fruits, vegetables, seafood and delicatessen meats and distributes them to various blue-chip companies and businesses in Jamaica across the hospitality and food retail sectors.

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

CLP Limited grew at a rapid rate, doubling in size over the first four years of trading and thereafter experiencing growth of

approximately 25 to 30 percent in each subsequent year, when compared to the previous year's performance. With their sights set on onward and upward growth, the directorship made the decision to expand the breadth of their offering. With this goal of expansion in mind, the Company, Everything Fresh Limited, commenced operations in October 2008 with the intent of enhancing sales in new lines of products such as dairy and dry food.

## Commencement of Operations of Everything Fresh Limited

The Company's introduction to the local market was met with positive feedback and increased revenues to match. This led the Company's Directors to make a strategic decision to expand its range of product inventory beyond fruits and vegetables to dairy products, delicatessen meats, assorted dry and canned goods to local supermarkets. Following a resounding success with the introduction of this new selection of products, the Company experienced sales in the four-month period of January to April of 2009 just south of a 200% increase in revenue over the period. The Company's Directors acknowledged this as the path to building the business and growing the Company and in June 2009 all trade under the company name C.L. Pullen ceased. The Company has grown from strength to strength in the years since.

## Further Growth of the Business

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

At the start of 2012, an opening was created in the local market by the closure of National Meats Company and the RIU Hotels requested that the Company import meats for them. The Company purchased two (2) Freightliner trucks and built three additional freezer rooms at its current registered location, 78 Marcus Garvey Drive, Kingston 11 and in July 2012 the Company started to supply beef, poultry and seafood to hotels.

With a new goal diversifying their methods of sourcing products for their customers, the Company successfully acquired the assets of The Meat Experts, based in Bog Walk, St. Catherine, in January 2019. The acquisition provided access to increased cold storage and lowered expenses through shared back office operations which include management, administration, logistics, sales team and more which enables the Company to manufacture goods locally.

## The Company's Success

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

The Company prides itself on having a 'family-like' corporate culture, which is evidenced by the high-retention rate of its Team, with over seventy-five per cent of Team members having been employed to the company from commencement of its operations in 2008 and the remainder having been employed to the Company for over five to seven years. In the true meaning of family, no one member plays the single role but wears any hat required by the Company on a day-to-day basis to ensure the smooth running of the operation, greatly contributing to the success of the business.



Please note that due to the uncertainty and disruption caused by the global pandemic brought about by COVID-19, the disease caused by the SARS-CoV2 virus, we have not set a date for this year's Annual General Meeting. We will advise the public as soon as the date has been finalized.

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NOTICE FOR  
ANNUAL GENERAL  
MEETING



EVERYTHING FRESH



## CHAIRMAN'S REPORT



We are pleased to share the highlights of the 2019 financial year which afforded us the opportunity to retool the business to be more self-sufficient and sustainable. As we sought to expand our production capacity, we were able to enter the local manufacturing industry and offer goods that were entirely manufactured here in Jamaica. This advancement is one of the ways that we have begun investing in Jamaica and reinforcing our commitment to support local businesses.

For the financial year and beyond, the company's focus is on increasing human and physical capital to ensure future growth. Investments in human resources helped Everything Fresh to run more efficient operations, thereby improving the product quality. In alignment with this focus, the company has managed to retain its entire staff amidst the Coronavirus (COVID-19) pandemic, only having to reduce work hours. This has allowed us to remain fully operational during the pandemic, with the ability to meet all our business needs. In addition, we made consistent donations to Missionaries of the Poor throughout the financial year. The company remains a family-oriented business that continues to impact lives of the surrounding community.

### Key Roles to Prepare for Growth

Overall, we have increased our human resources and our physical production capacity through the acquisition of Meat Experts' assets, in an effort to meet future growth expectations. This acquisition brought additional vehicles into the company, which allowed for increased efficiencies. Instead of renting a truck to transport livestock, we lowered transportation costs with the use of the newly acquired vehicles. We were able to dedicate vehicles to specific tasks rather than pulling them off their delivery routes. We are now able to efficiently

transport and transfer stocks between the Bog Walk and the Marcus Garvey locations.

Throughout the year our sales grew by 17 percent to a new record of \$2.2 billion or approximately \$322 million more than the previous year. We maintained continued growth through various tourism related channels and have broadened our distribution and product offering through retail trade and direct deliveries.

### Expanded Offerings

Everything Fresh (EFresh) expanded offerings as a result of acquiring the assets of Meat Experts and their products being incorporated into our product line. We have traditionally been distributors of imported products and this move allows us to further deepen our investment in Jamaica as we move into manufacturing products locally. We added locally processed meats including sausages and burgers to complement our product portfolio. The processed meats line will be further expanded to increase variety in addition to the distribution for our dairy, seafood and fresh produce. As the company continues to grow, with potential opportunities for acquisitions in the pipeline, we remain open while carefully weighing options.

I wish to acknowledge the experienced Board of Directors that has assisted us in being solutions oriented, along with our devoted and efficient EFresh Team. With the rise of COVID-19, and its implications on the business global and local community, it is the consistent hard work of the EFresh Team that has helped us to remain operational during this time. As the pandemic will continue to present a unique set of challenges, we remain confident in our recovery plan as we have not faltered in meeting the changing demands of our customers. With the combination of the continued commitment from our team, and the general recovery of the economy, we are optimistic that we will be able to achieve our goal to continue to create and deliver value to our shareholders.

**Gregory Pullen**  
*Chairman*

# CORPORATE DATA

**Executive Directors:**

Courtney Pullen  
Melene Pullen  
Nesha Carby  
Garret Gardner

**Non-executives:**

Gregory Pullen, JP - Chairman  
Stephen Greig – Company Secretary  
Donovan Perkins  
Vivette Miller  
Jennifer Lewis  
Mark Croskery  
Leo Williams – Company Mentor

**Registered Head Office:**

78 Marcus Garvey Drive  
Kingston 11, Jamaica  
Telephone: 876-758-9030,  
876-758-1143

**Bankers:**

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

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

First Global Bank  
2 Duke Street  
Kingston, Jamaica

**Company Attorneys:**

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

**Company Auditors**

BDO Chartered Accountants  
26 Beechwood Avenue  
Kingston 5, Jamaica



# BOARD OF DIRECTORS



## **Gregory Lancelot Pullen, JP**

*Chairman*

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

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



## **Courtney Lancelot Pullen**

*Managing Director and Founder*

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

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



## **Melene Rose Pullen**

*Executive Director*

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

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

## BOARD OF DIRECTORS



### Stephen Greig

*Company Secretary*

Stephen Greig specializes in Intellectual Property, Copyright and Trademark law and has been practicing Law for the last 26 years in Jamaica. He spent over 19 years as the in-house Attorney-at-Law and Company Secretary for the RJR Communications Group, the largest media house in the English speaking Caribbean. In addition to his Corporate Secretarial experience across 5 media entities and internal committees within the RJR Group, he also acted as a senior level advisor for strategic policy making and strategic marketing across the Jamaican and Caribbean Diaspora. He is no stranger to complex legal issues and has deep understanding of the ins-and-outs of managing company secretarial duties for listed companies. Currently, Mr. Greig is a Managing Partner in the firm Mills Bellamy Greig. As Company Secretary to Everything Fresh Ltd, he ensures the company's business is administered efficiently and maintains compliance with statutory and regulatory requirements.



### Nesha Carby

*Executive Director*

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



### Garret Gardner

*Executive Director*

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



### **Mark Croskery**

*Non-Executive Director*

Financial planning and investment strategy are core values brought to the Directorship of the Company by Mark Croskery. Mr. Croskery is the Chairman & CEO of Croskery Capital Limited, a financial consulting firm. Possessing a M.Sc. in Global Financial Analysis and a dual B.Sc. in Corporate Finance and Accounting, he has a deep understanding of both local and international markets. He plays a key role in developing the Company's growth strategy and identifying opportunities to attract capital.

### **Jennifer Lewis**

*Non-Executive Director*

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

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

### **Vivette Miller**

*Non-Executive Director*

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

## BOARD OF DIRECTORS



### **Donovan Perkins, JP**

*Non-Executive Director*

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

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



### **Leo A. Williams**

*Company Mentor*

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

## MANAGEMENT TEAM: Marcus Garvey Office

### Bruno Loffler

*Financial Controller*

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

Mr. Loffler began his career in 1988 as an Auditor at Pricewaterhouse Coopers. He later went on to assume a number of senior management roles at leading organisations including Appliance Traders Limited, Trade Winds Citrus Limited and Jamaica Flour Mills Limited. Mr. Loffler is a Fellow of the Institute of Chartered Accountants of Jamaica and applies his critical thinking skills, along with vast financial expertise to help lead the Company.



### Steve Gardner

*Sales Office Manager*

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

### Evon Thompson Jr.

*Marketing Officer*

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

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



### Jacqueline Archie

*Administrative Assistant*

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

## MANAGEMENT TEAM: Marcus Garvey Office



### Arthur Haye

*Accountant*

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

### Natoya Shakespeare

*Accounting Assistant*

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



### Amanda Gardner

*Accounting Assistant*

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

### Andrew Rayson Williams

*Warehouse Supervisor & Inventory Controller*

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



## MANAGEMENT TEAM: Marcus Garvey Office



### **Althia Fuller**

*Administrative Officer*

A woman grounded in the saying "Customer Service is the Backbone of an Organization's growth and that a "Happy customer is a Return customer." Althia Fuller entered the world of work over 20 years ago and during this time she has gained experiences/certifications in Customer Service, Production Management, Inventory and Warehousing Control, Sales and Marketing. If she were to describe herself in a few words they would be: resourceful, committed, team player, reliable as displayed in her day to day functions.



