



**JAMAICA PRODUCERS
GROUP LIMITED**

**AUDITED
GROUP
FINANCIAL STATEMENTS**

December 31, 2020





KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922-6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Jamaica Producers Group Limited (the company) and its subsidiaries (collectively, "the group"), set out on pages 8 to 63, which comprise the group balance sheet as at December 31, 2020, the group profit and loss account, 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 consolidated financial statements give a true and fair view of the financial position of the group as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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



INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Key Audit Matters

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

1 Impairment of goodwill and intangible assets

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The carrying value of the group's goodwill and intangible assets may not be recoverable due to changes in the business and economic environment in which specific subsidiaries operate. These factors create inherent uncertainty in forecasting and require significant judgement in estimating and discounting future cash flows that support the assessment of recoverability.</p> <p><i>See notes 3(j) and 13 of the consolidated financial statements.</i></p>	<p>Our audit procedures included testing the reasonableness of the group's forecasts and discounted cash flow calculations, including:</p> <ul style="list-style-type: none">• Using our own valuation specialists to evaluate the assumptions and methodologies used by management.• Comparing the group's assumptions to externally derived data as well as our own assessments of key inputs, such as projected economic growth, competition, cost inflation and discount rates, as well as performing sensitivity analysis on the assumptions.• Assessing the adequacy of the group's disclosures about the assumptions and the sensitivity of the impairment assessments to changes in key assumptions.



INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

2 Valuation of employee benefit asset and obligations

<i>The key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>A subsidiary operates a defined benefit retirement scheme and provides other unfunded retirement benefits. Significant estimates are made in valuing the group's employee benefit asset and obligations.</p> <p>The valuation of these benefits is considered to be a significant risk, as given the value of the assets and liabilities, small changes in the assumptions can have a material financial impact on the group. The key assumptions involved in calculating employee benefit asset and obligations are discount rates, inflation, and future increases in salaries and pensions.</p> <p>Management appointed an external actuarial expert in measuring the employee benefit asset and obligations at the reporting date.</p> <p>The use of significant assumptions increases the risk that management's estimate can be materially misstated.</p> <p><i>[see notes 3(q) and 17 to the financial statements]</i></p>	<p>In performing our audit, we ensured that the following procedures were performed:</p> <ul style="list-style-type: none"> • Evaluating the independence and objectivity of the appointed actuarial expert. • Determining that the actuarial valuation was performed in accordance with the requirements of IAS 19 <i>Employee Benefits</i>. • Testing employee data provided by management to the actuarial expert. • Assessing key assumptions used by the actuary, including inflation and discount rates, by comparing them to information from independent sources. • Confirming a selection of the plan assets with the custodians of the assets and recomputing their fair values by reference to independent prices and yield curves. • Assessing whether disclosures in the financial statements are appropriate in respect of the group's employee benefit arrangements.



Page 4

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information in the company's annual report for the year ended December 31, 2020, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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



Page 5

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Consolidated Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

Report on Additional Matters as Required by the Jamaican Companies Act

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

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

The engagement partner on the audit resulting in this independent auditors' report is Nigel Chambers.

A handwritten signature of the KPMG firm, written in blue ink, appearing as 'KPMG' in a cursive style.

Chartered Accountants
Kingston, Jamaica

March 1, 2021



INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Appendix to the Independent Auditors' Report

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

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



Page 7

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Appendix to the Independent Auditors' Report (continued)

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

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

-

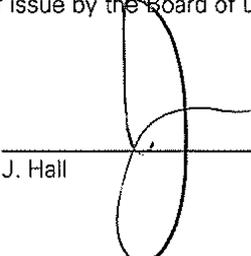
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters 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.

JAMAICA PRODUCERS GROUP LIMITEDGroup Balance Sheet
December 31, 2020

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
CURRENT ASSETS			
Cash and cash equivalents		1,127,084	1,407,847
Short-term investments	4	1,091,990	239,240
Securities purchased under resale agreements	5	7,645,526	5,380,567
Accounts receivable	6	2,894,684	2,949,230
Taxation recoverable		38,133	23,696
Inventories	7	<u>979,484</u>	<u>978,925</u>
Total current assets		<u>13,776,901</u>	<u>10,979,505</u>
CURRENT LIABILITIES			
Accounts payable	8	3,919,950	3,903,231
Taxation		135,508	191,714
Loans and borrowings	20	712,762	899,690
Lease liabilities	21(i)(b)	<u>184,088</u>	<u>192,221</u>
Total current liabilities		<u>4,952,308</u>	<u>5,186,856</u>
WORKING CAPITAL		<u>8,824,593</u>	<u>5,792,649</u>
NON-CURRENT ASSETS			
Biological assets	9	55,880	68,318
Interest in associates	10(a)	-	733,754
Investments	12	591,325	108,079
Intangible assets	13	1,466,364	1,486,347
Deferred tax assets	14	14,011	7,929
Property, plant and equipment	15	22,306,664	21,839,445
Investment property	16	560,701	568,619
Employee benefit asset	17(a)	1,549,850	2,071,885
Right of use of assets	21(i)(a)	<u>636,304</u>	<u>740,007</u>
Total non-current assets		<u>27,181,099</u>	<u>27,624,383</u>
Total assets less current liabilities		<u>36,005,692</u>	<u>33,417,032</u>
EQUITY			
Share capital	18	112,214	112,214
Reserves	19	<u>16,019,886</u>	<u>13,724,240</u>
Attributable to equity holders of the parent		16,132,100	13,836,454
NON-CONTROLLING INTEREST	11	<u>14,799,759</u>	<u>13,760,645</u>
Total equity		<u>30,931,859</u>	<u>27,597,099</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities	14	1,313,920	1,410,804
Loans and borrowings	20	2,898,428	3,493,519
Employee benefit obligations	17(b)	384,517	370,149
Lease liabilities	21(i)(b)	<u>476,968</u>	<u>545,461</u>
		<u>5,073,833</u>	<u>5,819,933</u>
Total equity and non-current liabilities		<u>36,005,692</u>	<u>33,417,032</u>

The financial statements on pages 8 to 63 were approved for issue by the Board of Directors on March 1, 2021 and signed on its behalf by:


C. H. Johnston, Chairman


J. Hall, Managing Director

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

JAMAICA PRODUCERS GROUP LIMITED

Group Profit and Loss Account
Year ended December 31, 2020

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019*</u> \$'000
Gross operating revenue	22	20,998,982	21,464,068
Cost of operating revenue	23	<u>(15,488,280)</u>	<u>(14,702,854)</u>
Gross profit		5,510,702	6,761,214
Other income and expenses		382,821	322,392
Selling, administration and other operating expenses	23	<u>(3,260,093)</u>	<u>(3,369,330)</u>
Profit from operations		2,633,430	3,714,276
Gain on disposal of interest in associate		1,871,349	-
Share of profits in associates		<u>4,084</u>	<u>26,821</u>
Profit before finance cost and taxation		4,508,863	3,741,097
Finance cost	24	<u>(293,400)</u>	<u>(307,153)</u>
Profit before taxation		4,215,463	3,433,944
Taxation charge	25	<u>(478,050)</u>	<u>(701,993)</u>
Profit for the year		<u><u>3,737,413</u></u>	<u><u>2,731,951</u></u>
Attributable to:			
Parent company stockholders		2,167,593	1,204,338
Non-controlling interest	11	<u>1,569,820</u>	<u>1,527,613</u>
		<u><u>3,737,413</u></u>	<u><u>2,731,951</u></u>
Dealt with in the financial statements of:			
The company		471,955	14,446
Subsidiary companies		1,700,806	1,176,799
Associated companies	10(b)	<u>(5,168)</u>	<u>13,093</u>
		<u><u>2,167,593</u></u>	<u><u>1,204,338</u></u>
Profit per ordinary stock unit:	26		
Based on stock units in issue (cents)		<u>193.17¢</u>	<u>107.32¢</u>
Excluding stock units held by ESOP (cents)		<u>207.11¢</u>	<u>115.22¢</u>

* restated to conform with current year presentation (see note 23)

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

JAMAICA PRODUCERS GROUP LIMITEDGroup Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2020

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
Profit for the year		<u>3,737,413</u>	<u>2,731,951</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit asset and obligations	17	(616,284)	(11,791)
Deferred tax effect on remeasurement of defined benefit asset and obligations	14	77,036	1,288
Change of fair value through other comprehensive income (FVOCI) investments		(65,506)	5,785
Realised gain on disposal of quoted investments		-	1,185
Items that may be reclassified to profit or loss:			
Exchange gains on translation of foreign operations		<u>671,868</u>	<u>96,529</u>
		<u>67,114</u>	<u>92,996</u>
Total comprehensive income for the year		<u>3,804,527</u>	<u>2,824,947</u>
Attributable to:			
Parent company stockholders		2,543,751	1,287,864
Non-controlling interest		<u>1,260,776</u>	<u>1,537,083</u>
		<u>3,804,527</u>	<u>2,824,947</u>

JAMAICA PRODUCERS GROUP LIMITED

Group Statement of Changes in Equity
Year ended December 31, 2020

	Share capital \$'000 (note 18)	Share premium \$'000 (note 19)	Capital reserves \$'000 (note 19)	Fair value reserve \$'000 (note 19)	Reserve for own shares \$'000 (note 19)	Retained profits \$'000	Parent company stockholders' equity \$'000	Non - controlling interest \$'000	Total equity \$'000
Balances at December 31, 2018	112,214	135,087	2,063,906	-	(80,144)	9,879,009	12,110,072	12,675,000	24,785,072
Total comprehensive income for 2019:									
Profit for the year	-	-	-	-	-	1,204,338	1,204,338	1,527,613	2,731,951
Other comprehensive (loss)/income									
Remeasurement of defined benefit asset and obligations	-	-	-	-	-	(4,952)	(4,952)	(6,839)	(11,791)
Deferred tax effect on remeasurement of defined benefit asset and obligations	-	-	-	-	-	541	541	747	1,288
Change of fair value through other comprehensive income (FVOCI) investments	-	-	-	5,785	-	-	5,785	-	5,785
Realised gain on disposal of FVOCI investments	-	-	-	1,185	-	-	1,185	-	1,185
Exchange gains arising on retranslation of foreign operations	-	-	80,967	-	-	-	80,967	15,562	96,529
Total other comprehensive income/(loss)	-	-	80,967	6,970	-	(4,411)	83,526	9,470	92,996
Total comprehensive income for the year	-	-	80,967	6,970	-	1,199,927	1,287,864	1,537,083	2,824,947
Other reserve movements									
Other transfer to capital reserves	-	-	12,730	-	-	(12,730)	-	-	-
Transactions with owners of the company									
Own shares sold by ESOP	-	-	-	-	13,752	-	13,752	-	13,752
Net movement in subsidiary ESOP	-	-	-	-	-	-	-	6,811	6,811
Disposal of shares in subsidiary to non-controlling interest	-	-	-	-	-	575,397	575,397	(10,310)	565,087
Distributions to non-controlling interests	-	-	-	-	-	-	-	(447,939)	(447,939)
Distributions to stockholders (note 27)	-	-	(156,851)	-	-	-	(156,851)	-	(156,851)
Unclaimed distributions to stockholders (note 27)	-	-	6,220	-	-	-	6,220	-	6,220
	-	-	(150,631)	-	13,752	575,397	438,518	(451,438)	(12,920)
Balances at December 31, 2019	<u>112,214</u>	<u>135,087</u>	<u>2,006,972</u>	<u>6,970</u>	<u>(66,392)</u>	<u>11,641,603</u>	<u>13,836,454</u>	<u>13,760,645</u>	<u>27,597,099</u>
Retained in the financial statements of:									
The company	112,214	135,087	1,005,101	6,970	-	2,556,551	3,815,923		
Subsidiary companies	-	-	1,001,871	-	(66,392)	8,899,677	9,835,156		
Associate companies	-	-	-	-	-	185,375	185,375		
Balances at December 31, 2019	<u>112,214</u>	<u>135,087</u>	<u>2,006,972</u>	<u>6,970</u>	<u>(66,392)</u>	<u>11,641,603</u>	<u>13,836,454</u>		