### **Gary Knight**

*Assistant Warehouse Supervisor*

A man of extensive leadership quality and integrity, Gary Knight enjoys his role as assistant warehouse supervisor. Having been with Everything fresh for ten years, he favorably executes all tasks at hand, from maintaining and overseeing all inventory and supplies to receiving and organizing all delivery products. Mr. Knight has successfully maintained long term trustworthy customer and staff relationships and continues to display passion and eagerness in performing his daily duties.



### **Marcos Nunez**

*Maintenance Technician*

Skilled and proactive describes Marcos Nunez, our maintenance technician. With his quality of skills and great work ethic he manages to successfully execute all tasks at hand for both our Kingston and Bogwalk locations. He is solely responsible for the upkeep of our facility, including the servicing and repairs of all refrigerated and electrical related tasks. He continues to grow and gain excellent staff and customer relations meanwhile fulfilling his daily duties.



## MANAGEMENT TEAM: Bog Walk Office

### Claude Hughes

*General Manager*

Mr. Claude Hughes joined our management team in January 2019 as General Manager of our newly acquired meat processing facility, located at Barry Road, Bog Walk St. Catherine. Mr. Hughes has a vast knowledge of building, mechanical and electrical experience. He is disciplined, people oriented and a self motivated person. He has served in the auto industry and agricultural fields. His 40 plus years of experience makes him a valuable player in our company as we progress to further expand our market share of the meat industry.



### Rochelle Simone de Sousa

*Operations Manager*

Warm and approachable best describes this new addition to the Everything Fresh Limited team. These qualities along with over 10 years of experience in the industries of agriculture and hospitality, makes her an easy fit. She has a very strong work ethic and holds the view that if you are going to do something then do it well and in a timely manner.

Mrs. de Sousa ensures that all departments work together for an overall seamless operation at the factory. She effectively handles matters relating to team members, suppliers, customers as well as external regulatory bodies.

### Robert Nevers

*Production Supervisor*

As Production Supervisor overseeing the butchering, cutting, packaging of meat at the Bog Walk Factory, Robert Nevers has 25 years' experience as a butcher/ Meat Cutter. Previously with the Meat Experts, Robert has been a great addition to the E-Fresh team. His dedication to his craft and getting things done is impressive. At any given time he wears multiple hats, supervisor, butcher, meat cutter, sales, customer service and driver. Robert's motto in life is if at first you don't succeed, brush yourself off and try again.





*Operations at Bog Walk office.*

# CORPORATE GOVERNANCE



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

## Board of Directors Composition

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

## Attendance Record of Directors

DIRECTORS	BOARD MEETINGS	07-Feb-2019	09-May-2019	08-Aug-2019	07-Nov-2019
Gregory Pullen (Chairman)	4	✓	✓	✓	✓
Courtney Pullen	4	✓	✓	✓	✓
Melene Pullen	4	✓	✓	✓	✓
Nesha Carby	4	✓	✓	✓	✓
Garrett Gardner	4	✓	✓	✓	✓
Donovan Perkins	4	✓	✓	✓	✓
Mark Croskery	2	✓		✓	
Jennifer Lewis	4	✓	✓	✓	✓
Vivette Miller	4	✓	✓	✓	✓

## BOARD COMMITTEES

The Board has constituted three Board Committees:

### Audit and Compliance Committee

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

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

### Audit & Compliance Committee

Members	MEETINGS	28-Mar-2019	06-May-2019	31-Jul-2019	30-Oct-2019
Jennifer Lewis (Chairman)	4	✓	✓	✓	✓
Donovan Perkins	4	✓	✓	✓	✓
Vivette Miller	3	✓		✓	✓

### Remuneration Committee

The Members are Vivette Miller – Chairman, Donovan Perkins, Jennifer Lewis. There were no meetings held this year.

### Corporate Governance Committee

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

### Corporate Governance Committee

Members	MEETINGS	22-Oct-2019
Donovan Perkins (Chairman)	1	✓
Jennifer Lewis	1	✓
Vivette Miller	1	✓

The Company's Corporate Governance Guidelines policy was approved by the board and is available on the company's website: [www.everythingfreshja.com](http://www.everythingfreshja.com)

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

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

## TOP TEN SHAREHOLDINGS AS AT DECEMBER 31, 2019

PRIMARY HOLDER	JOINT HOLDER	TOTAL	PERCENTAGE (%)
Quality Investments Ltd	-	624,000,000	80.0
Stocks & Securities Ltd (Alpha)	-	61,028,475	7.8
Sagcor Select Fund (Class 'C' Shares) Manufacturing and Distribution		7,727,500	1.0
Gregory Pullen	Shemala Mitchell	5,281,855	0.7
Star Holdings Limited	-	5,000,000	0.6
Anthony Chance	Claudine Chance	3,000,000	0.4
Andrew Pairman	Paula Pairman	2,586,000	0.3
Everton A. Smith	-	2,140,000	0.3
Everton J. Smith	Everton A. Smith, Racquel B. Smith Anderson Paula A. Smith, Rohan O. Smith, Richard Smith	2,126,664	0.3
Caribbean Foods Limited	-	1,477,403	0.2

## DIRECTORS AND CONNECTED PARTIES SHAREHOLDINGS AS AT DECEMBER 31, 2019

PRIMARY HOLDER	DIRECT	CONNECTED PARTY	TOTAL	PERCENTAGE(%)
Courtney Pullen	-	624,000,000	624,000,000	80.0
Melene Pullen	-	624,000,000	624,000,000	80.0
Garret Gardner	-	624,000,000	624,000,000	80.0
Nesha Carby	-	624,000,000	624,000,000	80.0
Jennifer Lewis	40,000	-	40,000	0.01
Gregory Pullen	5,281,855	-	5,281,855	0.68
Donovan Perkins	453,814	-	453,814	0.06
Vivette Miller	80,000	-	80,000	0.01
Mark Croskery	-	-	-	0.00
Leo Williams (mentor)	1,160,000	-	1,160,000	0.15

## SENIOR MANAGERS AND CONNECTED PARTIES SHAREHOLDINGS AS AT DECEMBER 31, 2019

PRIMARY HOLDER	DIRECT	CONNECTED PARTY	TOTAL	PERCENTAGE(%)
Jacqueline Archie	43,000	-	43,000	0.01
Arthur Haye	120,000	-	120,000	0.02
Natoya Shakespeare	625,000	-	625,000	0.08
Amanda Gardner	263,000	-	263,000	0.03



# MD&A

## Management Discussion & Analysis

Everything Fresh's entry into locally produced goods during the year, created an opportunity to take large steps away from importing its products. The acquisition of the assets of a local meat processor and manufacturer, Meat Experts, equipped the Company with the physical and human capital required to support growth throughout 2019. With three additional hires at the Marcus Garvey Drive location, the head office had the opportunity to sharpen its focus on the integration of Meat Experts. This allowed for more preparation for planned growth and increased efficiency going forward. Increasing the cold storage and integrating infrastructural capacity widened Everything Fresh's pool of opportunities.

## Management Discussion & Analysis

As a testament to our growth, the Company made record revenue in 2019 and surpassed the \$2 billion mark for the first time, up from \$1.9 billion a year earlier. It is a milestone that Everything Fresh is proud of and an achievement that enabled us to scale further to spread costs. By applying a two-pronged approach, the Company has also been able to increase sales. The first being expanding the scope of contracts with existing customers to supply them with additional and varied types of meats, dairy, fruits, and seafood. The second is by acquiring new contracts, including many arising from our entry in meat manufacturing.

### FINANCIAL HIGHLIGHTS

As a result of amalgamated operations, there was more cash burn within the financial year ending with \$60.4 million in cash and equivalents compared to \$120.8 million a year earlier. The Company, however, secured working capital loans within the year and remained adequately capitalized. The 2019 statement of financial position reflects an increase in total assets to \$976 million compared to \$874 million in the previous year. Non-current



liabilities grew in the year due to increased borrowing and lease obligations at a combined \$151.9 million. The rise in lease liabilities is a result of the International Financial Reporting Standards (IFRS 16), 'Leases', which began in January 2019. The new standard requires changes in accounting by the Company as lessees are required to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts.

### Net Loss

Though the Company recorded a net loss of \$83.5 million in 2019, it is expected that Everything Fresh will soon recover as this loss is attributable to higher expenses related to integrating Meat Experts into existing operations. This expected recovery is underscored by the reduced imports that local manufacturing, through Meat Experts, will bring. This speaks to Everything Fresh's contribution to the 'Eat What You Grow' initiative and overall support of local businesses.

Negative earnings per share (EPS) for the year totaled 10.7 cents which was a function of net loss on the weighted average number of shares of 780 million units, compared to positive EPS of 2.98 cents in 2018.

### Inventory

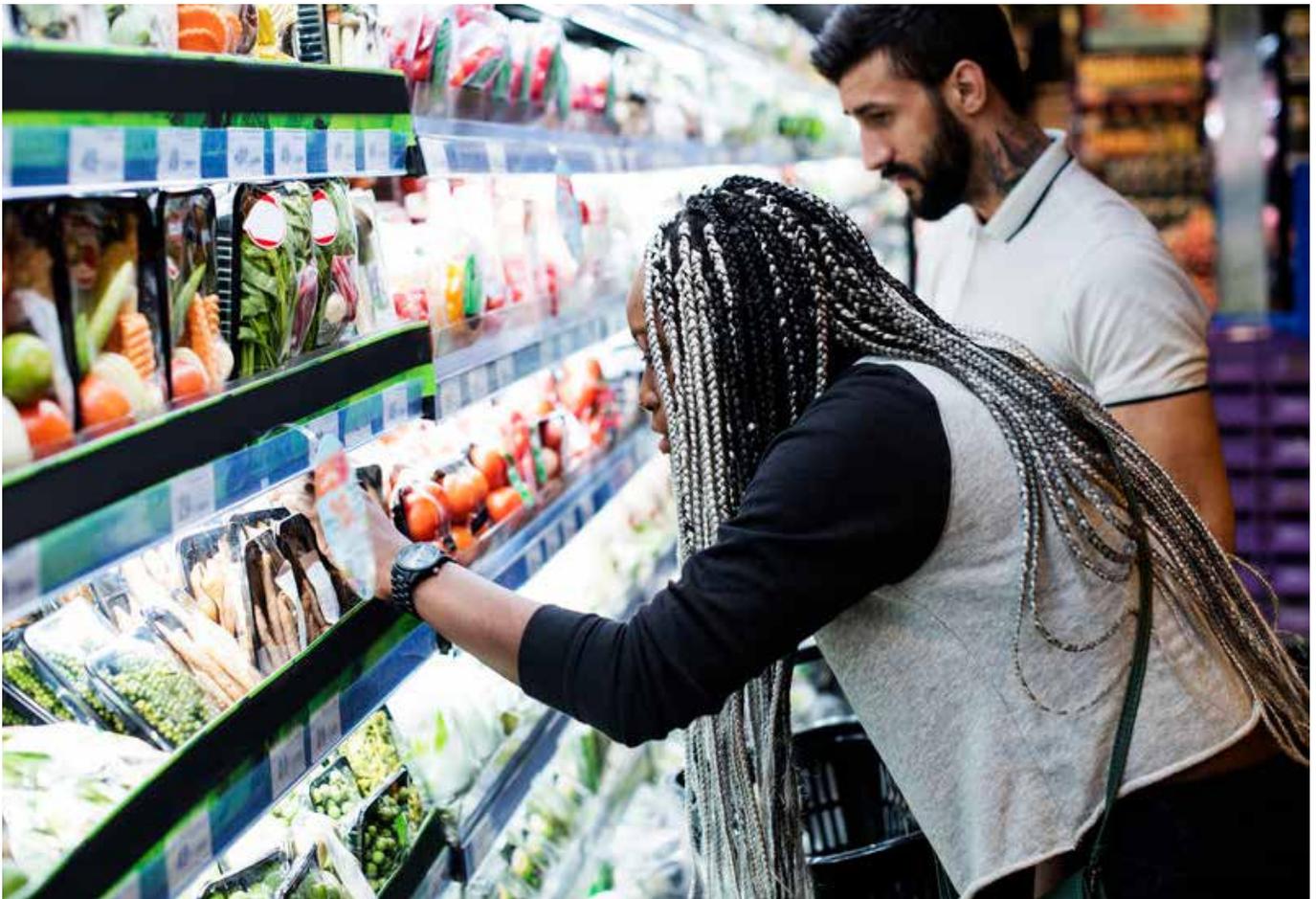
During the year, inventory increased to \$275 million, up from \$200.5 million in 2018 and \$131 million in 2017. This was mainly due to an expanded product offering that resulted from the investment in local manufacturing - through Meat Experts. While gross margins remain the same, it is expected that the investment will result in an increased and constant ability to meet the needs of our customers in the most efficient way possible.

### Capital Expenditure

Capital expenditure increased during the financial year to \$103.7 million in additions, chiefly due to the acquisition of the assets of The Meat Experts Ltd. This figure is up from \$34.5 million a year earlier. Throughout the year, Everything Fresh sought to grow the capacity of this venture by further investing \$40 million in new slaughter equipment and \$50 million on increased cold storage - including refrigeration and processing space. A truck to transport the animals was also purchased in the year to increase efficiency in operations of the business.

### Strategy

Everything Fresh acquired the assets of The Meat Experts Ltd. in a deal that closed in January 2019, for a consideration of approximately \$50 million, but invested significantly on additional upgrades. This acquisition and upgrades allow for greater emphasis from the business in investing locally. Additional results include access to increased cold storage and lowered expenses through shared back office operations (such as management, administration, logistics and sales team). Meat Experts operates from a central location in Bog Walk, St. Catherine, comes with integrated abattoir facilities, cutting, processing, packaging, cold storage facilities and a logistics network that spans the island.



In a strategic move, Everything Fresh exited the fresh pork products production within the financial year. The Company streamlined its operations to processed beef and pork products, such as breakfast sausages and hamburgers, closer to the end of the financial year. This realignment will result in an improved bottom line with higher gross profit going forward. By cutting out the loss-making products, greater focus can now be placed on creating higher revenues through local trade and the retail industry.

## OUTLOOK

The investment in our team resulted in a staff complement of roughly 50; of that number, 38 are at the core operations and 12 employees are at Meat Experts. Improvement of our human resources remains paramount to our success as we continue to strategize during these unforeseen times resulting from COVID-19.

We are open to potential opportunities while carefully assessing revenue growth and revenue stream diversification. Therefore, Everything Fresh, remains open to further negotiations of potential strategic acquisitions on the horizon. As we look ahead, we are committed to rebalancing our revenue ratio of the hotel trade and the retail/wholesale market.

Due to COVID-19, we are repositioning our products to increase retail sales both to supermarkets and direct delivery to our consumers who require that service. In alignment with this strategy, we will be substituting consumer products for hotel-

specific products, where practical, in an effort to focus on our wholesale and retail customers.

We are optimistic about our business prospects, as we have seen a promising increased demand for our products and improved efficiencies in our operation. Everything Fresh is positioned to capitalize on opportunities that will be created through the repositioning of our products, while managing any associated risk. We will maintain a calculated approach of strategically rebalancing our plans, therefore driving long-term shareholder value for the future.



# Management Discussion & Analysis

## FINANCIAL ANALYSIS

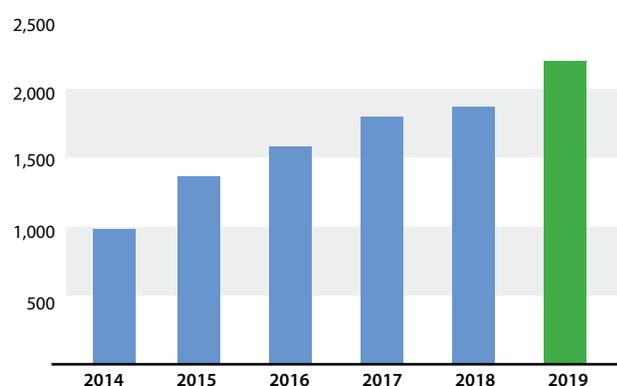
### Income Statement Highlights (J\$)

	2014	2015	2016	2017	2018	2019
Revenue	989,961,192	1,368,745,971	1,576,004,379	1,807,940,235	1,879,660,773	2,201,942,034
Cost of Goods Sold	825,074,203	1,168,327,513	1,366,424,598	1,578,892,230	1,660,955,865	1,945,595,252
Gross Profit	164,886,989	200,418,458	209,579,781	229,048,005	218,704,908	256,346,782
Other Income	1,933,075	325,307	802,456	2,521,154	2,216,076	1,642,617
Operating Expenses	107,365,498	118,232,163	140,479,176	174,349,999	188,637,695	338,599,074
Finance Costs	1,792,202	6,799,935	14,382,343	11,851,249	13,525,189	23,056,474
Pre-Tax Profits	57,662,364	75,711,667	55,520,718	45,367,911	18,758,100	-103,666,1480
Income Tax Expense	14,809,071	19,512,433	16,262,191	8,068,111	2,415,066	-20,145,746
Net Profit	42,853,293	56,199,234	39,258,527	37,299,800	16,343,034	-83,520,402

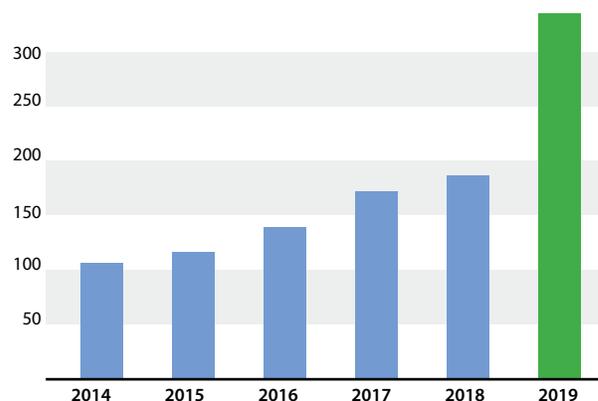
### Balance Sheet Highlights (J\$)

	2014	2015	2016	2017	2018	2019
Non-Current Assets	14,806,010	30,684,072	30,291,753	31,250,015	61,883,974	314,434,918
Current Assets	217,119,871	296,075,987	418,325,311	459,991,714	812,075,834	661,635,014
Total Assets	231,925,881	326,760,059	448,617,064	491,241,729	873,959,808	976,069,932
Current Liabilities	120,945,342	159,610,149	242,577,489	248,222,466	250,675,711	284,439,843
Non-Current Liabilities	718,836	688,973	320,111	0	0	151,866,394
Total Liabilities	121,664,178	160,299,122	242,897,600	248,222,466	250,675,711	436,306,237
Net Assets	110,261,703	166,460,937	205,719,464	243,019,263	623,284,097	539,763,695
Current Ratio	1.80	1.85	1.72	1.85	3.24	2.33
Inventory turns ratio	23.2	18.1	12.4	11.7	10.5	8.2

### Revenue (J\$ Millions)



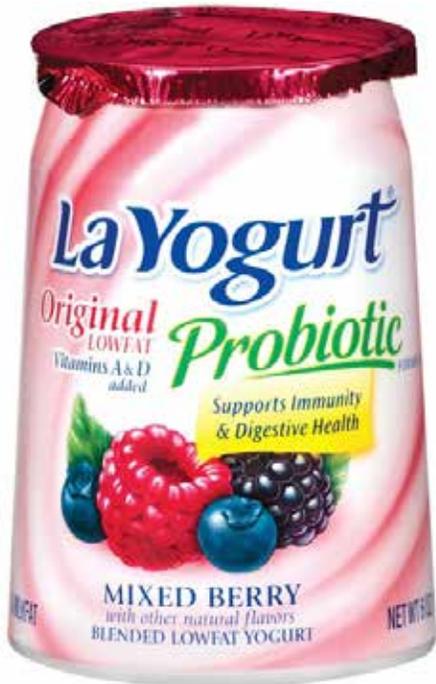
### Operating Expenses (J\$ Millions)





AUDITED  
FINANCIAL  
STATEMENTS







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Chartered Accountants  
26 Beechwood Avenue  
P.O. Box 351  
Kingston 5, Jamaica

## INDEPENDENT AUDITORS' REPORT

To the Members of  
Everything Fresh Limited

### Report on the Financial Statements

#### Opinion

We have audited the financial statements of Everything Fresh Limited (the company) set out on pages 33 to 71, which comprise the statement of financial position at 31 December 2019, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

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

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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

#### Material Uncertainty Related to Going Concern

We draw attention to note 3 (a) (the going concern narration), in which it is disclosed that the directors and management have considered the probable impact on the operations of the Covid-19 issue and have concluded that there will be significant unfavourable effects on the company's operations.