JAMAICA PRODUCERS GROUP LIMITED

Group Statement of Changes in Equity (Continued)
Year ended December 31, 2020

	Share capital \$'000 (note 18)	Share premium \$'000 (note 19)	Capital reserves \$'000 (note 19)	Fair value reserve \$'000 (note 19)	Reserve for own shares \$'000 (note 19)	Retained profits \$'000	Parent company stockholders' equity \$'000	Non - controlling interest \$'000	Total equity \$'000
Balances at December 31, 2019	<u>112,214</u>	<u>135,087</u>	<u>2,006,972</u>	<u>6,970</u>	<u>(66,392)</u>	<u>11,641,603</u>	<u>13,836,454</u>	<u>13,760,645</u>	<u>27,597,099</u>
Total comprehensive income for 2020:									
Profit for the year	-	-	-	-	-	<u>2,167,593</u>	<u>2,167,593</u>	<u>1,569,820</u>	<u>3,737,413</u>
Other comprehensive (loss)/income									
Remeasurement of defined benefit asset and obligations	-	-	-	-	-	<u>(258,839)</u>	<u>(258,839)</u>	<u>(357,445)</u>	<u>(616,284)</u>
Deferred tax effect on remeasurement of defined benefit asset and obligations	-	-	-	-	-	<u>32,355</u>	<u>32,355</u>	<u>44,681</u>	<u>77,036</u>
Change of fair value through other comprehensive income (FVOCI) investments	-	-	-	<u>(32,146)</u>	-	-	<u>(32,146)</u>	<u>(33,360)</u>	<u>(65,506)</u>
Exchange gains arising on translation of foreign operations	-	-	<u>634,788</u>	-	-	-	<u>634,788</u>	<u>37,080</u>	<u>671,868</u>
Total other comprehensive income/(loss)	-	-	<u>634,788</u>	<u>(32,146)</u>	-	<u>(226,484)</u>	<u>376,158</u>	<u>(309,044)</u>	<u>67,114</u>
Total comprehensive income for the year	-	-	<u>634,788</u>	<u>(32,146)</u>	-	<u>1,941,109</u>	<u>2,543,751</u>	<u>1,260,776</u>	<u>3,804,527</u>
Other reserve movements									
Reclassification of capital gains to capital reserves (note 19)	-	-	<u>2,233,168</u>	-	-	<u>(2,233,168)</u>	-	-	-
Other transfer to capital reserves	-	-	<u>12,742</u>	-	-	<u>(12,742)</u>	-	-	-
	-	-	<u>2,245,910</u>	-	-	<u>(2,245,910)</u>	-	-	-
Transactions with owners of the company									
Own shares sold by ESOP	-	-	-	-	<u>16,116</u>	-	<u>16,116</u>	-	<u>16,116</u>
Acquisition of shares in subsidiary from non-controlling interest (note 1)	-	-	-	-	-	<u>(61,690)</u>	<u>(61,690)</u>	<u>226,277</u>	<u>164,587</u>
Distributions to non-controlling interests	-	-	-	-	-	-	-	<u>(447,939)</u>	<u>(447,939)</u>
Distributions to stockholders (note 27)	-	-	<u>(209,373)</u>	-	-	-	<u>(209,373)</u>	-	<u>(209,373)</u>
Unclaimed distributions to stockholders (note 27)	-	-	<u>6,842</u>	-	-	-	<u>6,842</u>	-	<u>6,842</u>
	-	-	<u>(202,531)</u>	-	<u>16,116</u>	<u>(61,690)</u>	<u>(248,105)</u>	<u>(221,662)</u>	<u>(469,767)</u>
Balances at December 31, 2020	<u>112,214</u>	<u>135,087</u>	<u>4,685,139</u>	<u>(25,176)</u>	<u>(50,276)</u>	<u>11,275,112</u>	<u>16,132,100</u>	<u>14,799,759</u>	<u>30,931,859</u>
Retained in the financial statements of:									
The company	112,214	135,087	1,816,728	(1,018)	-	1,999,292	4,062,303		
Subsidiary companies	-	-	2,868,411	(24,158)	(50,276)	9,280,697	12,074,674		
Associate companies	-	-	-	-	-	(4,877)	(4,877)		
Balances at December 31, 2020	<u>112,214</u>	<u>135,087</u>	<u>4,685,139</u>	<u>(25,176)</u>	<u>(50,276)</u>	<u>11,275,112</u>	<u>16,132,100</u>		

JAMAICA PRODUCERS GROUP LIMITEDGroup Statement of Cash Flows
Year ended December 31, 2020

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		3,737,413	2,731,951
Adjustments for:			
Depreciation – property, plant and equipment and investment property	15,16	1,124,368	1,034,048
Amortisation – right of use assets	21	165,455	154,579
Amortisation and impairment – intangible assets	13	211,115	96,545
Amortisation – biological assets	9	44,834	39,442
Exchange movement in working capital		44,737	(32,937)
Current taxation charge	25(a)	504,282	601,085
Deferred tax, net	25(a)	(26,232)	100,908
Employee benefits, net		(79,881)	(55,051)
Profit on disposal of property, plant and equipment and investments		(12,102)	(55,423)
Share of profit in associate companies and joint venture		(4,084)	(26,821)
Impairment charge on long term loan receivable		53,931	-
Gain on disposal of investment on associate		(1,871,349)	-
Amortisation of bond issue costs	20	12,274	3,386
Interest earned	24	(245,998)	(183,716)
Interest expense	24	<u>293,400</u>	<u>307,153</u>
		3,952,163	4,715,149
Decrease /(increase) in current assets:			
Accounts receivable		123,913	(742,278)
Taxation recoverable		(14,437)	6,941
Inventories		(559)	(88,726)
(Decrease)/increase in current liabilities:			
Accounts payable		(33,279)	(136,523)
Tax paid		<u>(561,528)</u>	<u>(547,066)</u>
Net cash provided by operating activities		<u>3,466,273</u>	<u>3,207,497</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to biological assets	9	(32,396)	(26,620)
Short-term investments		(852,750)	(219,608)
Interest received		176,631	178,782
Securities purchased under resale agreements		(2,264,959)	(912,617)
Additions to property, plant and equipment	15	(1,096,152)	(1,375,505)
Additions to intangible assets	13	(61,846)	(2,070)
Additions to investments		-	(19,947)
Proceeds from disposal of investment in associate, net of costs		1,900,000	565,087
Acquisition of subsidiary, net of cash		-	(6,274)
Proceeds from disposal of investments and property, plant and equipment, net of own shares sold by ESOP		24,051	220,168
Own shares or subsidiary shares sold by ESOP		16,116	20,563
Interest in associate companies and joint venture		115,455	24,853
Long-term loans receivable		<u>-</u>	<u>6,631</u>
Net cash used by investing activities		<u>(2,075,850)</u>	<u>(1,546,557)</u>

JAMAICA PRODUCERS GROUP LIMITEDGroup Statement of Cash Flows (Continued)
Year ended December 31, 2020

	<u>Note</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans and borrowings		(804,490)	(129,362)
Interest paid		(243,428)	(297,868)
Distributions to non-controlling interests		(423,046)	(397,988)
Distributions to stockholders, net		(150,009)	(119,140)
Payment of lease liabilities	21	<u>(150,786)</u>	<u>(156,343)</u>
Net cash used by financing activities		<u>(1,771,759)</u>	<u>(1,100,701)</u>
Net (decrease)/ increase in cash and cash equivalents		(381,336)	560,239
Cash and cash equivalents at beginning of the year		1,407,847	836,176
Exchange gains on foreign currency cash and cash equivalents		<u>100,573</u>	<u>11,432</u>
Cash and cash equivalents at end of the year		<u><u>1,127,084</u></u>	<u><u>1,407,847</u></u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

1. The company

Jamaica Producers Group Limited (“the company”) is incorporated and domiciled in Jamaica. The company’s registered office is located at 4 Fourth Avenue, Newport West, Kingston 13, Jamaica, W.I.

The main activities of the company, its subsidiaries (collectively, “group”) and associates (note 32) are port terminal operations; logistics; the cultivation, marketing and distribution of fresh produce; food and juice manufacturing; land management and the holding of investments.

On August 13, 2020, the group concluded an agreement to sell part of its interest in SAJE Logistics Infrastructure Limited (‘SAJE’), representing 22.1% of the issued share capital of SAJE, for consideration of \$1.90 billion, resulting in a gain of \$1.87 billion before transaction costs. The group retains an investment representing 9.5% of the issued share capital of SAJE through Kingston Wharves Limited, and accounts for this remaining investment on the basis of fair value through other comprehensive income (FVOCI).

In November 2020, as part of a program of corporate simplification and administrative cost saving, the group acquired the equity and debt interests owned by a Non-Controlling Interest (NCI) in a non-trading subsidiary of the group, Four Rivers Mining Company Limited (FRM). FRM closed its operations in 2016 and has been winding down its operations since then. The group acquired the 49% equity holdings of the NCI and the rights to amounts due by FRM to the NCI of \$164,588,000 for consideration of \$2. The transaction resulted in the elimination of NCI and intercompany amounts on the Balance Sheet that had a net effect of \$61,690,000 recognised directly in equity.

During the prior year, on April 29, 2019, the group sold 30% of the shares of its subsidiary, JP Snacks Caribbean Limited, for consideration totalling \$585.4 million. This did not result in a loss of control of the subsidiary. JP Snacks Caribbean Limited manufactures, markets and sells tropical snacks under the St Mary’s brand.

Also during the prior year, on November 1, 2019, the group, through its subsidiary, KW Logistics Limited, acquired control of SSL REIT Limited, formerly a joint venture interest, through the acquisition of the remaining 50% shareholding for \$64.4 million. The primary business of SSL REIT Limited (renamed KW Warehousing Services Limited) is in the rental of warehousing facilities.

2. Statement of compliance and basis of preparation

(a) Statement of compliance

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

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The group has assessed them and has adopted those which are relevant to its financial statements but their adoption did not result in any changes to amounts recognised or disclosed in these financial statements.

At the date of authorisation of the financial statements, certain new and amended standards have been issued which are not yet effective and which the group has not early adopted. The group has assessed the relevance of all such new standards and amendments with respect to its operations and has determined that the following may be relevant:

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

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

Standards issued but not yet effective

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 16 *Leases*, is effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform.

The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability. The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

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

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The group is assessing the impact that the amendment will have on its 2022 financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual periods beginning on or after January 1, 2022.

- IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The group is assessing the impact that the amendment will have on its 2022 financial statements.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

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

(b) Basis of preparation

The financial statements are prepared on the historical cost basis, except for available-for-sale investments which are measured at fair value. The financial statements are presented in Jamaica dollars (J\$), which is the functional currency of the company.

(c) Use of estimates and judgment

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Impairment of goodwill and other intangible assets

Impairment of goodwill and other intangibles is dependent upon management's internal assessment of future cash flows from the intangibles and cash-generating units that gave rise to the goodwill. That internal assessment determines the amount recoverable from future use of cash generating units in respect of goodwill. The estimate of the amount recoverable from future use of those cash generating units is sensitive to the discount rates used (note 13).

(ii) Measurement of pension and other post-retirement benefits

The amounts recognised in the financial statements for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations, and the expected rate of increase in medical costs for post-retirement medical benefits. The discount rate is determined based on the estimate of yield on long-term Government securities that have maturity dates approximating the terms of the Group's obligation. The estimated rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(iii) Impairment losses on trade receivables

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

Under the ECL model, the group analyses its accounts receivable in a matrix by days past due and determines for each age bracket an average rate of ECL, considering actual credit loss experience over the last 8 months and analysis of future delinquency, that is applied to the balance of the accounts receivable.

The average ECL rate increases in each segment of days past due until the rate is 100% for the applicable ageing bracket.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

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

(c) Use of estimates and judgment (continued)

(iv) Depreciation methods, useful lives and residual values

Depreciation methods, useful lives and residual values rely on judgment and estimates by management, one of which is that the relevant assets will continue to be used for their current purpose within the group. In addition, useful lives and residual values vary between individual assets and are dependent upon continuation of the current level of maintenance. Should there be a change in the present use or level of maintenance this could change the charge for depreciation or impairment and net book value of property, plant and equipment (note 15) within the next financial year.

3. Significant accounting policies

The group has consistently applied the accounting policies as set out hereafter to all periods presented in these financial statements.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method from the date on which control is transferred to the group. Control is the power to govern the relevant financial and operating policies of an entity so as to obtain benefits from its activities.

The group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities that the group incurs in connection with a business combination, are expensed as incurred.

(ii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets from the acquisition date.

Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the change in the carrying value of non-controlling interest and the fair value of consideration paid or received is recognised directly in equity.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iii) Subsidiaries

Subsidiaries are those entities controlled by the group. The group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The consolidated financial statements include the financial statements of all subsidiaries, including an Employee Share Ownership Plan (ESOP) classified as a structured entity (note 19), made up to December 31, 2020.

(iv) Loss of control

On the loss of control, the group derecognises the assets and liabilities, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the group retains any interest in a former subsidiary, then such interest is measured at fair value at the date that control is lost.

(v) Joint venture arrangements

A joint venture is a contractual arrangement in which the group has joint control and whereby the group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. Joint ventures are recognised initially at cost, including transaction costs. Subsequent to initial recognition, the consolidated financial statements include the group's share of the profit or loss and other comprehensive income of joint ventures using the equity method, until the date on which joint control ceases. If the group's share of losses exceeds its interest in a joint venture the group's carrying amount is reduced to nil and recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of a joint venture. If the joint venture subsequently reports gains, the group resumes recognising its share of those gains only after its share of gains equals the share of losses not recognised.

(vi) Associates

Associates are those entities over which the group has significant influence, but not control or joint control over the financial and operating policies, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method and are initially recognised at cost, including transaction costs.

The group's investment is carried at its share of the fair value of net identifiable assets of the associate net of any impairment loss identified on acquisition.

The group's share of associates' post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition movements in reserves is recognised in other comprehensive income to the extent that the profits, losses or movements are consistent with the group's significant accounting policies.

Should the group's share of losses in an associate equal or exceed its interest in the associate, including any other unsecured receivables, the group ceases to recognise further losses unless it incurs obligations or makes payments on behalf of the associate.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(vii) Transactions eliminated on consolidation

Balances and transactions between companies within the group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

(b) Foreign currencies

The group's foreign currency assets and liabilities are translated at the buying rates of exchange ruling at the reporting date [note 31(b)(ii)]. Items in the foreign subsidiaries' profit and loss accounts are translated at rates of £1 to J\$178.22 (2019: J\$166.85), US\$1 to J\$141.77 (2019: J\$132.63), €1 to J\$156.59 (2019: J\$144.83), being the weighted average rates of exchange for the year. Other transactions in foreign currencies are converted at the rates of exchange at the dates of those transactions.