As stated in note 3 (a), this indicates that a material uncertainty exists that cast significant doubt on the company's ability to continue as a going concern. The directors have developed strategies which are considered to contend with the anticipated difficulties. No adjustments have been made in the financial statements for any effects this uncertainty might have on the carrying values of the company's assets and liabilities as at the reporting date, and on the operating results for the period then ended. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

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

Partners: R.L. McFarlane, K.A. Wilson, S.M. McFarlane, J. Green-Hibbert, D. Hobson  
Offices in Montego Bay, Mandeville and Ocho Rios  
BDO is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.



**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of  
Everything Fresh Limited

**Key Audit Matters (cont'd)**

In addition to the matter described in the Material Uncertainty Related to Going Concern paragraphs, we have determined the matters described below to be the key audit matters to be communicated in our report:

Key audit matter	How our audit addressed the Key audit matter
<p><i>Expected credit losses on trade receivables</i></p> <p>See notes 3 (l)(iv) and 19 to the financial statements for management's disclosures of related accounting policies</p> <p>As at 31 December 2019, trade receivables, net of provision for credit losses represented \$266 million or 27% of total assets of the company. An impairment provision of \$4.5 million has been recognized by the company.</p> <p>The adequacy of the provision for credit losses on the company's trade receivables involves a high degree of estimation and judgement. The company estimates expected credit losses (ECL) on trade receivables using a provision matrix based on historical credit loss experience. Customers were placed in aging buckets and a default risk percentage calculated using the incurred loss analyses over delinquent accounts, the credit history, risk profile of each customer and the aging of receivables.</p>	<p>The company's accounting policy as it relates to the impairment provision for trade receivables was obtained and the reasonableness of the accounting policy assessed in relation to the requirements of the relevant standard. This was achieved by:</p> <ul style="list-style-type: none"> <li>• We established an understanding of management's ECL model including source data, the effectiveness of the implementation and the mathematical accuracy of the model. We tested the reliability of the source data used in the design of the model by confirming a sample to the historical data.</li> <li>• We evaluated the appropriateness of management's assumptions and judgement in arriving at the forward looking multiple, by assessing the basis of the multiple economic scenarios used and the weighting assigned by management. The main macro factors used were compared to external public information and calculations tested through recomputation.</li> <li>• We determined whether the default risk percentage was accurately calculated and correctly applied to the relevant buckets of accounts receivable.</li> </ul>
<p><i>Transactions with related parties</i></p> <p>See note 20 to the financial statements for management's disclosures of related accounting policies</p> <p>A significant portion of the foreign purchases are made from a related party and as such these transactions could present a risk if not conducted at arm's length.</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> <li>• We verified that the transactions were approved in accordance with internal procedures including involvement of key personnel at the appropriate level;</li> <li>• We verified a sample of the purchases from the related party to determine that the transactions were made at reasonable market prices.</li> </ul>



**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of  
Everything Fresh Limited

**Key Audit Matters (cont'd)**

Key audit matter	How our audit addressed the Key audit matter
<p><i>Acquisition of assets</i></p> <p>See notes 1 (c) to the financial statements for management's disclosures.</p> <p>The company, through an agreement dated 1 January 2019, acquired assets previously used in the business of The Meat Experts Limited for approximately \$82 Million. The acquisition of assets was accounted for using the cost accumulation and allocation model. The assets were acquired at their cost and no liabilities were assumed. The employees of The Meat Experts Limited were made redundant by the vendor and were not transferred to the purchaser under the agreement.</p> <p>The determination of whether the transaction represented a business combination or asset acquisition caused us to focus on the recording and presentation of the transaction.</p>	<p>We read the purchase agreement and obtained an understanding of the transaction. We discussed with management to understand and evaluate the substance of the agreement. We were assisted by our in-house consultants to review the appropriateness of the interpretation of the nature of the transaction. We noted that there was no substantial judgement involved in deciding on the appropriate determination of valuation, in fact, costs of the assets were simply negotiated and no management experts were brought in to fair-value the assets, thus cost was deemed fair value. No goodwill was contemplated in the deal.</p> <p>Distinguishing between acquisition of a business and a group of assets is important because an acquirer recognizes goodwill only when acquiring a business. Acquisition of a group of assets is not necessarily acquisition of a business. Substantially all the fair value of the gross assets received in the transaction were concentrated in the group of related assets acquired (machinery, equipment, motor vehicles and remaining stock-in-trade) and was based on cost. We concurred with management that in substance the transaction was an acquisition of assets.</p>
<p><i>Effect of COVID-19 Pandemic</i></p> <p>See notes (3a &amp; 28) to the financial statements for management's disclosures.</p> <p>85% of the company's revenue is derived from sales to hotels. Given the impact of the Covid-19 Pandemic on the hotel sector, we focused on the appropriateness of preparing the financial statements on the going concern basis.</p>	<p>We assessed and tested the appropriateness of preparing the financial statements of the company on the going concern basis.</p> <p>Based on our review, management has identified a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern, and has put various strategies in place to mitigate against the effects.</p>



## **INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of  
Everything Fresh Limited

### **Other Information**

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

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

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

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

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

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

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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



## INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
Everything Fresh Limited

### **Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)**

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

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

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

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



**INDEPENDENT AUDITORS' REPORT (CONT'D)**

To the Members of  
Everything Fresh Limited

**Report on additional matters as required by the Jamaican Companies Act**

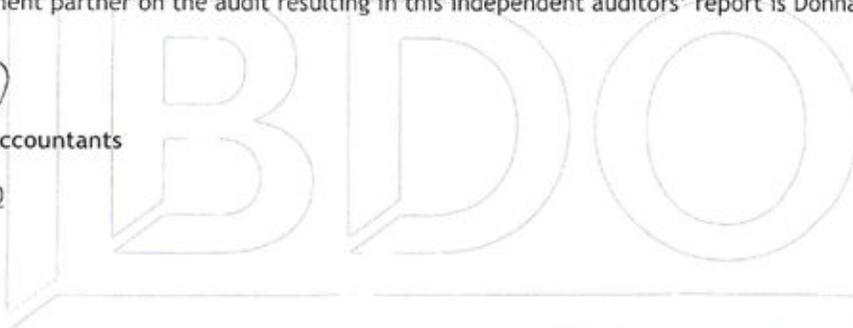
We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

The engagement partner on the audit resulting in this independent auditors' report is Donna Hobson.

Chartered Accountants

14 April 2020



## Statement of Profit or Loss And Other Comprehensive Income

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

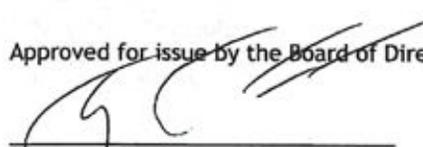
	<u>Note</u>	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
REVENUE	7	2,201,942	1,879,661
COST OF SALES		(1,945,595)	(1,660,956)
GROSS PROFIT		256,347	218,705
Other operating income	8	<u>1,643</u>	<u>2,216</u>
		<u>257,990</u>	<u>220,921</u>
EXPENSES:			
Administrative and other expenses		( 336,916)	( 177,991)
Selling and promotion expenses		<u>( 1,683)</u>	<u>( 10,647)</u>
		<u>( 338,599)</u>	<u>( 188,638)</u>
OPERATING (LOSS)/PROFIT		( 80,609)	32,283
Finance costs	11	<u>( 23,056)</u>	<u>( 13,525)</u>
(LOSS)/PROFIT BEFORE TAXATION		( 103,665)	18,758
Taxation	12	<u>20,146</u>	<u>( 2,415)</u>
NET (LOSS)/PROFIT FOR THE YEAR, BEING TOTAL COMPREHENSIVE INCOME		<u>( 83,519)</u>	<u>16,343</u>
EARNINGS PER STOCK UNIT	13	<u>( 10.71¢)</u>	<u>2.98¢</u>

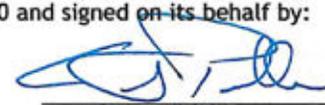
# Statement of Financial Position

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

	<u>Note</u>	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	14	143,595	57,990
Intangible assets	15	6,506	3,894
Right-of-use assets	16	85,095	-
Deferred taxation	17	20,146	-
Loan to related party	20(c)	59,093	-
		<u>314,435</u>	<u>61,884</u>
<b>CURRENT ASSETS:</b>			
Inventories	18	274,685	200,460
Receivables	19	283,259	289,578
Related parties	20(c)	13,260	13,896
Taxation recoverable		4,457	2,881
Deposit on investments	21	-	120,362
Cash and short term deposit	22	85,974	184,898
		<u>661,635</u>	<u>812,075</u>
		<u>976,070</u>	<u>873,959</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>EQUITY:</b>			
Share capital	23	364,850	364,850
Retained earnings		<u>174,915</u>	<u>258,434</u>
		<u>539,765</u>	<u>623,284</u>
<b>NON CURRENT LIABILITIES:</b>			
Borrowings	24	78,860	-
Lease liabilities	16	<u>73,006</u>	-
		<u>151,866</u>	-
<b>CURRENT LIABILITIES:</b>			
Borrowings	24	125,632	135,896
Payables	25	144,407	114,779
Lease liabilities - current portion	16	<u>14,400</u>	-
		<u>284,439</u>	<u>250,675</u>
		<u>976,070</u>	<u>873,959</u>