Gains and losses arising from translating profit or loss items are included in profit or loss. Unrealised portions of such gains are ultimately transferred to capital reserve. Exchange differences arising on other changes to stockholders' interests are reflected in other capital reserves [note 19(ii)].

(c) Financial instruments – Classification, recognition and de-recognition, and measurement

Financial instruments carried on the statement of financial position include cash and cash equivalents, accounts receivable, short-term investments, securities purchased under resale agreement, investments, payables and loans and borrowing.

*Financial assets**Initial recognition and measurement*

Financial assets that are not designated as at fair value through profit or loss and: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as "Held to collect" and measured at amortised cost.

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

- Cash and cash equivalents;
- Accounts receivable;
- Short-term investments; and
- Securities purchased under resale agreements.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

- (c) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

Equity instruments

On initial recognition of an equity instrument, the group elects to irrevocably designate an equity investment at fair value through other comprehensive income. Subsequent changes in the investment at fair value are recorded in OCI.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in their individual policy notes.

Impairment of financial assets

For trade receivables, the group applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

The group recognises a loss allowance for expected credit losses on other financial assets that are measured at amortised cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the credit risk on the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses [see note 2(c)].

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

The group applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward-looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination. Measurement of ECLs at each reporting date reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The group uses three scenarios that are probability weighted to determine ECL.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

- (c) Financial instruments – Classification, recognition and de-recognition, and measurement (continued)

*Financial liabilities**Initial recognition and measurement*

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in their individual policy notes.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the group balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

- (d) Cash and cash equivalents

Cash comprises cash in hand, on demand and on call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes.

- (e) Short-term investments

Short-term investments comprise fixed deposits with banks, money market securities and loans and receivables maturing within one year. They are acquired for their earnings potential and for balancing the group's risks on its investment portfolio. Their nature, liquidity and risk are similar to those of cash and cash equivalents.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(f) Securities purchased under resale agreements

Securities purchased under resale agreements ('reverse repos') are short-term transactions in which the purchaser makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Reverse repos are accounted for as short-term collateralised lending. The difference between the sale and repurchase consideration is recognised on the effective interest basis over the period of the repurchase agreement and is included in interest income.

(g) Accounts receivable

Trade and other receivables are recognised initially at the fair value of the amounts due from the customers and subsequently measured at amortised cost, less allowance for impairment.

(h) Inventories

Inventories are measured at the lower of cost, determined principally on the first-in first-out basis, and net realisable value. Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses.

(i) Trade and other payables

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

(j) Biological assets

Biological assets represent the cost of, primarily, pineapple and banana plants which are capitalised up to maturity. These are measured at cost, less accumulated amortisation and impairment losses. The costs are normally amortised over a period of two years for pineapples and seven years for bananas.

(k) Intangible assets and goodwill

(i) Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units (note 13) and tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the equity accounted investee as a whole. Other intangible assets that are acquired by the group and have finite useful lives are measured at cost less accumulated amortisation and impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(k) Intangible assets and goodwill (continued)

(iii) Amortisation

Intangible assets are amortised on the straight-line basis in profit or loss over their estimated useful lives from the date that they are available for their intended use by management. Goodwill is not amortised but tested annually for impairment.

The estimated useful lives are as follows:

- | | |
|--------------------------------------|-------------|
| • brands and trademarks | 25 years |
| • customer relationships | 10-15 years |
| • other identified intangible assets | 3-5 years |

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

(l) Property, plant and equipment

(i) Owned assets

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

The cost of self-constructed assets includes the costs of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the present value of costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised as part of the cost of the qualifying asset.

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

(ii) Subsequent costs

The group recognises the cost of replacing part of an item of property, plant and equipment in the carrying amount of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably.

(iii) Depreciation

Property, plant and equipment, including leased assets, with the exception of freehold land, on which no depreciation is charged, are depreciated on the straight-line basis at annual rates, varying between 2% and 50%, estimated to write down the assets to residual values over their expected useful lives.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(l) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Computer software and equipment are depreciated on the straight-line basis at rates between 25% and 50% per annum. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(m) Investment property

Investment properties, principally freehold warehouse buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is shown at cost less accumulated depreciation.

Subsequent costs are included in the carrying amount of the asset or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. On replacement of a separately measured part of an item of investment property, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of profit or loss when the expenditure is incurred.

Depreciation is calculated on the straight-line balance basis at annual rates to write off the relevant assets over their expected useful lives as follows:

Plant and buildings 2.5%

Land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its recoverable amount [note 3(m)].

Gains and losses on disposal of investment property are determined by comparing proceeds with their carrying amounts and are included in the statement of profit or loss.

(n) Impairment of non-financial assets

The carrying amounts of the group's non-financial asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of goodwill is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that are largely independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(n) Impairment of non-financial assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(o) Loans payable

Loans payable are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method.

(p) Leases

At inception of a contract, the group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the group uses the definition of a lease in IFRS 16.

i. As a lessee

At commencement or on modification of a contract that contains a lease component, the group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(p) Leases (continued)

i. As a lessee (continued)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the group by the end of the lease term or the cost of the right-of-use asset reflects that the group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Generally, the group uses its incremental borrowing rate as the discount rate.

The group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the group is reasonably certain to exercise, lease payments in an optional renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the group is reasonably certain to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the group's estimate of the amount expected to be payable under a residual value guarantee, if the group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(p) Leases (continued)

i. As a lessee (continued)

Short-term leases and leases of low-value assets

The group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

ii. As a lessor

When the group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(q) Employee benefits

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, national insurance contributions, annual leave and non-monetary benefits such as medical care and housing, post-employment benefits such as pensions and other long-term employee benefits such as termination benefits. Employee benefits that are earned as a result of past or current service are recognised in the following manner:

- Current employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employees become entitled to the leave.
- Pension obligations

The group, through its subsidiaries, participates in defined benefit retirement plans, the assets of which are generally held in separate trustee-administered funds. The pension plans are funded by payments from employees and by the group, taking into account the recommendations of qualified actuaries. The group has defined benefit and defined contribution plans.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(q) Employee benefits (continued)

• Pension obligations (continued)

The asset or liability recognised in respect of the defined benefit pension plan is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, together with adjustments for past service costs.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

The group also participates in defined contribution plans whereby it pays contributions to privately administered pension plans which are administered by trustees. Once the contributions have been paid, the group has no further payment obligations. The contributions are charged to profit or loss in the period to which they relate.

• Other retirement obligations

The group, through its subsidiaries, provides post-employment health care and life insurance benefits to certain retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using an accounting methodology similar to that for defined benefit pension plans.

Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. These obligations are valued annually by independent qualified actuaries.

• Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the group recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(r) Revenue

Performance obligations and revenue recognition policies:

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

A contract with a customer that results in a recognised financial instrument in the group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual.

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

<u>Type of revenue</u>	<u>Nature and timing of satisfaction of performance obligations, including significant payment terms.</u>	<u>Revenue recognition under IFRS 15</u>
Terminal and logistics services	The group provides a full range of cargo handling, logistics, freight forwarding and trans-shipment services. Fees to its customers are calculated based on specific tariffs and charged based on services rendered.	Generally recognised at the point in time that the service is delivered.
Sale of food and drinks	The group provides goods to its customers. Customers obtain control of products when the goods are delivered and have been accepted at their premises, or in certain cases when the goods have been collected from a group's premises. Invoices are generated at that point and are payable within a range of terms that vary from immediately to 60 days. Some contracts allow customers to return goods. Returned goods are exchanged for new goods or, in certain cases, are refunded through credit notes.	Recognised at the point in time that the goods are delivered and have been accepted by the customers at their premises. 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 group has a very low level of returned goods. Where applicable, the right to recover returned goods is measured at the former carrying amount of inventory less any expected cost to recover.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

3. Significant accounting policies (continued)

(s) Finance costs

Finance costs represent interest payable and amortised borrowing costs calculated using the effective interest method.

(t) Interest income

Interest income is recognised in profit or loss and is calculated taking into account the effective interest rate on the asset.

(u) Taxation

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

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

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

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

(v) Segment reporting

An operating segment is a component of the group:

- (i) that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components.
- (ii) whose operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and
- (iii) for which discrete financial information is available.

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

4. Short-term investments

This comprises fixed deposits.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

5. Securities purchased under resale agreements

The fair value of the underlying securities purchased under resale agreements approximated \$8,091,011,000 (2019: \$5,567,531,000).

6. Accounts receivable

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Trade receivables	2,367,560	2,400,999
Staff receivables	6,972	5,567
Other receivables and prepayments	<u>720,880</u>	<u>667,867</u>
	3,095,412	3,074,433
Less: allowance for expected credit losses	<u>(200,728)</u>	<u>(125,203)</u>
	<u>2,894,684</u>	<u>2,949,230</u>

The movement in allowance for expected credit losses during the year is as follows:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Balance at beginning of year	125,203	130,370
Impairment losses recognised	111,970	33,558
Amount recovered in the year	(41,773)	(33,605)
Amounts written-off as uncollectible	-	(9,107)
Exchange loss on retranslation	<u>5,328</u>	<u>3,987</u>
Balance at end of year	<u>200,728</u>	<u>125,203</u>

The allowance for impairment is used to record impairment losses, unless the group is satisfied that no recovery of the amount owing is probable, at which point the amount considered irrecoverable is written-off directly against the receivable.

7. Inventories

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Raw materials and consumables	419,337	384,011
Processed goods	109,711	160,263
Spare parts and other	<u>450,436</u>	<u>434,651</u>
	<u>979,484</u>	<u>978,925</u>

8. Accounts payable

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Trade payables	1,870,354	2,072,851
Dividends payable – shareholders and non-controlling interests	495,655	419,251
Accrued expenses and other payables	<u>1,553,941</u>	<u>1,411,129</u>
	<u>3,919,950</u>	<u>3,903,231</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

9. Biological assets

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Balance at beginning of the year	68,318	81,140
Increase due to new plantings	32,396	26,620
Amortisation in year	<u>(44,834)</u>	<u>(39,442)</u>
Balance at end of the year	<u>55,880</u>	<u>68,318</u>

10. Interest in associate companies

The group's associated companies, which are recognised using the equity method, are set out below:

(a) Interest in associates

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
(i) Tortuga Cayman Limited	-	107,836
(ii) SAJE Logistics and Infrastructure Limited	<u>-</u>	<u>625,918</u>
	<u>-</u>	<u>733,754</u>

(i) The group has a 40% holding in Tortuga Cayman Limited, a company that manufactures and distributes baked products, through its subsidiary Tortuga International Holdings Limited. In accordance with accounting policy (note 3(a)(v)) the group has limited the recognition of losses to the value of its equity and debt interests in the associate.

(ii) On August 13, 2020, the group disposed of a portion of its shares representing 22.1% of the share capital of SAJE Logistics and Infrastructure Limited ("SAJE"). The group accounts for the remaining 9.5% interest at fair value through other comprehensive Income (Note 1).

(b) The share of profits from associate companies for the year amounted to \$(5,168,000) (2019: \$13,093,000).

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued) Year ended December 31, 2020

11. Non-controlling interest

The following table summarises information relating to each of the group's subsidiaries that has a material non-controlling interest (NCI) before any intra-group eliminations but after adjustments to align accounting policies.

	2020				2019			
	Kingston Wharves Limited	Tortuga International Holdings Limited	JP Snacks Caribbean Limited	Total	Kingston Wharves Limited	Tortuga International Holdings Limited	Other	Total
NCI percentage	<u>58%</u>	<u>38%</u>	<u>30%</u>		<u>58%</u>	<u>38%</u>		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets	22,225,028	677,222	366,930		23,066,013	869,793	365,096	
Current assets	8,086,693	427,741	353,949		7,216,448	447,908	321,615	
Non-current liabilities	(3,052,774)	(136,522)	(608,385)		(4,397,036)	(147,273)	(583,133)	
Current liabilities	(2,003,260)	(242,638)	(113,239)		(2,100,317)	(310,009)	(261,794)	
Net assets/(liabilities)	<u>25,255,687</u>	<u>725,803</u>	<u>(745)</u>		<u>23,785,108</u>	<u>860,419</u>	<u>(158,216)</u>	
Carrying amount of NCI	<u>14,507,481</u>	<u>285,548</u>	<u>6,730</u>	<u>14,799,759</u>	<u>13,636,897</u>	<u>336,560</u>	<u>(212,812)</u>	<u>13,760,645</u>
Revenue	<u>7,145,119</u>	<u>990,569</u>	<u>1,326,131</u>		<u>7,897,591</u>	<u>1,089,425</u>	<u>1,323,926</u>	
Profit/(loss) for the year	2,839,653	(193,980)	(17,026)		2,527,239	33,617	43,331	
Other comprehensive (loss)/income	(596,766)	59,364	48,675		(10,503)	20,796	131,584	
Total comprehensive income/(loss)	<u>2,242,887</u>	<u>(134,616)</u>	<u>31,649</u>		<u>2,516,736</u>	<u>54,413</u>	<u>174,915</u>	
Profit/(loss) allocated to NCI	1,665,138	(73,490)	(21,828)	1,569,820	1,508,604	12,736	6,273	1,527,613
Other comprehensive (loss)/income allocated to NCI	(346,124)	22,478	14,602	(309,044)	(6,092)	7,880	7,682	9,470
Cash flows from operating activities	2,806,343	(64,021)	22,225		2,569,408	75,599	86,977	
Cash flows from investment activities	(580,042)	78,750	(42,834)		(202,672)	(8,488)	(708,613)	
Cash flows from financing activities	(1,538,163)	(84,645)	(11,173)		(1,439,459)	17,772	577,838	
Net increase/(decrease) in cash and cash equivalents	<u>688,138</u>	<u>(69,916)</u>	<u>(31,782)</u>		<u>927,277</u>	<u>84,883</u>	<u>(43,798)</u>	

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year ended December 31, 2020

12. Investments

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Quoted equities	14,122	24,727
Unquoted equity	537,111	-
Long-term receivable	<u>40,092</u>	<u>83,352</u>
	<u>591,325</u>	<u>108,079</u>

The long-term receivable represents a third party loan of US\$1,140,000 (2019: US\$1,140,000) receivable in equal monthly payments over fifteen years. It commenced in 2010 and included a one-year principal moratorium for the first year. The loan, which earns interest at 3% per annum, is secured by a first mortgage over property and liens over plant, equipment, inventories and any other assets owned by the borrower. In addition, a first lien is held over the shares held by the borrower in former subsidiaries that own the assets pledged as security.