Approved for issue by the Board of Directors on 14 April 2020 and signed on its behalf by:

  
 Gregory Pullen  
 Chairman

  
 Courtney Pullen  
 Director

## Statement of Changes In Equity

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

	<u>Note</u>	<u>No. of Shares '000</u>	<u>Share Capital \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
<b>BALANCE AT 1 JANUARY 2018</b>		<u>100</u>	<u>100</u>	<u>242,091</u>	<u>242,191</u>
<b>TOTAL COMPREHENSIVE INCOME</b>					
Net profit for the year		-	-	16,343	16,343
Issue of shares, net of transaction costs	23	<u>779,900</u>	<u>364,750</u>	<u>-</u>	<u>364,750</u>
		<u>779,900</u>	<u>364,750</u>	<u>16,343</u>	<u>381,093</u>
<b>BALANCE AT 31 DECEMBER 2018</b>		780,000	364,850	258,434	623,284
<b>TOTAL COMPREHENSIVE INCOME</b>					
Net loss for the year		<u>-</u>	<u>-</u>	<u>( 83,519)</u>	<u>( 83,519)</u>
<b>BALANCE AT 31 DECEMBER 2019</b>		<u>780,000</u>	<u>364,850</u>	<u>174,915</u>	<u>539,765</u>

## Statement of Cash Flows

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

	<u>Note</u>	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net (loss)/profit for the year		( 83,519)	16,343
Adjustments for:			
Unrealised foreign exchange gains		( 3,606)	( 3,752)
Impairment allowance		2,557	1,161
Depreciation	14	17,870	7,535
Depreciation-right-of-use assets	16	15,859	-
Amortisation of intangibles	15	1,879	-
Gain on the disposal of property plant and equipment	8	( 1,336)	-
Interest income	8	( 307)	( 1,835)
Interest expense	11	14,518	11,105
Interest-right-of-use assets	11	5,365	-
Taxation	12	<u>( 20,146)</u>	<u>2,415</u>
		( 50,866)	32,972
Changes in operating assets and liabilities:			
Inventories		( 74,225)	( 69,254)
Receivables		2,339	( 43,211)
Payables		29,635	( 15,959)
Related companies		<u>636</u>	<u>510</u>
		( 92,481)	( 94,942)
Taxation paid		<u>( 1,576)</u>	<u>( 6,356)</u>
Cash used in operating activities		<u>( 94,057)</u>	<u>(101,298)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Related company	20(c)	( 59,093)	-
Short term investment	21	120,362	(120,362)
Interest received		514	1,628
Purchase of intangible assets	15	( 4,491)	( 3,894)
Proceeds from disposal of property, plant and equipment		1,588	-
Purchase of property, plant and equipment	14	<u>(103,727)</u>	<u>( 34,550)</u>
Cash used in investing activities		<u>( 44,847)</u>	<u>(157,178)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issue of shares	23	-	364,750
Interest paid		( 14,677)	( 10,672)
Loan received	24	308,808	367,313
Loan repayments	24	(198,830)	(409,091)
Lease payments	16(b)	<u>( 18,913)</u>	<u>-</u>
Cash provided by financing activities		<u>76,388</u>	<u>312,300</u>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS:</b>			
		( 62,516)	53,824
Exchange gain on foreign cash balance		2,141	1,818
Cash and cash equivalents at beginning of year		<u>120,822</u>	<u>65,180</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>22</b>	<u><u>60,447</u></u>	<u><u>120,822</u></u>

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

## 1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) Everything Fresh Limited is a limited liability company incorporated and domiciled in Jamaica. The registered office of the company is 78 Marcus Garvey Drive, Kingston 11. The company is listed on the Junior Market of the Jamaica Stock Exchange.
- (b) The principal activities of the company are the importation and distribution of dairy products, meats, seafood, fruits, vegetables and dry goods.
- (c) On 1 January 2019 the company acquired the assets of The Meat Experts Limited. This was accounted for as purchase of assets. The transaction created a new division for the company and the principal activity of the division is the manufacture of meat products.

## 2. REPORTING CURRENCY:

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

## 3. SIGNIFICANT ACCOUNTING POLICIES:

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

### (a) Basis of preparation

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

The preparation of the financial statements in accordance with IFRS assumes that the entity will continue in operational existence for the foreseeable future. This means, inter alia, that the statement of financial position and the statement of profit or loss and other comprehensive income assume no intention or necessity to liquidate the entity. This is commonly referred to as the going concern basis, however, this basis, may not be appropriate in the preparation of the financial statements.

The novel coronavirus, Covid-19 has affected economic activity and businesses worldwide. The directors and management have considered and assessed the impact of Covid-19 on the business operation and on the financial statements, and have concluded that the effects will be significant.

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

Approximately eighty five percent (85%) of the company's sales are to the tourism sector and, consequent on the impact of Covid-19, that sector has suspended operations as guests have returned to their countries of residence and all incoming passenger flights to Jamaica have been suspended. The company has ceased ordering hotel-specific products and has focused all its efforts on its wholesale and retail customers as well as its on-site cash sales outlet. It has started to assemble and run specials on variety packages mixing both commercial and consumer products as a source of additional income. The company has advised its staff that it will retain everyone but that the team will be split into two groups, each working every other week. This effectively means a 50% cut in employment costs. It has reorganized its inventory to minimize storage space, enabling it to empty and switch off some cold rooms thus reducing electricity costs which is a substantial component of operating expense. The company's long term lender has given it a six (6) months moratorium on principal payments and it is in discussion with its short term lenders to reduce its cash outflows to them during this downturn in activity. Management considers its receivables collectible but expects delays in payment from customers in the tourism sector and generally slower rate of collection than historically. The inventories of the company are overwhelmingly perishable but management is of the view that a significant portion of its total inventory on hand at this time has sufficient future expiry dates to outlast the anticipated difficult period. Management intends to revise its cost structures to match inflows as necessary and expects to continue to operate as a going concern and be ready to serve its customers once economic activity picks up.

Substantial doubt about an entity's ability to continue as a going concern is considered to exist when aggregate conditions and events indicate that it is probable that the entity will be unable to meet obligations when due within one year of the date that the financial statements are issued or are available to be issued.

Currently, the entity has been meeting its obligations as they become due, however, management would need to consider various strategies to assure revenue generation and cost containment to sustain the entity's level of operations and it has done so.

Based on the strategies being contemplated to be pursued to sustain the operations, the directors have maintained the going concern assumption in the preparation of these financial statements. This basis of preparation assumes that the entity will be able to realize its assets and discharge its liabilities in the ordinary course of business and thus these financial statements do not include any adjustments to the recoverability and classification of recorded assets and settlement and classification of liabilities that might be necessary should the entity be unable to continue as a going concern.

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

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

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

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

**IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019).** IFRS 16 replaces the current guidance in IAS 17. The new standard requires changes in accounting by the company as lessees are required to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases that have a lease term of 12 months or less and leases of low-value assets (under US\$5,000). The company has applied IFRS 16 using the modified retrospective approach, under which the company will not restate its comparative figures but will recognise the cumulative effect of adopting IFRS 16 as an adjustment to opening retained earnings. Right-of-use assets on which the associated depreciation is charged, are recorded in the statement of financial position. Right-of-use assets are initially measured by reference to the measurement of the lease liability on the commencement date.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate. Generally, the company uses its incremental borrowing rate as the discount rate. The lease liability is measured at amortized cost using the effective interest method.

The impact of applying IFRS 16 as at 1 January 2019 is disclosed in note 27.

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

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

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

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

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

The following amendments to standards which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the company's future financial statements:

**Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', (effective for accounting periods beginning on or after 1 January 2020).** These amendments and consequential amendments to other IFRSs result in the use of a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting. They clarify the explanation of the definition of material and also incorporate some of the guidance in IAS 1 about immaterial information. The adoption of these amendments is not expected to have a significant impact on the company.

**Amendments to IFRS 9, 'Financial Instruments', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosures', (effective for accounting periods beginning on or after 1 January 2020).** These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR based contracts, the reliefs will affect companies in all industries. The adoption of this standard is not expected to have a significant impact on the company.

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

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

**Amendment to IFRS 3, 'Business Combinations', (effective for accounting periods beginning on or after 1 January 2020).** This amendment revises the definition of a business. According to feedback received by the IASB, application of the current guidance is commonly thought to be too complex, and it results in too many transactions qualifying as business combinations. The adoption of this standard is not expected to have a significant impact on the company.

### (b) Foreign currency translation

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

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

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

### (c) Property, plant and equipment

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

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

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

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

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

### (d) Intangible assets

#### Computer software

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

#### Brand

Brand is recorded at cost and represents the value of the consideration paid to acquire a well established and recognised meat brand. The cost is amortised over the estimated useful life of the brand, which is three years.

### (e) Inventories

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

### (f) Right-of-use asset

At 1 January 2019, the right-of-use asset has been initially measured at an amount equal to the initial value of the lease obligation. There is no impact on retained earnings. For leases entered into, on or after 1 January 2019, the right-of-use asset will be initially calculated at an amount equal to the initial value of the lease liability, adjusted for the following items:

- i) Any lease payments made at or before the commencement date, less any lease incentives received;
- ii) Any initial direct costs incurred by the company;
- iii) An estimate of costs to dismantle and remove the underlying asset or to restore the site on which the asset is located.

For short-term leases that have a lease term of 12 months or less and low-value assets, the company has elected to not recognize a lease obligation and right-of-use asset and instead will recognize a lease expense as permitted under IFRS 16.

The right-of-use asset will be depreciated using the straight-line method from the date of adoption to the earlier of the end of the useful life of the asset or end of the lease term as determined under IFRS 16. For leases entered into after 1 January 2019, the right-of-use asset will be depreciated from the date of commencement to the earlier of the end of the useful life of the asset or end of the lease term.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36, Impairment of Assets, which replaces the previous requirement to recognize a provision for onerous lease contracts under IAS 37, Provisions, Contingent Liabilities and Contingent Assets.

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

### (g) Leases

#### Policy applicable after 1 January 2019

Leases are accounted by recognizing a right-of-use asset and a lease liability except for leases of low value assets and leases with a term of 12 months or less.

The lease obligation is measured at the present value of the contractual obligation, discounted using the interest rate implicit in the lease term, unless that rate is not readily determinable, in which case the company will use its incremental borrowing rate.

The lease term determined by the company comprises:

- i) The non-cancelable period of lease contracts, including a rent-free period if applicable;
- ii) Periods covered by an option to extend the lease if the company is reasonably certain to exercise that option;
- iii) Periods covered by an option to terminate the lease if the company is reasonably certain not to exercise that option.

The commencement date of the lease begins on either deemed 1 January 2019 or the date on which the lessor makes the underlying asset available for use to the company. Lease payments included in the measurement of the lease obligation are comprised of the following:

- i) Fixed lease payments, including in-substance fixed payments;
- ii) Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- iii) Amounts expected to be payable under a residual value guarantee;
- iv) The exercise price of purchase options that the company is reasonably certain to exercise;
- v) Lease payments in an option renewal period if the company is reasonably certain to exercise the extension option;
- vi) Penalties for early termination of the lease unless the company is reasonably certain not to terminate early; and
- vii) Less any incentive receivable.

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

### (g) Leases (cont'd)

#### Policy applicable after 1 January 2019 (cont'd)

Variable payments for leases that do not depend on an index or rate are not included in the measurement of the lease obligations. The variable payments are recognized as an expense in the period in which they are incurred. Having elected to do so, the company accounts for any lease and associated non-lease components as a single arrangement, which is permitted under IFRS 16.

Interest on the lease obligations is calculated using the effective interest method and increases the lease obligation while rent payments reduce the obligation. The lease obligation is re-measured whenever a lease contract is modified and the lease modification is not accounted for as a separate lease, or there is a change in the assessment of the exercise of an extension option. The lease obligation is re-measured by discounting the revised lease payments using a revised discount rate resulting in a corresponding adjustment to the right-of-use asset or is recorded in gain or loss if the carrying amount of the right-of-use asset has been reduced to zero or the modification results in a reduction in the scope of the lease. The revised carrying amount is amortised over the remaining lease term.

#### Policy applicable before 1 January 2019

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

### (h) Revenue recognition

#### Sale of goods

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

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

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

### (h) Revenue recognition (cont'd)

Interest income

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

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

### (i) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identified cash flows. Non financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (j) Current and deferred income taxes

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

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

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

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

### (j) Current and deferred income taxes (cont'd)

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

### (k) Employee benefits

Defined contribution plan

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

### (l) Financial instruments

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

#### Financial assets

#### (i) Recognition and derecognition

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

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

#### (ii) Classification

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

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

### (l) Financial instruments (cont'd)

#### Financial assets (cont'd)

#### (iii) Measurement category

##### Amortised cost

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

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

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

#### (iv) Impairment

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

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

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

### (l) Financial instruments (cont'd)

#### Financial assets (cont'd)

#### (iv) Impairment (cont'd)

For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

#### Financial liabilities

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

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

### (m) 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.

### (n) Dividend distribution

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

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

### (o) Borrowings

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

### (p) Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components. Each operating segment's operating results are reviewed regularly by the company's Chief Operating Decision Maker (CODM), to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The company has identified the Managing Director as its CODM.

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

## 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:

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

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

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

### (b) Key sources of estimation uncertainty

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

#### (i) Allowance for impairment losses on trade receivables

Allowances for doubtful accounts are determined upon origination of the trade receivable based on a model that calculates the expected credit loss (ECL) of the trade receivables.

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

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

#### (ii) Income taxes

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

#### (iii) Depreciable assets

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

#### (iv) Net realizable value of inventories

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

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

## 5. FINANCIAL RISK MANAGEMENT:

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

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

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

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

### (a) Principal financial instruments

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

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

### (b) Financial instruments by category

#### Financial assets

	Amortised cost	
	2019	2018
	\$'000	\$'000
Deposit on investments	-	120,362
Cash and short term deposit	85,974	184,898
Due from related parties	72,353	13,896
Receivables	<u>277,618</u>	<u>279,729</u>
<b>Total financial assets</b>	<b><u>435,945</u></b>	<b><u>598,885</u></b>

#### Financial liabilities

	Amortized cost	
	2019	2018
	\$'000	\$'000
Payables	129,622	106,326
Borrowings	204,492	135,896
Lease liabilities	<u>87,406</u>	-
<b>Total financial liabilities</b>	<b><u>421,520</u></b>	<b><u>242,222</u></b>

### (c) Financial risk factors

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

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

#### (i) Market risk

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

#### (i) Market risk (cont'd)

##### Currency risk

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

Currency risk arises from transactions for sales, purchases and US dollar cash and bank balances. The company manages this risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The company further manages this risk by maximizing foreign currency earnings.

##### Concentration of currency risk

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

	<u>2019</u> <u>US</u> <u>J\$'000</u>	<u>2019</u> <u>EURO</u> <u>J\$'000</u>	<u>2018</u> <u>US</u> <u>J\$'000</u>	<u>2018</u> <u>EURO</u> <u>J\$'000</u>
Cash and cash equivalents	72,300	-	77,311	-
Trade payables	(125,986)	-	( 80,948)	(20,050)
Borrowings	( 82,118)	-	( 72,027)	-
	<u>(135,804)</u>	<u>-</u>	<u>( 75,664)</u>	<u>(20,050)</u>

##### Foreign currency sensitivity

The following table indicates the sensitivity of profit before taxation to changes in foreign exchange rates. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated cash and bank balances, borrowings and payable balances, and adjusts their translation at the year-end for 6% (2019 - 4%) depreciation and a 4% (2018 - 2%) appreciation of the Jamaican dollar against the EURO and the US dollar. The changes below would have no impact on other components of equity.

	<u>% Change in</u> <u>Currency Rate</u> <u>2019</u>	<u>Effect on</u> <u>Loss before</u> <u>Taxation</u> <u>2019</u> <u>\$'000</u>	<u>% Change in</u> <u>Currency Rate</u> <u>2018</u>	<u>Effect on</u> <u>Profit before</u> <u>Taxation</u> <u>2018</u> <u>\$'000</u>
Currency:				
USD	-6	8,148	-4	(3,027)
USD	+4	(5,432)	+2	1,513
EURO	-4	-	-4	( 802)
EURO	<u>+2</u>	<u>-</u>	<u>+2</u>	<u>401</u>

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

#### (i) Market risk (cont'd)

##### Price risk

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

##### Cash flow and fair value interest rate risk

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

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

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

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

##### Interest rate sensitivity

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

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

A 1% increase/1% decrease (2018 - 1% increase/1% decrease) in interest rates on Jamaican dollar long term borrowings would result in a \$968,000 increase/decrease (2018 -\$Nil) in the operating results of the company.

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

#### (ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises from trade receivables, related company balances and cash and bank balances.

#### Maximum exposure to credit risk

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

#### Trade receivables

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

#### Trade receivables impairment provision

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

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

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

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

##### (ii) Credit risk (cont'd)

#### Trade receivables impairment provision (cont'd)

##### 2019

<u>Aging</u>	<u>Gross Carrying Amount</u> <u>\$'000</u>	<u>Default Rate</u> <u>%</u>	<u>Lifetime ECL Allowance</u> <u>\$'000</u>
Current (not past due)	217,301	0.3	652
1 - 30 days	28,862	3.5	1,004
31 - 60 days	17,038	2.3	404
61 - 90 days	3,193	44.5	1,423
91 days and over	<u>4,569</u>	23.3	<u>1,063</u>
Total	<u>270,963</u>		<u>4,546</u>

##### 2018

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

# Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

### (b) Financial risk factors (cont'd)

#### (ii) Credit risk (cont'd)

##### Cash and bank balances and short term investment

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

#### (iii) Liquidity risk

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

##### Liquidity risk management process

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

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

##### Cash flows of financial liabilities

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

	<u>Within 1</u> <u>Year</u> <u>\$'000</u>	<u>1 to 2</u> <u>Years</u> <u>\$'000</u>	<u>2 to 5</u> <u>Years</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
<b>31 December 2019</b>				
Borrowings - long term	23,753	47,506	41,568	112,827
Borrowings - short term	107,644	-	-	107,644
Payables	129,622	-	-	129,622
Lease liabilities	<u>18,865</u>	<u>39,321</u>	<u>46,939</u>	<u>105,125</u>
<b>Total financial liabilities (contractual maturity dates)</b>	<u>279,884</u>	<u>86,827</u>	<u>88,507</u>	<u>455,218</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

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

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

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

##### Cash flows of financial liabilities (cont'd)

	<u>Within 1</u> <u>Year</u> <u>\$'000</u>	<u>1 to 2</u> <u>Years</u> <u>\$'000</u>	<u>2 to 5</u> <u>Years</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
<b>31 December 2018</b>				
Borrowings - short term	136,272	-	-	136,272
Payables	<u>106,326</u>	<u>-</u>	<u>-</u>	<u>106,326</u>
<b>Total financial liabilities (contractual maturity dates)</b>	<u>242,598</u>	<u>-</u>	<u>-</u>	<u>242,598</u>

#### (d) Capital management

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

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

### 6. SEGMENT REPORTING:

The company has two reportable segments which are based on the different types of products that it offers. These products are described in its principal activities (note 1). The identification of business segments, is based on the management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

Information regarding results of each reportable segment is included below. Performance is measured on segment profit before taxation as included in the management reports. Segment profit before taxation is used to measure performance as management believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

For the year ended 31 December 2018 the entire operations of the company was considered as one operating segment. The Meat Plant division commenced operations on 1 January 2019.