During the year, following indicators of uncertainty in recoverability and a review of the underlying value of security and the costs of liquidation, an additional impairment allowance of US\$356,000 was recognised against this loan. This was in addition to US\$378,000 recognised in prior years.

13. Intangible assets

	<u>Brands and trademarks</u>	<u>Customer relationships</u>	<u>Other identifiable intangibles</u>	<u>Goodwill</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Cost					
December 31, 2018	541,065	659,008	98,283	856,484	2,154,840
Additions	-	-	2,070	-	2,070
Transfers from property, plant and equipment	-	-	45,933	-	45,933
Exchange adjustments	<u>11,460</u>	<u>6,454</u>	<u>1,612</u>	<u>26,266</u>	<u>45,792</u>
December 31, 2019	552,525	665,462	147,898	882,750	2,248,635
Additions	-	-	61,846	-	61,846
Disposals	-	-	(1,753)	-	(1,753)
Exchange adjustments	<u>36,915</u>	<u>20,789</u>	<u>4,794</u>	<u>113,264</u>	<u>175,762</u>
December 31, 2020	<u>589,440</u>	<u>686,251</u>	<u>212,785</u>	<u>996,014</u>	<u>2,484,490</u>
Amortisation and impairment					
December 31, 2018	140,001	253,817	62,840	185,100	641,758
Charge for the year	22,146	58,501	15,898	-	96,545
Transfers	-	-	11,277	-	11,277
Exchange adjustments	<u>2,998</u>	<u>3,623</u>	<u>1,212</u>	<u>4,875</u>	<u>12,708</u>
December 31, 2019	165,145	315,941	91,227	189,975	762,288
Charge for the year	23,380	59,734	19,648	-	102,762
Impairment	-	69,411	-	38,942	108,353
Disposals	-	-	(351)	-	(351)
Exchange adjustments	<u>12,110</u>	<u>13,521</u>	<u>3,736</u>	<u>15,707</u>	<u>45,074</u>
December 31, 2020	<u>200,635</u>	<u>458,607</u>	<u>114,260</u>	<u>244,624</u>	<u>1,018,126</u>
Net book values					
December 31, 2020	<u>388,805</u>	<u>227,644</u>	<u>98,525</u>	<u>751,390</u>	<u>1,466,364</u>
December 31, 2019	<u>387,380</u>	<u>349,521</u>	<u>56,671</u>	<u>692,775</u>	<u>1,486,347</u>
December 31, 2018	<u>401,064</u>	<u>405,191</u>	<u>35,443</u>	<u>671,384</u>	<u>1,513,082</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

13. Intangible assets (continued)

In 2020, as a result of the group's impairment assessment, the following impairments were identified

- i) The value in use of certain customer relationships was identified to be lower than the carrying amount because of lower than previously expected future EBITDA margins. Accordingly, an impairment of \$69,411,000 was recognised to reflect this reduction in recoverable amount.
- ii) The value in use of goodwill was identified to be lower than the carrying amount and an impairment of \$38,942,000 was recognised to reflect this reduction in recoverable amount.

In testing goodwill for impairment, recoverable amounts of cash-generating units are estimated based on value-in-use. Where the recoverable amounts exceed the carrying amounts, no impairment allowance is made. The recoverable amounts of cash-generating units are arrived at by estimating their future cash flows and discounting those cash flows using long-term discount rates applicable to the countries in which the businesses operate. Future sustainable cash flows are estimated based on the most recent forecasts, after taking account of past experience. In all cases projected cash flows are estimated over 5 years, followed by a terminal value calculated based on the discount rates and growth rates in the table below. Each unit is regarded as saleable to a third party at a future date at a price sufficient to recover its carrying amount of goodwill. Key assumptions are set out below:

<u>Cash-generating units (CGUs)</u>	<u>2020</u>		<u>2019</u>	
	<u>Discount rates</u>	<u>Growth rates</u>	<u>Discount rates</u>	<u>Growth rates</u>
Juice manufacturing business	12.4%	2%	10.0%	3%
Other food manufacturing business	15.0%	2%	15.0%	3%
Logistics business	13.7%	2%	10.0%	3%
Other units	<u>15.0%</u>	<u>2%</u>	<u>15.0%</u>	<u>3%</u>

14. Deferred tax asset/(liability)

The deferred tax asset/(liability) is attributable to the following:

	<u>Deferred tax</u>					
	<u>Asset</u>		<u>Liability</u>		<u>Net</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Property, plant and equipment	14,011	7,929	(1,220,554)	(1,209,926)	(1,206,543)	(1,201,997)
Employee benefits	-	-	(145,666)	(212,717)	(145,666)	(212,717)
Other liabilities	-	-	(6,455)	12,047	(6,455)	12,047
Other assets	-	-	<u>58,755</u>	<u>(208)</u>	<u>58,755</u>	<u>(208)</u>
	<u>14,011</u>	<u>7,929</u>	<u>(1,313,920)</u>	<u>(1,410,804)</u>	<u>(1,299,909)</u>	<u>(1,402,875)</u>

Movement on the net deferred tax (liability)/asset during the year:

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Net deferred tax liability at beginning of year	(1,402,875)	(1,303,410)
Effect of re-measurement of post-employment benefits	77,036	1,288
Recognised in taxation credit/(charge) [note 25(a)(ii)]	26,232	(100,908)
Translation gain in the year	<u>(302)</u>	<u>155</u>
	<u>(1,299,909)</u>	<u>(1,402,875)</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year ended December 31, 2020

15. Property, plant and equipment

	Freehold land and <u>buildings</u> \$'000	Leasehold land and <u>buildings</u> \$'000	Equipment, vehicles and <u>furniture</u> \$'000	Work- in- <u>progress</u> \$'000	<u>Total</u> \$'000
Cost					
December 31, 2018	18,520,340	367,990	6,347,286	246,502	25,482,118
Additions	142,444	24,104	561,981	646,976	1,375,505
Disposals	(165,593)	(549)	(154,347)	-	(320,489)
Transfers	220,430	-	25,391	(291,755)	(45,934)
Exchange adjustments	<u>52,075</u>	<u>-</u>	<u>68,085</u>	<u>2,497</u>	<u>122,657</u>
December 31, 2019	18,769,696	391,545	6,848,396	604,220	26,613,857
Additions	197,485	10,717	220,416	667,534	1,096,152
Disposals	-	-	(67,965)	-	(67,965)
Transfers	659,370	3,827	41,539	(704,736)	-
Exchange adjustments	<u>334,853</u>	<u>-</u>	<u>497,645</u>	<u>55,386</u>	<u>887,884</u>
December 31, 2020	<u>19,961,404</u>	<u>406,089</u>	<u>7,540,031</u>	<u>622,404</u>	<u>28,529,928</u>
Depreciation and impairment					
December 31, 2018	1,241,242	226,671	2,307,726	82,440	3,858,079
Charge for the year	467,366	6,843	547,315	11,143	1,032,667
Transfers	7,162	397	(18,836)	-	(11,277)
Eliminated on disposals	(25,724)	(284)	(129,653)	-	(155,661)
Exchange adjustments	<u>15,230</u>	<u>(30)</u>	<u>32,468</u>	<u>2,936</u>	<u>50,604</u>
December 31, 2019	1,705,276	233,597	2,739,020	96,519	4,774,412
Charge for the year	490,569	8,812	600,321	16,748	1,116,450
Eliminated on disposals	-	-	(61,136)	-	(61,136)
Exchange adjustments	<u>117,131</u>	<u>117</u>	<u>254,823</u>	<u>21,467</u>	<u>393,538</u>
December 31, 2020	<u>2,312,976</u>	<u>242,526</u>	<u>3,533,028</u>	<u>134,734</u>	<u>6,223,264</u>
Net book values					
December 31, 2020	<u>17,648,428</u>	<u>163,563</u>	<u>4,007,003</u>	<u>487,670</u>	<u>22,306,664</u>
December 31, 2019	<u>17,064,420</u>	<u>157,948</u>	<u>4,109,376</u>	<u>507,701</u>	<u>21,839,445</u>
December 31, 2018	<u>17,279,098</u>	<u>141,319</u>	<u>4,039,560</u>	<u>164,062</u>	<u>21,624,039</u>

16. Investment property

	<u>Land</u> \$'000	<u>Plant and buildings</u> \$'000	<u>Total</u> \$'000
Cost at 31 December 2019 and 31 December 2020	269,700	300,300	570,000
Depreciation charge for the year 2019	<u>-</u>	<u>(1,381)</u>	<u>(1,381)</u>
Net book value December 31, 2019	269,700	298,919	568,619
Depreciation charge for the year 2020	<u>-</u>	<u>(7,918)</u>	<u>(7,918)</u>
Net book value December 31, 2020	<u>269,700</u>	<u>291,001</u>	<u>560,701</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

16. Investment property (continued)

The investment property, which is carried at cost less accumulated depreciation, is valued at \$570,000,000 (2019 \$570,000,000) as at October 30, 2019 based on open market value by D.C. Tavares and Finson Realty Limited, independent qualified valuers. The valuation was carried out for determining the fair value at acquisition.

Amounts recognised in profit or loss for investment property:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Rental income	43,865	7,236
Direct operating expenses from property that generated rental income	<u>(7,918)</u>	<u>(1,381)</u>

17. Employee benefit asset and obligations

The group participates in benefit plans for its employees, summarised as follows:

- (i) Four defined contribution schemes for qualifying employees in Jamaica and another in the United Kingdom.
- (ii) An industry-wide multi-employer defined benefit scheme in the Netherlands. The subsidiary is required to contribute a specified percentage of payroll costs to the scheme to fund the benefits. This percentage may increase or decrease as a result of changes in actuarial valuations. The only obligation of the group with respect to this scheme is to make the specified contributions. Accordingly, it is treated as a defined contribution scheme for the purpose of the group's financial reporting.
- (iii) A defined benefit scheme for certain employees of its subsidiary also in the Netherlands. The group has contracted out all legal and constructive commitments of this scheme to an insurance company and is only obliged to make annual specified contributions. Accordingly, this scheme is treated as a defined contribution scheme for the purpose of the group's financial reporting.
- (iv) A defined benefit scheme operated by Kingston Wharves Limited (KW). KW also provides other retirement benefits giving rise to obligations. The assets of the funded plans are held independently in separate trustee administered funds.

The effect on the balance sheet, profit for the year and other comprehensive income are as follows:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Balance sheet asset/(obligations) for:		
Pension benefits asset	1,549,850	2,071,885
Other retirement benefits obligation	<u>(384,517)</u>	<u>(370,149)</u>
(Credit)/charge to profit or loss for:		
Pension benefits	(107,322)	(78,864)
Other retirement benefits	<u>43,098</u>	<u>39,422</u>
	<u>(64,224)</u>	<u>(39,442)</u>
Charge/(credit) to other comprehensive income on remeasurements for:		
Pension benefits	633,488	(3,444)
Other retirement benefits	<u>(17,204)</u>	<u>15,235</u>
	<u>616,284</u>	<u>11,791</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

17. Employee benefit asset and obligations (continued)

(a) Defined benefit pension plan

The Kingston Wharves scheme is open to all permanent employees of that subsidiary. Under the scheme, retirement benefits are based on average salary during the three years preceding retirement. The scheme is funded by employee contributions at 5% and employer contributions of 1% of salary, as recommended by independent actuaries. Members may also make voluntary contributions of up to 5% of their earnings.

The assets of the plan are held independently of the group's assets in a separate trustee-administered fund. The plan is valued by independent actuaries annually using the projected unit credit method.