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 6. SEGMENT REPORTING (CONT'D):

	<b>Trading Division \$'000</b>	<b>Meat Plant Division \$'000</b>	<b>Total \$'000</b>
Revenue	1,877,084	324,858	2,201,942
Cost of sales	<u>(1,631,920)</u>	<u>(313,675)</u>	<u>(1,945,595)</u>
	<u>245,164</u>	<u>11,183</u>	<u>256,347</u>
Other income	<u>1,643</u>	<u>-</u>	<u>1,643</u>
Administrative and selling expenses	( 223,626)	(114,973)	( 338,599)
Finance costs	<u>( 21,651)</u>	<u>( 1,405)</u>	<u>( 23,056)</u>
	<u>( 245,277)</u>	<u>(116,378)</u>	<u>( 361,655)</u>
Profit/(loss) for the year	<u>1,530</u>	<u>(105,195)</u>	<u>( 103,665)</u>
<b>Segment assets <sup>(1)</sup></b>			
Non-current assets	199,818	94,471	294,289
Current assets	<u>363,442</u>	<u>29,351</u>	<u>392,793</u>
	<u>563,260</u>	<u>123,822</u>	<u>687,082</u>
Unallocated assets			<u>288,988</u>
Total assets			<u>976,070</u>
<b>Segment liabilities</b>			
Non-current liabilities	129,476	22,390	151,866
Current liabilities	<u>277,456</u>	<u>6,983</u>	<u>284,439</u>
Total liabilities	<u>406,932</u>	<u>29,373</u>	<u>436,305</u>

(1) Reportable segments' assets are reconciled to the company's total assets as follows:

	<b><u>2019</u> <u>\$'000</u></b>
Segment assets from reportable segments	687,082
Unallocated assets -	
Deferred taxation	20,146
Receivables	266,417
Cash and bank balance	<u>2,425</u>
	<u>976,070</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 7. REVENUE:

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

### 8. OTHER OPERATING INCOME:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Interest income	307	1,835
Gain on the sale of property, plant and equipment	1,336	-
Rental income	<u>-</u>	<u>381</u>
	<u>1,643</u>	<u>2,216</u>

### 9. EXPENSES BY NATURE:

Total direct, administrative, selling and other expenses:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Cost of inventories recognised as expense	1,902,456	1,623,085
Staff costs (note 10)	202,673	127,326
Directors' fees	2,185	1,510
Transportation and motor vehicle expenses	39,691	27,407
Advertising and promotion	1,247	5,103
Legal and professional fees	5,001	7,827
Insurance	4,762	925
Printing and stationery	2,082	910
Rental	87	10,911
Utilities and postage	35,060	14,991
Security	9,444	413
Other warehouse expenses	2,840	1,572
Donations and subscriptions	-	757
Auditors' remuneration	2,000	1,800
Foreign exchange loss	6,458	619
Bad debts	2,551	3,049
License and inspection fees	2,162	4,036
Repairs and maintenance	17,862	7,196
Depreciation	33,729	7,535
Amortisation	1,879	-
Asset tax	-	200
Other administrative expenses	<u>10,025</u>	<u>2,422</u>
	<u>2,284,194</u>	<u>1,849,594</u>
	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Cost of sales	1,945,595	1,660,956
Administrative expenses	336,916	177,991
Selling expense	<u>1,683</u>	<u>10,647</u>
	<u>2,284,194</u>	<u>1,849,594</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 10. STAFF COSTS:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Salaries and wages	125,491	63,150
Directors' remuneration (including pension costs)	44,361	42,732
Statutory contributions	17,357	10,304
Pension costs	3,302	2,386
Accommodation and meals	-	1,224
Other	<u>12,162</u>	<u>7,530</u>
	<u>202,673</u>	<u>127,326</u>

The number of persons employed by the company at year end was 48 (2018 -27).

### 11. FINANCE COSTS:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Processing fees	3,173	2,420
Interest expense -		
Bank overdraft	18	50
Loan interest	7,318	8,153
Right-of-use assets (note 16(a))	5,365	-
Other	<u>7,182</u>	<u>2,902</u>
	<u>23,056</u>	<u>13,525</u>

### 12. TAXATION:

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

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Current taxation	-	2,140
Deferred tax (note 17)	<u>(20,146)</u>	<u>275</u>
	<u>(20,146)</u>	<u>2,415</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 12. TAXATION (CONT'D):

(b) The tax on the profit before taxation differs from using the applicable tax rate of 25% as follows:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
(Loss)/profit before taxation	(103,665)	18,758
Taxation calculated at applicable tax rate	( 25,916)	4,689
Adjusted for the effects of:		
Expenses not deducted for tax purposes	12,638	3,038
Employment tax credit	-	( 1,709)
Net effect of other charges and credits	( 6,868)	( 1,202)
	( 20,146)	4,816
Adjustment for the effect of tax remission		
Current tax	-	(2,401)
Taxation (credit)/charge in the income statement	<u>(20,146)</u>	<u>2,415</u>

(c) Subject to agreement with Tax Administration Jamaica, the company has tax losses of approximately \$99,777,000 (2018 - \$Nil) available for set off against future taxable profits. A deferred tax asset has been recognised in respect of these losses.

(d) Remission of income tax:

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

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

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

### 13. EARNINGS PER STOCK UNIT:

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

	<u>2019</u>	<u>2018</u>
Net (loss)/profit attributable to stockholders (\$'000)	( 83,519)	16,343
Weighted average number of ordinary stocks units ('000)	<u>780,000</u>	<u>547,521</u>
Basic earnings per stock unit (¢ per share)	<u>( 10.71)</u>	<u>2.98</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 14. PROPERTY, PLANT AND EQUIPMENT:

	<u>Warehouse Improvements</u> \$'000	<u>Cold Storage Rooms</u> \$'000	<u>Fixtures &amp; Equipment</u> \$'000	<u>Motor Vehicles</u> \$'000	<u>Total</u> \$'000
Cost-					
1 January 2018	8,225	30,147	8,173	11,011	57,556
Additions	<u>6,207</u>	<u>18,611</u>	<u>6,747</u>	<u>2,985</u>	<u>34,550</u>
31 December 2018	14,432	48,758	14,920	13,996	92,106
Additions	5,852	50,621	39,084	8,170	103,727
Disposal	<u>-</u>	<u>-</u>	<u>(1,788)</u>	<u>-</u>	<u>(1,788)</u>
31 December 2019	<u>20,284</u>	<u>99,379</u>	<u>52,216</u>	<u>22,166</u>	<u>194,045</u>
Depreciation -					
1 January 2018	1,563	13,458	3,925	7,635	26,581
Charge for the year	<u>1,008</u>	<u>3,670</u>	<u>1,183</u>	<u>1,674</u>	<u>7,535</u>
31 December 2018	2,571	17,128	5,108	9,309	34,116
Charge for the year	1,516	6,844	6,686	2,824	17,870
Elimination on disposal	<u>-</u>	<u>-</u>	<u>(1,536)</u>	<u>-</u>	<u>(1,536)</u>
31 December 2019	<u>4,087</u>	<u>23,972</u>	<u>10,258</u>	<u>12,133</u>	<u>50,450</u>
Carrying value -					
31 December 2019	<u>16,197</u>	<u>75,407</u>	<u>41,958</u>	<u>10,033</u>	<u>143,595</u>
31 December 2018	<u>11,861</u>	<u>31,630</u>	<u>9,812</u>	<u>4,687</u>	<u>57,990</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 15. INTANGIBLE ASSETS:

	<u>Software</u> <u>\$'000</u>	<u>Brand</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
<b>At Cost -</b>			
1 January 2018 and 31 December 2018	3,894	-	3,894
Additions	<u>4,391</u>	<u>100</u>	<u>4,491</u>
At 31 December 2019	<u>8,285</u>	<u>100</u>	<u>8,385</u>
<b>Depreciation -</b>			
1 January 2019	-	-	-
Charge for the year	<u>1,879</u>	<u>-</u>	<u>1,879</u>
31 December 2019	<u>1,879</u>	<u>-</u>	<u>1,879</u>
<b>Carrying value -</b>			
31 December 2019	<u>6,406</u>	<u>100</u>	<u>6,506</u>
31 December 2018	<u>3,894</u>	<u>-</u>	<u>3,894</u>

The software purchased in 2018 was not yet commissioned at year end and as such no amortization charge was incurred as at 31 December 2018. The amortization of the Brand in 2019 was not material.