The defined benefit asset recognised in the balance sheet is determined as follows:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Fair value of plan assets	3,730,537	4,200,906
Present value of fund obligations	<u>(2,180,687)</u>	<u>(2,129,021)</u>
Asset in the balance sheet	<u>1,549,850</u>	<u>2,071,885</u>

Movements in the amounts recognised in the balance sheet:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Assets at start of year	2,071,885	1,985,258
Amounts recognised in comprehensive income for the year	(526,166)	82,308
Contributions paid	<u>4,131</u>	<u>4,319</u>
Asset at end of year	<u>1,549,850</u>	<u>2,071,885</u>

The movement in the fair value of plan asset:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Balance at start of year	4,200,906	3,779,712
Interest income	312,780	262,327
Remeasurements -		
Return on plan assets, excluding amounts included in interest expense	(722,145)	223,246
Members' contributions	37,933	37,946
Employers' contributions	4,131	4,319
Benefits paid	(97,332)	(101,118)
Administrative expenses	<u>(5,736)</u>	<u>(5,526)</u>
Balance at end of year	<u>3,730,537</u>	<u>4,200,906</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year ended December 31, 2020

17. Employee benefit asset and obligations (continued)

(a) Defined benefit pension plan (continued)

The movement in the present value of the funded obligations is as follows:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Balance at start of year	2,129,021	1,794,454
Current service cost	81,788	70,102
Interest cost	161,933	127,616
Remeasurements -		
(Gain)/loss from change in financial assumptions	(88,657)	219,802
Members' contributions	17,279	18,165
Benefits paid	(97,332)	(101,118)
Gain on curtailment	<u>(23,345)</u>	<u>-</u>
Balance at end of year	<u>2,180,687</u>	<u>2,129,021</u>

As at the reporting date, the present value of the defined benefit obligation was comprised of approximately \$1,321,000,000 (2019: \$1,248,651,000) relating to active employees, \$119,583,000 (2019: \$114,445,000) relating to deferred members, \$733,026,000 (2019: \$759,426,000) relating to members in retirement and \$6,397,000 (2019: \$6,499,000) representing other liabilities.

The amounts recognised in the profit and loss account are as follows:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Current service cost	61,134	50,321
Interest income	(150,847)	(134,711)
Administrative expenses	5,736	5,526
Gain on curtailment	<u>(23,345)</u>	<u>-</u>
Total, included in staff costs	<u>(107,322)</u>	<u>(78,864)</u>

Plan assets are comprised as follows:

	<u>2020</u>		<u>2019</u>	
	\$'000	%	\$'000	%
Quoted equity securities	1,893,780	50.8	2,404,769	57.2
Government of Jamaica securities	856,006	22.9	971,257	23.1
Corporate bonds and promissory notes	588,357	15.8	570,891	13.6
Repurchase agreements	205,057	5.5	84,167	2.0
Leases	20,136	0.5	33,084	0.8
Real estate	125,485	3.4	117,809	2.8
Other	<u>41,716</u>	<u>1.1</u>	<u>18,929</u>	<u>0.5</u>
	<u>3,730,537</u>	<u>100.0</u>	<u>4,200,906</u>	<u>100.0</u>

The pension plan's assets include ordinary stock units of Kingston Wharves Limited with a fair value of \$405,000,000 (2019: \$549,000,000).

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

17. Employee benefit asset and obligations (continued)

(a) Defined benefit pension plan (continued)

Expected contributions to the post-employment plan for the year ending December 31, 2021 are \$4,272,000 (2020: \$4,700,000).

The significant actuarial assumptions used were as follows:

	<u>2020</u>	<u>2019</u>
Discount rate	9.00%	7.50%
Future salary increases	7.00%	5.00%
Expected pension increase	<u>4.50%</u>	<u>3.00%</u>

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65.

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	<u>Impact on post-employment obligations</u>					
	<u>Change in assumption</u>		<u>Increase in assumption</u>		<u>Decrease in assumption</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
			\$'000	\$'000	\$'000	\$'000
Discount rate	0.5%	0.5%	(130,462)	(126,126)	146,154	(141,440)
Future salary increases	0.5%	0.5%	18,873	18,471	(17,830)	(16,856)
Expected pension increase	0.5%	0.5%	116,264	106,856	(104,364)	(102,343)
Life expectancy	<u>1 year</u>	<u>1 year</u>	<u>37,606</u>	<u>41,454</u>	<u>(37,185)</u>	<u>(35,611)</u>

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, as changes in some of the assumptions may be correlated.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

(b) Other retirement benefits

Kingston Wharves Limited operates both a group health plan and a group life plan. KW covers 100% of the premiums of both plans. However, pensioners under the health plan have the option to pay an additional premium for dependents' coverage.

The method of accounting and the frequency of valuations for these plans are similar to those used for the defined benefit pension scheme. In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long term increase in health costs of 8% (2019: 6%) per year for the insured group health plan. The insured group life plan assumes a salary rate increase of 7% (2019: 5%) per year.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

17. Employee benefit asset and obligations (continued)

(b) Other retirement benefits (continued)

The amounts recognised in the balance sheet were determined as follows:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Liability at start of year	370,149	326,782
Amounts recognised in comprehensive income for the year	25,894	54,657
Benefits paid	(11,526)	(11,290)
Liability at end of year	<u>384,517</u>	<u>370,149</u>

Movement in the present value of the defined benefit obligation:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Balance at start of year	<u>370,149</u>	<u>326,782</u>
Current service cost	21,182	15,833
Interest cost	28,664	23,589
Gain on curtailment	(6,748)	-
Included in staff costs in profit and loss account	<u>43,098</u>	<u>39,422</u>
Remeasurements -		
Loss/(gain) from change in financial assumptions, being total included in other comprehensive income	(17,204)	15,235
Benefits paid	(11,526)	(11,290)
Balance at end of year	<u>384,517</u>	<u>370,149</u>

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	<u>Impact on post-employment obligations</u>					
	<u>Change in assumption</u>		<u>Increase in assumption</u>		<u>Decrease in assumption</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u> \$'000	<u>2019</u> \$'000	<u>2020</u> \$'000	<u>2019</u> \$'000
Life						
Discount rate	0.5%	0.5%	(2,036)	(2,381)	2,096	2,621
Future salary increases	<u>0.5%</u>	<u>0.5%</u>	<u>605</u>	<u>709</u>	(612)	(560)
Medical						
Discount rate	0.5%	0.5%	(25,982)	(24,855)	39,274	28,131
Future medical cost rate	<u>0.5%</u>	<u>0.5%</u>	<u>39,274</u>	<u>28,131</u>	(25,982)	(24,855)

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

17. Retirement benefit asset and obligations (continued)

(c) Risks associated with pension plans and other post-employment plans

Through its defined benefit pension plans and post-employment medical plans, the subsidiary is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to Government of Jamaica bond yields; if plan assets underperform this yield, this will create a deficit.

However, the subsidiary believes that due to the long-term nature of the plan liabilities, a level of continuing equity investment is an appropriate element of the long term strategy to manage plans efficiently.

Changes in bond yields

A decrease in Government of Jamaica bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Inflation risk

Higher inflation will lead to higher liabilities. The majority of the plan's assets are unaffected by fixed interest bonds, meaning that an increase in inflation will reduce the surplus or create a deficit.

Life expectancy

The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities. This is particularly significant, where inflationary increases result in higher sensitivity to changes in life expectancy.

The weighted average duration of the defined benefit obligation for pension scheme is 15 years.

The weighted average duration of the defined benefit obligation for post-employment medical and life insurance benefits is 17 years and 12 years respectively.

18. Share capital

Authorised:

1,500,000,000 ordinary shares at no par value.

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000

Stated capital:

Issued and fully paid - 1,122,144,036 (2019: 1,122,144,036)
 ordinary stock units at no par value

	<u>112,214</u>	<u>112,214</u>
--	----------------	----------------

The company's stated capital does not include share premium, which is retained in capital reserves (note 19) in accordance with Section 39 (7) of the Jamaican Companies Act.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

19. Reserves

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Capital:		
Share premium (note 18)	135,087	135,087
Reserve for own shares [see (i) below]	(50,276)	(66,392)
Fair value reserve	(25,176)	6,970
Other [see (ii) below]	<u>4,685,139</u>	<u>2,006,972</u>
	4,744,774	2,082,637
Revenue:		
Retained profits	<u>11,275,112</u>	<u>11,641,603</u>
	<u>16,019,886</u>	<u>13,724,240</u>

- (i) Reserve for own shares is included in these financial statements by consolidation of the company's Employee's Share Ownership Plan (ESOP), which is regarded as a structured entity and is required to be consolidated under IFRS 10. The reserve comprises the cost of the company's shares held by the group through the ESOP, less net gains on shares sold.

The consolidated financial statements include the group's share of profits or loss of the ESOP based on management accounts for the year ended December 31, 2020. The results of operation of this entity are immaterial in relation to the group.

The number of stock units held by the ESOP at December 31, 2020 was 75,278,888 (2019: 76,474,118). Based on the bid price, less a 15% discount normally allowed to staff, the value of those stock units at December 31, 2020 was \$1,343,728,000 (2019: \$1,771,332,000). The fair value of these stock units is not recognised in the group's reserve for own shares until sold.

- (ii) Other capital reserves comprise gains on disposal of property, plant and equipment and investments up to December 31, 2020, unrealised exchange gains and unclaimed distributions to stockholders (note 27).
- (iii) Losses in a subsidiary, in excess of the non-controlling interest in the equity of the subsidiary, were included in the group's results prior to 2010. Should the subsidiary subsequently report profits, such profits would be included in the group results, until the non-controlling interest's share of losses, previously absorbed by the group, has been recovered.

20. Loans and borrowings

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Syndicated third party and bank loans	3,124,081	3,818,589
Finance leases	318,595	339,204
Other related party	<u>173,224</u>	<u>247,194</u>
	<u>3,615,900</u>	<u>4,404,987</u>
Less: Transaction costs		
Brought forward from prior year	(11,778)	(15,164)
Incurred in the year	(5,206)	-
Amortised in interest expense for the year	<u>12,274</u>	<u>3,386</u>
	<u>(4,710)</u>	<u>(11,778)</u>
Total carrying value of long-term loans	3,611,190	4,393,209
Less: current portion	<u>(712,762)</u>	<u>(899,690)</u>
Total non-current value of long-term loans	<u>2,898,428</u>	<u>3,493,519</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

20. Loans and borrowings (continued)

The terms and conditions of outstanding loans are as follows:

	Currency	Nominal interest rate	Year of maturity	2020		2019	
				Face value \$'000	Carrying value \$'000	Face value \$'000	Carrying value \$'000
Secured syndicated							
third party loan (i)	JMD	6.40%	2024	-	-	1,300,000	1,300,000
Secured bank loan (i)	JMD	5.35%	2027	1,235,000	1,235,000	-	-
Secured bank loan	GBP	2.85%	2020	43,965	43,965	46,363	46,363
Secured bank loan	JMD	6.50%	2027	158,621	158,621	159,000	159,000
Secured bank loan	JMD	6.75%	2021	12,000	12,000	40,800	40,800
Secured bank loan	JMD	7.25%	2020	-	-	35,714	35,714
Secured bank loan	JMD	4.57%	2024	140,148	140,148	179,259	179,259
Secured bank loan	JMD	4.57%	2023	176,786	176,786	255,357	255,357
Secured bank loan	JMD	7.25%	2023	241,879	241,879	306,375	306,375
Secured bank loan (ii)	JMD	5.00%	2023	1,107,000	1,107,000	1,359,000	1,359,000
Secured revolving							
loan facility	USD	5.50%	2021	-	-	32,505	32,505
Secured loan (v)	JMD	7.00%	2031	-	-	94,194	94,194
Secured loan	JMD	8.00%	2024	5,750	5,750	7,090	7,090
Other unsecured loan	JMD	nil	n/a	2,932	2,932	2,932	2,932
Finance lease	EUR	3.50%	2022	27,670	27,670	36,139	36,139
Finance lease (vi)	EUR	2.27%	2025	165,966	165,966	173,720	173,720
Finance lease (vi)	EUR	2.35%	2025	124,959	124,959	129,345	129,345
Other related party (iii)	USD	3.00%	2025	173,224	173,224	159,997	159,997
Other related party (iv)	JMD	5.00%	2019	-	-	87,197	87,197
				<u>3,615,900</u>	<u>3,615,900</u>	<u>4,404,987</u>	<u>4,404,987</u>

- (i) During the year, the company refinanced a corporate bond by entering into a new secured bank loan. This loan, originally for \$1,300,000,000, incurs interest at the fixed rate of 5.35% p.a and is secured by shares in Kingston Wharves Limited (KW). It is repayable over seven years by 21 bi-annual instalments of \$65,000,000 with a final payment of \$455,000,000 in 2027.
- (ii) During 2020, Kingston Wharves Limited, renegotiated the terms of a secured bank loan to fix the annual interest rate for the remaining term at 5.0%. All other terms remain consistent. The total facility, originally \$1,800,000,000, was used to finance capital expenditure and had a two-year moratorium on principal payments during the draw-down period and was thereafter repayable in 20 instalments, ending in 2023, of \$63,000,000, with a final payment of \$540,000,000.
- (iii) The loan of \$173,224,000 is due to a company that holds 30% of the equity in JP Snacks Caribbean Limited, a subsidiary. The loan, which is denominated in US dollars, is repayable in 2025.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

20. Loans and borrowings (continued)

- (iv) The loan from a related party, of \$87,197,000 was due to a company that previously held 35% of the equity in Four Rivers Mining Company Limited (FRM). Following the group's acquisition of the shares and debt of all non-controlling interests of FRM during the current year, this loan is now payable to the company and is eliminated on consolidation of the group (Note 1).
- (v) During the current year the group repaid a loan of \$94,194,000 that was not due until 2031. There were no penalties associated with early repayment.
- (vi) During the prior year, a subsidiary of the group, A.L. Hoogesteger Fresh Specialist B.V entered into two new finance leases for plant and equipment of €1,099,000 repayable over 72 months and €1,452,000 repayable over 72 months.

21. Leases

- (i) As a lessee

The group leases property and equipment. The leases typically run for 3 to 10 years, with options to renew. Some leases may have options for periodic rate adjustments to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. Previously, these leases were classified as operating leases under IAS 17. The group has elected not to recognise right-of-use assets and lease liabilities for leases that are short- term and/or leases of low-value items.

Information about leases for which the group is a lessee is presented below.

- (a) Right-of-use assets

	<u>Leasehold land and buildings</u> \$'000	<u>Equipment and vehicles</u> \$'000	<u>Total</u> \$'000
Balance at January 1, 2019	646,331	69,671	716,002
Additions	181,069	-	181,069
Disposals, net	-	(14,918)	(14,918)
Amortisation charge for the year	(133,562)	(21,017)	(154,579)
Exchange adjustments	<u>10,502</u>	<u>1,931</u>	<u>12,433</u>
Balance at December 31, 2019	704,340	35,667	740,007
Additions	6,527	12,971	19,498
Disposals, net	(4,883)	(6,228)	(11,111)
Amortisation charge for the year	(145,977)	(19,478)	(165,455)
Exchange adjustments	<u>47,566</u>	<u>5,799</u>	<u>53,365</u>
Balance at December 31, 2020	<u>607,573</u>	<u>28,731</u>	<u>636,304</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

21. Leases (continued)

(i) As a lessee (continued)

(b) Lease liabilities

Maturity analysis – contractual undiscounted cash flows:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Less than one year	196,533	188,005
One to five years	400,785	501,504
More than five years	<u>245,323</u>	<u>221,491</u>
	842,641	911,000
Less: future interest	<u>(181,585)</u>	<u>(173,318)</u>
Total discounted lease liabilities	661,056	737,682
Less: current portion	<u>(184,088)</u>	<u>(192,221)</u>
Non-current portion	<u>476,968</u>	<u>545,461</u>

(c) Amounts recognised in profit or loss

	<u>2020</u> \$'000	<u>2019</u> \$'000
Interest on lease liabilities	21,150	9,298
Expenses relating to short-term leases	<u>8,997</u>	<u>21,952</u>

(d) Amounts recognised in the statement of cash flows

	<u>2020</u> \$'000	<u>2019</u> \$'000
Total cash outflow for leases	<u>150,786</u>	<u>156,343</u>

(e) Extension options

Some property leases contain extension options exercisable by the group up to one year before the end of the non-cancellable contract period. Where deemed appropriate, the group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the group and not by the lessors. The group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The group has estimated that potential future lease payments, should it exercise extension options in these leases, would result in an increase in lease liability of \$113,080,000 (2019: \$187,452,000).

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

21. Leases (continued)

(ii) As a lessor

a) Operating lease

The group leases out property. The group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income recognised by the group during 2020 was \$217,637,000 (2019: \$197,830,000).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	<u>2020</u> \$'000	2019 \$'000
Less than one year	235,851	193,271
One to five years	<u>112,554</u>	<u>154,166</u>
Total	<u>348,405</u>	<u>347,437</u>

22. Gross operating revenue

Gross operating revenue comprises the gross sales of goods and services of the group and commission earned by the group on consignment sales. This is shown after deducting returns, rebates and discounts, consumption taxes and eliminating sales within the group.

The following table shows disaggregation of contract revenue by primary markets, major products and services and timing of recognition:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Primary Geographic Market		
Europe	9,679,513	8,964,776
Caribbean and North America	<u>11,319,469</u>	<u>12,499,292</u>
	<u>20,998,982</u>	<u>21,464,068</u>
Major Products and Service		
Food and drinks	12,713,286	12,638,980
Terminal and logistics services	8,282,808	8,820,371
Other	<u>2,888</u>	<u>4,717</u>
	<u>20,998,982</u>	<u>21,464,068</u>

All the group's performance obligations are satisfied at the point in time that the group transfers control of goods or services to its customers.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

23. Disclosure of expenses

	<u>2020</u> \$'000	<u>2019</u>		
		<u>Previously reported</u> \$'000	<u>reclassification</u> \$'000	<u>restated</u> \$'000
Selling, administration and other expenses:				
Advertising, promotion and selling costs	293,774	339,747	-	339,747
Auditors' remuneration	80,278	69,392	-	69,392
Bad debt	70,197	(47)	-	(47)
Bank charges and merchant fees	73,135	76,164	-	76,164
Depreciation and amortisation	237,485	207,279	-	207,279
Directors' emoluments:				
Fees	14,198	14,130	-	14,130
For management	151,659	122,597	-	122,597
Donations	35,763	50,687	-	50,687
Insurance	117,027	82,777	-	82,777
IT and communication	225,843	208,511	-	208,511
Legal, professional and consultancy	131,003	174,743	-	174,743
Office and general costs	49,247	67,726	5,585	73,311
Other property related costs	164,889	166,746	-	166,746
Property rental	2,648	16,177	-	16,177
Staff costs	1,215,825	1,880,391	(529,272)	1,351,119
Transport and automobile	29,443	41,520	-	41,520
Travel	42,302	87,298	22,751	110,049
Utilities	126,668	90,989	-	90,989
Other	<u>198,709</u>	<u>153,051</u>	<u>20,388</u>	<u>173,439</u>
Total selling, administration and other operating expenses	<u>3,260,093</u>	<u>3,849,878</u>	<u>(480,548)</u>	<u>3,369,330</u>
Cost of operating revenue	<u>15,488,280</u>	<u>14,222,306</u>	<u>480,548</u>	<u>14,702,854</u>

During the year the group reviewed the classification of certain expenses in a subsidiary as part of its continuous review process and identified certain reclassifications to improve the analysis of performance. The prior year reclassification above has been made to ensure comparatives are in line with current year presentation.

The group defines cost of revenue as the total cost of manufacturing and delivering a product or service to customers. Selling, administration and other operating expenses are the total costs incurred that are not directly tied to the manufacture or delivery of a product or service to customers.

24. Financial income and expenses

	<u>2020</u> \$'000	<u>2019</u> \$'000
Finance income:		
Interest income on financial assets	184,947	178,837
Interest income on bank deposits, loans and receivables	61,051	4,879
Dividend income on FVOCI financial assets	3,288	301
Net foreign exchange gain	<u>272,519</u>	<u>50,120</u>
	<u>521,805</u>	<u>234,137</u>
Finance expenses:		
Interest expense on financial liabilities measured at amortised cost	(272,250)	(297,855)
Interest expense on right of use lease liabilities	<u>(21,150)</u>	<u>(9,298)</u>
	<u>(293,400)</u>	<u>(307,153)</u>
Net financial income/(expenses)	<u>228,405</u>	<u>(73,016)</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

25. Taxation

- (a) The taxation charge is based on the group's results for the year, as adjusted for tax purposes, and comprises:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
(i) Current tax charge:		
Jamaican corporation tax	411,858	401,380
United Kingdom corporation tax	9,754	7,401
Netherlands corporation tax	73,129	178,576
Other corporation tax	8,501	-
Tax on associated companies	<u>1,040</u>	<u>13,728</u>
	504,282	601,085
(ii) Deferred taxation (note 14):		
Origination and reversal of temporary differences	(26,232)	<u>100,908</u>
Total taxation charge in group profit and loss account	<u>478,050</u>	<u>701,993</u>

- (b) Reconciliation of tax expense

The effective tax rate for 2020 was 11.3% (2019: 20.4%), compared to the statutory tax rate of the company of 25% (2019: 25%). The actual charge differs from the "expected" tax charge for the year as follows:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Profit before taxation	<u>4,215,463</u>	<u>3,433,944</u>
Computed "expected" tax charge at 25% (2019: 25%)	1,053,865	858,486
Taxation difference between profit for financial statements and tax reporting purposes on:		
Effect of non-standard tax rates and tax rates of foreign jurisdictions	(395,901)	(377,608)
Unrelieved tax losses less tax relief utilised	101,605	101,705
Gain on disposal of property, plant and equipment and investments	(290,161)	(13,030)
Other related capital adjustments and disallowed expenses	<u>8,642</u>	<u>132,440</u>
Actual tax charge	<u>478,050</u>	<u>701,993</u>

- (c) As at December 31, 2020, the company and certain subsidiaries had taxation losses, subject to agreement by the Commissioner General, Tax Administration Jamaica, of approximately \$3,607,918,000 (2019: \$3,808,421,000) available for relief against future taxable profits. Of this amount, \$570,819,000 (2019: \$570,819,000) is available for offset against specific income such as farming profits. As of January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utilised is restricted to 50% of chargeable income (before prior year losses) in any one year. A deferred tax asset of \$901,980,000 (2019: \$952,105,000) in respect of taxation losses of certain companies has not been recognised by the group, as management considers its realisation within the foreseeable future to be too uncertain.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

26. Profit per ordinary stock unit

The profit per ordinary stock unit is calculated by dividing the profit for the year attributable to stockholders of \$2,167,593,000 (2019: \$1,204,338,000), by a weighted average number of ordinary stock units held during the year, as follows:

Weighted average number of ordinary stock units:

	<u>2020</u>	<u>2019</u>
Issued ordinary stock units at January 1	1,122,144,036	1,122,144,036
Effect of own shares held by ESOP during the year	(75,560,504)	(76,928,855)
Weighted average number of ordinary stock units in issue during the year	<u>1,046,583,532</u>	<u>1,045,215,181</u>
Profit per ordinary stock unit in issue	<u>193.17¢</u>	<u>107.32¢</u>
Profit per ordinary stock unit excluding ESOP holdings	<u>207.11¢</u>	<u>115.22¢</u>

27. Distributions to stockholders of parent

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Capital distributions:		
First interim -20¢ (2019: 15¢) per stock unit gross	224,429	168,322
Distributions to ESOP [note 19(i)]	(15,056)	(11,471)
	209,373	156,851
Unclaimed distributions written back to capital reserves [note 19(ii)]	(6,842)	(6,220)
	<u>202,531</u>	<u>150,631</u>

28. Commitments for expenditure

As at December 31, 2020, capital expenditure authorised and committed amounted to approximately \$81,334,000 (2019: \$330,369,000).

29. Related parties

Entities subject to the same ultimate control or significant influence as the company are considered to be related. Persons who exercise control or significant influence over the company, including principal owners of the company, its key management and members of the immediate families of key management of the company or its parent company, are also considered to be related parties.

(a) Identity of related parties

The group has related party relationships with its directors, officers and senior executives of subsidiaries. The company's executive directors, officers and the senior executives of subsidiaries are collectively referred to as "key management personnel".

(b) Transactions with directors and other key management personnel

Directors and officers of the company, their immediate relatives and entities over which they have significant influence hold 31.9% (2019: 32.6%) of the voting shares of the company.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
Year ended December 31, 202029. Related parties (continued)

(b) Transactions with directors and other key management personnel (continued)

In addition to their salaries, the group contributes to various post-employment benefit plans on behalf of key management personnel.

The compensation of key management personnel based in Jamaica and overseas is as follows:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Short-term employment and other benefits	461,972	438,406
Payroll taxes – employer contributions	36,740	30,488
Post-employment benefits	24,782	23,407
Other retirement benefits	<u>-</u>	<u>34,277</u>
Total remuneration	<u>523,494</u>	<u>526,578</u>

(c) Transactions with other related parties, directors and key management personnel in other capacities

Category and nature of relationship	Nature of transactions	Transactions in year		(Payable)/receivable at end of year		Terms and conditions	
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>		
		\$'000	\$'000	\$'000	\$'000	*	
Transactions with key management personnel or entities under their control and/or significant influence:							
i)	Company under their control	Insurance premiums charged to group	15,403	16,603	-	-	1,2,3
ii)	Company under their control	Management services charged to group	14,177	13,263	(3,519)	(3,250)	2,3,4
iii)	Company under their control	Shipping agency services charged to group	6,443	6,153	-	-	1,2,3
iv)	Company under their control	Charges paid on behalf of the group	(7,240)	(7,827)	-	-	1,2,3
v)	Company under their control	Collections from third parties on behalf of the group	(39,593)	(44,426)	18,343	11,804	1,2,3
vi)	Company under their control	Sales by the group	(57,507)	(121,554)	9,459	32,708	2,3,4
vii)	Company under their control	Legal services to the group	-	3,830	-	-	1,2,3

* The number in each row represents the terms and conditions that are applicable to the stated transactions and their meanings are as follows:

- | | | |
|----------------------------|--------------|-----------------------|
| 1. Credit of up to 30 days | 2. Unsecured | 3. Settlement in cash |
| 4. Credit over 30 days | | |

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

30. Segment reporting

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

The group uses profit or loss before finance cost and taxation to measure performance and allocate resources. The group's business is organised into three business segments:

- (a) JP Food & Drink - This comprises businesses that are engaged in agriculture, processing, distribution and/or retail of food and drink.
- (b) JP Logistics & Infrastructure – This comprises businesses that are engaged in logistics, transportation, port operations and related industries.
- (c) Corporate Services – This comprises interest and investment income, net of the cost of corporate functions not directly charged to business units.