### 16. LEASES:

#### (a) Right-of-use assets

	<u>Land and building</u> <u>\$'000</u>
Adoption of IFRS 16	100,954
Depreciation charge for the year	<u>( 15,859)</u>
31 December 2019	<u>85,095</u>

#### (b) Lease liabilities

Adoption of IFRS 16	100,954
Interest expense	5,365
Lease payments	<u>( 18,913)</u>
31 December 2019	87,406
Less: current portion	<u>( 14,400)</u>
	<u>73,006</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 16. LEASES (CONT'D):

Amounts recognized in statement of profit or loss	<u>\$'000</u>
Depreciation - right-of-use assets	15,859
Interest on lease liability (note 11)	<u>5,365</u>
	<u>21,224</u>
<b>Contractual undiscounted cash flows maturity analysis</b>	
Not later than one year	18,831
One to two years	19,623
Later than two years but less than 5 years	50,157
More than 5 years	<u>16,367</u>
Total undiscounted lease liabilities 31 December 2019	<u>104,978</u>

#### Nature of leasing activities (in the capacity as lessees)

The company leases the property from which the head office operates (Marcus Garvey Drive) as well as the property from which the meat division operates. The lease contract of the Marcus Garvey Drive property provides for payments to increase each year by 7½% at the beginning of each year. The lease contract for the Bog Walk property provides for payments to increase by 10% after the first two years of the lease, which would thereafter remain in effect for the term of the lease.

### 17. DEFERRED TAX:

Deferred taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

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

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Net asset at beginning of year	-	275
Credited/(charged) to income statement for the year (note 12)	<u>20,146</u>	<u>( 275)</u>
Net asset at end of year	<u>20,146</u>	<u>-</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 17. DEFERRED TAX (CONT'D):

Deferred tax asset is due to the following items:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Deferred income tax assets/(liabilities):		
Property, plant and equipment	7,494	-
Intangible assets	( 109)	-
Right-of-use asset	(10,637)	-
Lease liability	10,926	-
Tax loss carried forward	<u>12,472</u>	<u>-</u>
	<u>20,146</u>	<u>-</u>
<b>18. INVENTORIES:</b>		
	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Goods for resale	240,321	200,460
Goods-in-transit	<u>34,364</u>	<u>-</u>
	<u>274,685</u>	<u>200,460</u>
<b>19. RECEIVABLES:</b>		
	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Trade receivables	270,963	248,931
Less: provision for credit losses	<u>( 4,546)</u>	<u>( 1,989)</u>
	266,417	246,942
Goods prepaid	11,189	32,625
Other receivables	<u>5,653</u>	<u>10,011</u>
	<u>283,529</u>	<u>289,578</u>
<b>20. RELATED PARTY TRANSACTIONS AND BALANCES:</b>		
	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
(a) Transactions between the company and its related companies		
Purchases of goods - Quality Produce & Groceries Inc.	856,233	1,045,279
Sale of goods - Di Grill Shack Ltd.	4,039	4,317
Loan - Related Party	<u>59,093</u>	<u>-</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 20. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

#### (b) Key management compensation (included in staff costs note 10)

Key management includes executive directors and senior managers -

Salaries and other short-term employee benefits	94,921	67,080
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Directors' emoluments -

Fees	2,185	1,510
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Management remuneration (included above)	<u>44,361</u>	<u>42,732</u>
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#### (c) Year-end balances arising from transactions with related parties

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
--	------------------------------	------------------------------

Due from -

Long term-

Loan to related party	<u>59,093</u>	<u>-</u>
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Short term-

Di Grill Shack Ltd.

	2,348	2,348
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Jamaica's Finest Produce Limited

	3,400	3,400
--	-------	-------

Quality Investments Limited

	334	90
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Directors

	<u>7,178</u>	<u>8,058</u>
--	--------------	--------------

	<u>13,260</u>	<u>13,896</u>
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Di Grill Shack Ltd. (included in trade receivables)	<u>448</u>	<u>566</u>
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The loan to related party of US\$452,100 (JA\$ 59,093,000) was entered into on 30 December 2019 for a period of 48 months, at an interest rate equal to the six month Jamaica Treasury Bill rate plus 2% at the date of the agreement (3.599% per annum). Interest is payable monthly and the principal is repayable at the end of the loan period.

The terms of payments of the short term balances are unspecified.

Due to -

Quality Produce & Groceries Inc.

(included in trade payables)	<u>69,752</u>	<u>80,949</u>
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### 21. INVESTMENTS:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
(i) The Meat Experts Limited	-	49,900
(ii) Other investments	<u>-</u>	<u>70,462</u>
	<u>-</u>	<u>120,362</u>

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

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

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 22. CASH AND CASH EQUIVALENTS:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Cash in hand	-	25,706
Local currency accounts	13,616	6,702
Foreign currency accounts	72,300	51,604
Short term deposit	<u>58</u>	<u>100,886</u>
	85,974	184,898
Less accrued interest	<u>-</u>	<u>( 207)</u>
	85,974	184,691
Short term borrowings - Credit card balances (note 24)	<u>(25,527)</u>	<u>( 63,869)</u>
	<u>60,447</u>	<u>120,822</u>

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

(b) Interest rate exposure

	<u>2019</u> <u>%</u>	<u>2018</u> <u>%</u>
Weighted average interest rate -		
Bank account - local	0.05	0.25
Bank accounts - foreign	0.05	0.05
Short term deposit	<u>0.98</u>	<u>2.70</u>

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

Amounts represent bank loans excluding credit card balances.

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
At 1 January	72,027	117,030
Cash -		
Loans received	308,808	367,313
Loans repaid	(198,830)	(409,091)
Non-cash -		
Interest accrued	274	433
Foreign exchange adjustment	<u>( 3,314)</u>	<u>( 3,658)</u>
At 31 December (note 24)	<u>178,965</u>	<u>72,027</u>

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 23. SHARE CAPITAL:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Authorised - 1,000,000,000 (2018-100,000) Ordinary shares of no par value		
Stated capital - Issued and fully paid -		
100,000 ordinary shares of no par value	-	-
780,000,000 ordinary shares of no par value	390,162	390,162
Less: transaction costs of share issue	<u>(25,312)</u>	<u>(25,312)</u>
	<u>364,850</u>	<u>364,850</u>

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

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

### 24. BORROWINGS:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
<b>Composition of borrowings</b>		
Long term loan - Jamaica Money Market Brokers Limited		
Long term portion	96,847	-
Less : Current portion	<u>(17,987)</u>	<u>-</u>
	<u>78,860</u>	<u>-</u>
Credit card balances (note 22)	<u>25,527</u>	<u>63,869</u>
Short term loans -		
(i) National Export-import Bank of Jamaica Limited	40,998	32,568
(ii) First Global Bank Limited	41,120	39,459
(iii) Jamaica Money Market Brokers Limited	<u>17,987</u>	<u>-</u>
	<u>100,105</u>	<u>72,027</u>
	<u>125,632</u>	<u>135,896</u>

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

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 24. BORROWINGS (CONT'D):

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

- Deed of Assignment of Policy Assurance (Personal) for J\$20,000,000 on the life of Courtney Pullen held at Sagicor Life Jamaica Limited.
- Debenture over the assets of Everything Fresh Limited stamped to cover \$58,752,000.
- Assignment of all payments due from GK Foods and Services Limited with business name Hi-Lo Food Stores Limited.
- Unlimited guarantee of Courtney Pullen, Melene Pullen, Garret Gardner and Nesha Carby.

(iii) The Jamaica Money Market Brokers Limited loan is at variable interest rate of 6.5% per annum repayable over 5 years. The loan is secured by stock holdings owned by a related party, Quality Investments Limited, on behalf of the company.

### 25. PAYABLES:

	<u>2019</u> <u>\$'000</u>	<u>2018</u> <u>\$'000</u>
Trade payables	126,863	104,526
Other accounts payable and accrued charges	<u>17,544</u>	<u>10,253</u>
	<u>144,407</u>	<u>114,779</u>

### 26. PENSION PLAN:

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

The plan is funded by the company's and employees' contributions. The company's contributions to the plan are expensed and amounted to \$6,613,000 for the year (2018 - \$5,648,000).

### 27. CHANGES IN ACCOUNTING POLICIES:

The company has adopted IFRS 16, 'Leases', for the financial year ended 31 December 2019 which resulted in a change in the company's accounting policies. The standard is adopted retrospectively from 1 January 2019, however the company has chosen not to restate comparatives and therefore, the revised requirements are not reflected in the prior year financial statements. The new accounting policies are disclosed in note 3(f) and 3(g). Details of the impact of this standard are given below.

Effective 1 January 2019, IFRS 16 has replaced IAS 17, 'Leases', and IFRIC 4, Determining Whether an Arrangement Contains a Lease.

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 27. CHANGES IN ACCOUNTING POLICIES (CONT'D):

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value (US\$5,000). IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained.

#### Transition Method and Practical Expedients Utilised

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. The company applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- (a) Apply a single discount rate to a portfolio of leases with reasonably similar characteristics;
- (b) Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application for leases where the right-of-use asset was determined as if IFRS 16 had been applied since the commencement date;
- (c) Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- (d) Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term remaining as of the date of initial application.
- (e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

As a lessee, the company previously classified leases as operating based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, the company recognizes a right-of-use asset and lease liability for most leases. However, the company has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, the company recognised right-of-use assets and lease liabilities as follows:

Classification under IAS 17	Classification under IFRS 16	
	Right-of-use asset	Lease liability
Operating leases	Measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.	Measured at the present value of the remaining lease payments, discounted using the company's incremental borrowing rate as at 1 January 2019. The company's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 6.5%.

There was no significant impact on retained earnings at 1 January 2019.

## Notes to the Financial Statements

Year ended 31 December 2019 (Stated in Jamaican dollars unless otherwise indicated)

### 28. SUBSEQUENT EVENT:

On 30 January 2020, the World Health Organization (WHO) declared the COVID-19 virus a public health emergency of international concern. Jamaica's first case was confirmed on 10 March 2020, with the WHO declaring the virus a pandemic on the following day.

COVID-19 may have an adverse impact on the company particularly in the second half of 2020 leading to the first half of 2021. Measures are however being taken to mitigate these effects as the situation develops, including repositioning the products from more retail sales to the local market. The eventual impact may include significant declines in the revenues earned by the company as a result of government-mandated temporary closures of businesses worldwide which could lead to a downturn in the tourist industry.





*Annual Report designed by  
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