	JP Food & Drink		JP Logistics & Infrastructure		Corporate Services		Total	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Gross revenue	12,719,236	12,644,388	8,282,808	8,820,371	86,647	74,334	21,088,691	21,539,093
Inter-segment revenue	(5,949)	(5,408)	-	-	(83,759)	(69,617)	(89,708)	(75,025)
Revenue from external customers	<u>12,713,287</u>	<u>12,638,980</u>	<u>8,282,808</u>	<u>8,820,371</u>	<u>2,888</u>	<u>4,717</u>	<u>20,998,983</u>	<u>21,464,068</u>
Interest income	-	-	184,947	168,535	61,051	15,181	245,998	183,716
Segment profit/(loss)	<u>101,017</u>	<u>773,576</u>	<u>2,934,212</u>	<u>3,277,428</u>	<u>1,473,634</u>	<u>(309,907)</u>	4,508,863	3,741,097
Finance cost interest expense							(293,400)	(307,153)
Profit before taxation							4,215,463	3,433,944
Taxation charge							(478,050)	(701,993)
Non-controlling interest							(1,569,820)	(1,527,613)
Profit attributable to equity holders of the parent							<u>2,167,593</u>	<u>1,204,338</u>
Segment assets	<u>7,726,394</u>	<u>7,397,807</u>	<u>30,757,651</u>	<u>30,413,783</u>	<u>2,473,955</u>	<u>792,298</u>	<u>40,958,000</u>	<u>38,603,888</u>
Segment liabilities	<u>(2,887,687)</u>	<u>(3,080,341)</u>	<u>(6,559,516)</u>	<u>(7,444,254)</u>	<u>(578,400)</u>	<u>(482,194)</u>	<u>(10,025,603)</u>	<u>(11,006,789)</u>
Capital expenditure	<u>447,039</u>	<u>755,401</u>	<u>647,055</u>	<u>606,948</u>	<u>2,058</u>	<u>13,156</u>	<u>1,096,152</u>	<u>1,375,505</u>
Depreciation, amortisation and impairment	<u>735,257</u>	<u>522,799</u>	<u>797,266</u>	<u>783,662</u>	<u>13,249</u>	<u>18,153</u>	<u>1,545,772</u>	<u>1,324,614</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

30. Segment reporting (continued)

The revenues and earnings on subsidiaries and associates acquired or disposed of during the year are included up to the date of acquisition or disposal.

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

	<u>Revenues</u>		<u>Non-current assets</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Jamaica	9,192,119	10,555,722	22,613,117	23,371,533
Netherlands	6,751,783	6,233,948	3,250,209	2,712,373
United Kingdom	343,251	218,884	378,123	359,536
United States of America	1,372,057	1,044,436	15,766	32,245
Other Caribbean countries	727,224	876,726	923,346	1,148,696
Other European countries	2,584,480	2,511,944	-	-
Other countries	<u>28,068</u>	<u>22,408</u>	<u>-</u>	<u>-</u>
	<u>20,998,982</u>	<u>21,464,068</u>	<u>27,180,561</u>	<u>27,624,383</u>

Revenues from one customer of the JP Food and Drink segment represents approximately \$6,207,000,000 (2019: \$5,357,000,000) or 29.6% (2019: 24.9%) of the group's total revenues.

31. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of an enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, short-term investments, securities purchased under resale agreements, accounts receivable and investments. Financial liabilities include bank overdrafts, credit facilities and short-term loans, accounts payable and long-term loans.

(a) Fair value of financial instruments

Fair value amounts represent estimates of the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties who are under no compulsion to act. Fair value is best evidenced by a quoted market price, if one exists.

The fair value of cash and cash equivalents, short-term investments, securities purchased under resale agreements, accounts receivable, credit facilities and short-term loans and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature. Fair value of quoted investments is the market value. This method falls within the level 1 fair value hierarchy and is defined as quoted prices (unadjusted) in an active market for identical assets. Fair value of unquoted equity falls within level 2 hierarchy and is defined as fair value measurements that are derived from inputs other than quoted prices that are observable for the asset or liability either directly (that is as prices) or indirectly, (that is, derived from prices. The fair value of long term receivable, as disclosed in note 12, are assumed to approximate cost, less allowance for impairment.

The fair value for long-term loans is assumed to approximate carrying value, as no discount on settlement is anticipated.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

31. Financial instruments (continued)

(b) Financial instrument risks

The group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk, currency risk and price risk. Information about the group's exposure to each of the above risks and the group's objectives, policies and processes for measuring and managing risk is detailed below.

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

The risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. Management's standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from cash and cash equivalents, financial investments, securities purchased under resale agreements and accounts receivable.

The maximum exposure to credit risk at the reporting date is equal to the carrying value.

The group manages this risk as follows:

- Cash and cash equivalents and short-term investments

The group maintains cash resources with reputable financial institutions. The credit risk is considered to be low. The allowance for expected credit loss is immaterial.

- Securities purchased under resale agreements

The group holds collateral for securities purchased under resale agreements. The allowance for expected credit loss is immaterial.

- Accounts receivable

The group has a credit policy in place to minimise exposure to credit risk inherent in trade accounts receivable. Credit evaluations are performed on all customers requiring credit. Credit terms are negotiated based on a mix of terms acceptable to both parties. The group provides credit up to 60 days, dependent on other pricing arrangements that may be beneficial to the relationship. A continuing relationship with customers is dependent upon adherence to the credit terms.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year ended December 31, 2020

31. Financial instruments (continued)

(b) Financial instrument risks (continued)

(i) Credit risk (continued)

- Accounts receivable (continued)

Allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are reviewed over the lifetime of the trade receivables.

The group estimates 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 tables provide information about the ECL for trade receivables as at the reporting date.

2020				
Age categories	Weighted average loss rate	Gross carrying amount \$'000	ECL allowance \$'000	Credit impaired \$'000
Current (not past due)	0.12%	1,563,242	709	No
Past due 0 - 30 days	0.25%	389,534	693	No
Past due 31- 120 days	17.21%	248,896	33,985	Yes
Past due 121 days				
- 1 year	83.96%	106,255	85,566	Yes
More than 1 year	100.00%	<u>59,633</u>	<u>59,633</u>	Yes
		<u>2,367,560</u>	<u>180,586</u>	
2019				
Age categories	Weighted average loss rate	Gross carrying amount \$'000	ECL allowance \$'000	Credit impaired \$'000
Current (not past due)	0.36%	1,682,010	951	No
Past due 0 - 30 days	0.25%	434,499	1,072	No
Past due 31- 120 days	11.65%	134,878	10,839	Yes
Past due 121 days				
- 1 year	32.74%	68,278	21,065	Yes
More than 1 year	100.00%	<u>81,334</u>	<u>81,334</u>	Yes
		<u>2,400,999</u>	<u>115,261</u>	

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

31. Financial instruments (continued)

(b) Financial instrument risks (continued)

(i) Credit risk (continued)

- Accounts receivable (continued)

Staff and other receivables are subject to credit terms consistent with staff guidelines and other factors, including Jamaican GCT, and the Netherlands and U.K. VAT. These guidelines include the provision of collateral as security for credit extended.

- Non-current investments

The loan to the purchaser of former subsidiaries, net of impairment allowance, is considered to be adequately secured. The estimated allowance for any further impairment is immaterial.

(ii) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the group's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on assets.

The group manages this risk by conducting research and monitoring the price movement of securities on the local and international markets.

There were no changes in the group's approach to managing market risk during the year.

Currency risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The group is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaican dollar. The main currencies giving rise to this risk are the Euro (EUR), United States dollar (USD) and Pound Sterling (GBP).

The group manages this risk by matching foreign currency assets with liabilities as far as possible. Interest on borrowings is denominated in currencies that match the cash inflows generated by the underlying operations in which the borrowings are invested. This provides an economic hedge and no derivatives are entered into.

There were no changes in the group's approach to managing foreign currency risk during the year.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year ended December 31, 2020

31. Financial instruments (continued)

(b) Financial instrument risks (continued)

(ii) Market risk (continued)

The net foreign currency assets/(liabilities) at year-end were as follows:

	2020			2019		
	USD \$'000	GBP £'000	EUR €'000	USD \$'000	GBP £'000	EUR €'000
Financial assets						
Cash and cash equivalents	1,488	683	2,813	4,127	286	2,613
Short term investments	56	-	-	200	-	-
Securities purchased under resale agreements	39,294	-	-	27,558	-	-
Accounts receivable	6,110	981	8,072	7,597	865	9,851
Investments	285	-	-	641	-	-
Financial liabilities						
Accounts payable	(1,997)	(1,146)	(9,480)	(3,293)	(796)	(11,092)
Current maturities of long-term loans	-	(46)	(518)	(350)	(50)	(276)
Long-term loans	(1,231)	(189)	(1,351)	(1,230)	(228)	(2,126)
Current maturities of long-term leases	(693)	(139)	(301)	(781)	(74)	(513)
Long-term leases	(897)	(971)	(500)	(1,857)	(1,191)	(527)
Financial instruments position	42,415	(827)	(1,265)	32,612	(1,188)	(2,070)
Other assets	12,525	3,036	20,757	14,893	1,897	20,499
Other liabilities	(9)	(54)	-	(5)	(14)	(87)
Balance sheet position	<u>54,931</u>	<u>2,155</u>	<u>19,492</u>	<u>47,500</u>	<u>695</u>	<u>18,342</u>

Other assets/liabilities represent balances denominated in the respective foreign currencies that are expected to be realised or settled in those currencies.

Foreign currency sensitivity analysis

The following tables detail the group's sensitivity to a 6% strengthening or 4% weakening (2019: 6% strengthening and 4% weakening) of the relevant currencies against the Jamaica dollar and the resultant net exchange gains/(losses) based on net foreign currency assets/(liabilities) at year-end. These percentages represent management's assessment of the reasonably possible change in foreign currency rates.

This analysis assumes that all other variables, in particular interest rates, remain constant and is performed on the same basis as the previous year.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year ended December 31, 2020

31. Financial instruments (continued)

(b) Financial instrument risks (continued)

(ii) Market risk (continued)

Foreign currency sensitivity analysis (continued)

Effect of a 6% (2019: 6%) depreciation of the Jamaican dollar:

	<u>2020</u>		<u>2019</u>	
	<u>Equity</u> \$'000	<u>Profit</u> \$'000	<u>Equity</u> \$'000	<u>Profit</u> \$'000
USD	109,806	353,870	116,173	254,349
GBP	24,165	-	6,847	110
EUR	<u>199,353</u>	<u>-</u>	<u>148,075</u>	<u>-</u>

Effect of a 4% (2019: 4%) appreciation of the Jamaican dollar:

	<u>2020</u>		<u>2019</u>	
	<u>Equity</u> \$'000	<u>Profit</u> \$'000	<u>Equity</u> \$'000	<u>Profit</u> \$'000
USD	(73,219)	(235,962)	(77,449)	(169,566)
GBP	(16,111)	-	(4,565)	(73)
EUR	<u>(132,983)</u>	<u>-</u>	<u>(98,717)</u>	<u>-</u>

Buying exchange rates used at year-end:

	<u>2020</u>	<u>2019</u>
USD1 to J\$	140.77	130.02
GBP1 to J\$	186.97	167.12
EUR1 to J\$	<u>170.46</u>	<u>141.22</u>

Interest rate risk

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

The group contracts material financial liabilities at fixed interest rates. Credit facilities are subject to interest rates which may be varied with appropriate notice by the lender.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

31. Financial instruments (continued)

(b) Financial instrument risks (continued)

(ii) Market risk (continued)

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Fixed rate instruments:		
Financial assets	9,328,841	5,789,080
Financial liabilities	<u>(3,731,484)</u>	<u>(5,331,775)</u>
	<u>5,597,357</u>	<u>457,305</u>
Variable rate instruments:		
Financial liabilities	<u>(540,762)</u>	<u>(676,615)</u>

There were no changes in the group's approach to managing interest rate risk during the year.

Other price risk

Other price risk is the risk that the value of certain financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting instruments traded in the market. As the group's equity instruments are carried at fair value with fair value changes recognised in the revaluation reserve, all changes in market conditions would affect other comprehensive income (OCI).

The group's exposure to price risk is represented by the total carrying value of equity investments of \$14,122,000 (2019: \$24,727,000).

Sensitivity to movements in equity prices

Sensitivity is measured by computing the impact on shareholders' equity of a reasonably probable change in equity prices.

The group's equity investments are listed locally on the Jamaica Stock Exchange. A 10% (2019: 10%) increase in stock prices at the reporting date would have increased total comprehensive income by \$1,412,200 (2019: \$2,472,700); an equal decrease would have decreased total comprehensive income by an equal amount.

Cash flow sensitivity analysis for variable rate instruments

An increase of 100 basis points (bps) or a decrease of 100 bps in interest rates at the reporting date would have (decreased)/increased profit for the year by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for the previous year.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

31. Financial instruments (continued)

(b) Financial instrument risks (continued)

(ii) Market risk (continued)

Cash flow sensitivity analysis for variable rate instruments (continued)

	<u>2020</u>		<u>2019</u>	
	<u>100 bps increase \$'000</u>	<u>100 bps decrease \$'000</u>	<u>100 bps increase \$'000</u>	<u>100 bps decrease \$'000</u>
Variable rate instruments	<u>(5,408)</u>	<u>5,408</u>	<u>(6,766)</u>	<u>6,766</u>

(iii) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the group will not be able to meet its financial obligations as they fall due and/or encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value.

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

Management of the group aims at maintaining flexibility in funding by ensuring that sufficient cash resources are held or placed in short-term marketable instruments to meet financial obligations when they fall due.

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

The tables below show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the group can be required to pay. The analysis also assumes that all other variables, in particular interest and exchange rates, remain constant.

	<u>Weighted average interest rate %</u>	<u>Carrying amount \$'000</u>	<u>2020</u>		
			<u>Contractual cash flows \$'000</u>	<u>0-1 year \$'000</u>	<u>1-5 years \$'000</u>
Bank loans	5.32%	3,124,081	3,669,995	791,091	2,878,904
Other related party loans	3.00%	173,224	188,814	5,197	183,617
Accounts payable		<u>3,919,412</u>	<u>3,919,412</u>	<u>3,919,412</u>	<u>-</u>
		<u>7,216,717</u>	<u>7,778,221</u>	<u>4,715,700</u>	<u>3,062,521</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year ended December 31, 2020

31. Financial instruments (continued)

(b) Financial instrument risks (continued)

(iii) Liquidity risk (continued)

	2019				
	Weighted average interest <u>rate</u> %	Carrying <u>amount</u> \$'000	Contractual cash <u>flows</u> \$'000	0-1 year \$'000	1-5 years \$'000
Secured syndicated loan	6.40%	1,300,000	1,673,002	230,219	1,442,783
Bank loans	6.47%	2,518,589	3,034,708	740,318	2,294,390
Other related party loans	3.71%	247,194	266,394	91,997	174,397
Accounts payable		<u>3,903,231</u>	<u>3,903,231</u>	<u>3,903,231</u>	<u>-</u>
		<u>7,969,014</u>	<u>8,877,335</u>	<u>4,965,765</u>	<u>3,911,570</u>

(iv) Capital management

There were no changes in the group's approach to capital management during the year. The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the group defines as total stockholders' equity, excluding non-controlling interest. The level of dividends to ordinary stockholders is also monitored in accordance with the group's stated dividend policy.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. Neither the company nor any of its subsidiaries is subject to externally imposed capital requirements.

32. Subsidiaries, associates and joint venture companies

The company has the following subsidiaries, associates and joint venture companies. Inactive subsidiaries are excluded.

	<u>% equity held</u>		<u>Principal place of business</u>
	<u>2020</u>	<u>2019</u>	
<i>SUBSIDIARY COMPANIES</i>			
JP Tropical Group Limited	100	100	Jamaica
Aqualta Vale Limited	100	100	Jamaica
Agri Services Limited	100	100	Jamaica
Eastern Banana Estates Limited	100	100	Jamaica
St. Mary Banana Estates Limited	100	100	Jamaica
P.S.C. Limited	-	100	Jamaica
JP Tropical Foods Limited	100	100	Jamaica
JBFS Investments Limited	100	100	Jamaica
Crescent Developments Limited	100	100	Jamaica

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year ended December 31, 2020

32. Subsidiaries, associates and joint venture companies (continued)

	<u>% equity held</u>		<u>Principal place of business</u>
	<u>2020</u>	<u>2019</u>	
<i>SUBSIDIARY COMPANIES (CONTINUED)</i>			
JP Snacks Caribbean Limited (formerly Central American Banana (2005) Limited)	70	70	Cayman Islands
Antillean Foods, Inc.	100	100	Cayman Islands
Jamaica Producers Shipping Company Limited	60	60	Jamaica
Kingston Wharves Limited	42	42	Jamaica
Harbour Cold Stores Limited	100	100	Jamaica
Security Administrators Limited	67	67	Jamaica
Western Storage Limited	100	100	Jamaica
Western Terminals Limited	100	100	Jamaica
Newport Stevedoring Services Limited	100	100	Jamaica
KW Logistics Limited	100	100	Jamaica
KW Warehousing Services Limited (formerly SSL REIT Limited)	100	100	Jamaica
Four Rivers Mining Company Limited	100	51	Jamaica
JP International Group Limited	100	100	Cayman Islands
Cooperatief JP Foods U.A.	100	100	The Netherlands
A.L. Hoogesteger Fresh Specialist B.V.	100	100	The Netherlands
JP Shipping Services Limited	100	100	England and Wales
Tortuga International Holdings Company Limited	62	62	St. Lucia
Tortuga (Barbados) Limited	100	100	Barbados
Tortuga Imports, Inc	100	100	U.S.A.
Tortuga Caribbean Rum Cake Jamaica Limited	100	100	Jamaica
Tortuga Caribbean Limited	100	100	Jamaica
<i>ASSOCIATE COMPANIES AND JOINT VENTURE</i>			
Tortuga Cayman Limited	40	40	Cayman Islands
SAJE Logistics Infrastructure Limited (formerly Shipping Association of Jamaica Property Limited)	-	30	Jamaica

33. Impact of Covid 19

The World Health Organisation declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020. The pandemic and the measures to control its human impact resulted in disruptions to economic activity, business operations and asset prices, which have negatively impacted the revenues, operating margins and cash flows of the group. The adverse impacts of the pandemic have also been considered in the group's estimates of impairment of goodwill, accounts receivable and other assets.

At the date of approving the financial statements, the full impact of the pandemic on the groups markets and businesses remains highly uncertain. However, management continues to monitor and respond to the business impact of the pandemic and does not anticipate that it will adversely affect the company's ability to continue as a going concern for the foreseeable future, having regard to the group's capital adequacy, profitability and liquidity.



**JAMAICA PRODUCERS
GROUP LIMITED**

**AUDITED
COMPANY
FINANCIAL STATEMENTS**

December 31, 2020





KPMG
Chartered Accountants
P.O. Box 436
6 Duke Street
Kingston
Jamaica, W.I.
+1 (876) 922-6640
firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Jamaica Producers Group Limited ("the company"), set out on pages 8 to 37, which comprise the separate balance sheet as at December 31, 2020, the separate statement 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 separate financial statements give a true and fair view of the unconsolidated financial position of the company as at December 31, 2020, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

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



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Separate Financial Statements (continued)

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, is of most significance in our audit of the financial statements of the current period. The matter below was 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 this matter.

Impairment of investment in subsidiaries

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The carrying value of the company's investments in subsidiaries may not be recoverable due to changes in the business and economic environment in which specific subsidiaries operate. These factors create inherent uncertainty in forecasting and require significant judgement in estimating and discounting future cash flows that support the assessment of recoverability.</p>	<p>In this area our audit procedures included:</p> <ol style="list-style-type: none">1) Evaluating whether there were indicators of impairment of the investments, considering the economic environment and business performance of each subsidiary.2) Where applicable, testing the reasonableness of the company's forecasts and discounted cash flow calculations, including:<ul style="list-style-type: none">• Comparing the company's assumptions to externally derived data as well as our own assessments of key inputs, such as projected economic growth, competition, cost inflation and discount rates.



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Separate Financial Statements (continued)

Key Audit Matter (continued)

Impairment of investment in subsidiaries (continued)

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
The carrying value of the company's investments in subsidiaries may not be recoverable due to changes in the business and economic environment in which specific subsidiaries operate. These factors create inherent uncertainty in forecasting and require significant judgement in estimating and discounting future cash flows	2) (continued) <ul style="list-style-type: none">• Comparing the sum of the discounted cash flows to the carrying value of investments in subsidiaries. 3) Assessing the adequacy of the company's disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information in the company's annual report for the year ended December 31, 2020 but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do 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.



Page 4

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Separate Financial Statements (continued)

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

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the 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.

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



Page 5

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PRODUCERS GROUP 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Nigel Chambers.

A handwritten signature in blue ink that reads 'KPMG'.

Kingston, Jamaica

March 1, 2021



INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Appendix to the Independent Auditors' report

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

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



Page 7

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Appendix to the Independent Auditors' report (continued)

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

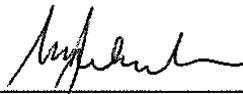
From the matters communicated with those charged with governance, we determine the matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matters 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.

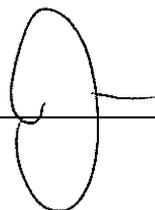
JAMAICA PRODUCERS GROUP LIMITED

Company Balance Sheet
Year ended December 31, 2020

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
CURRENT ASSETS			
Cash and cash equivalents	4	15,620	88,571
Short term investments	3(d),5	1,084,143	213,189
Securities purchased under resale agreements	3(e)	1,087,056	152,537
Accounts receivable	6	46,525	10,507
Taxation recoverable		<u>6,679</u>	<u>10,450</u>
Total current assets		<u>2,240,023</u>	<u>475,254</u>
CURRENT LIABILITIES			
Accounts payable	7	682,999	550,364
Loans and borrowings	14	130,000	150,000
Lease liabilities	11(b)	<u>5,795</u>	<u>5,795</u>
Total current liabilities		<u>818,794</u>	<u>706,159</u>
WORKING CAPITAL SURPLUS /(DEFICIT)		<u>1,421,229</u>	<u>(230,905)</u>
NON-CURRENT ASSETS			
Interests in subsidiary and associate companies	8	3,624,711	5,055,419
Investments	9	18,929	26,917
Property, plant and equipment	10	87,579	94,744
Right-of-use assets	11(a)	<u>68,445</u>	<u>72,471</u>
Total non-current assets		<u>3,799,664</u>	<u>5,249,551</u>
Total assets less current liabilities		<u>5,220,893</u>	<u>5,018,646</u>
EQUITY			
Share capital	12	112,214	112,214
Reserves	13	<u>3,950,089</u>	<u>3,703,709</u>
Total equity attributable to stockholders		<u>4,062,303</u>	<u>3,815,923</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	14	1,100,290	1,138,222
Lease liabilities	11(b)	<u>58,300</u>	<u>64,501</u>
Total equity and non-current liabilities		<u>5,220,893</u>	<u>5,018,646</u>

The financial statements on pages 8 to 37 were approved by the Board of Directors on March 1, 2021 and signed on its behalf by:


 _____ Chairman
 C. H. Johnston


 _____ Managing Director
 J. Hall

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

JAMAICA PRODUCERS GROUP LIMITEDCompany Statement of Profit or Loss and Other Comprehensive Income
Year ended December 31, 2020

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
Gross operating revenue:			
Management fees - subsidiaries		36,846	22,918
License income - subsidiary		-	77,156
Interest - subsidiaries		5,427	9,164
- other		56,293	10,026
Dividend	16	329,468	328,139
Rent - subsidiaries		21,321	12,282
- other		<u>1,838</u>	<u>3,906</u>
		451,193	463,591
Administration and other operating expenses	17	<u>(378,313)</u>	<u>(390,352)</u>
Profit from operations		72,880	73,239
Net gain from fluctuation in exchange rates	16	98,644	15,519
Gain on disposal of investments and property, plant and equipment		424,232	17,828
(Increase)/decrease in impairment allowance on loans and receivables - subsidiaries	8	(10,865)	1,827
Gain on settlement of balance with subsidiary		<u>-</u>	<u>3,382</u>
Profit before finance cost and taxation		584,891	111,795
Finance cost - interest	16	<u>(112,745)</u>	<u>(96,817)</u>
Profit before taxation		472,146	14,978
Taxation	18	<u>(191)</u>	<u>(532)</u>
Profit for the year		<u>471,955</u>	<u>14,446</u>
Other comprehensive (loss)/income:			
Items that will not be reclassified to profit or loss:			
(Depreciation)/appreciation of fair value through other comprehensive income (FVOCI) investments		(7,988)	5,785
Realised gains on the disposal of FVOCI investments		<u>-</u>	<u>1,185</u>
		<u>(7,988)</u>	<u>6,970</u>
Total comprehensive income for the year		<u>463,967</u>	<u>21,416</u>

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

JAMAICA PRODUCERS GROUP LIMITED

Company Statement of Changes in Equity
Year ended December 31, 2020

	Share <u>capital</u> \$'000 (note 12)	Share <u>premium</u> \$'000 (note 13)	Capital <u>reserves</u> \$'000 (note 13)	Fair value <u>reserves</u> \$'000 (note 13)	Retained <u>profits</u> \$'000	Total <u>equity</u> \$'000
Balances at December 31, 2018	112,214	135,087	1,167,203	-	2,542,105	3,956,609
Total comprehensive income for 2019:						
Profit for the year	-	-	-	-	14,446	14,446
Other comprehensive income:						
Items that will not be reclassified to profit or loss						
Appreciation of investments at fair value through other comprehensive income	-	-	-	5,785	-	5,785
Realised gain on the disposal of FVOCI investments	-	-	-	1,185	-	1,185
Total other comprehensive income	-	-	-	6,970	-	6,970
Total comprehensive income for the year	-	-	-	6,970	14,446	21,416
Transactions with owners of the company						
Distributions to stockholders (note 19)	-	-	(168,322)	-	-	(168,322)
Unclaimed distributions to stockholders written back (note 19)	-	-	6,220	-	-	6,220
Balances at December 31, 2019	<u>112,214</u>	<u>135,087</u>	<u>1,005,101</u>	<u>6,970</u>	<u>2,556,551</u>	<u>3,815,923</u>
Total comprehensive income for 2020:						
Profit for the year	-	-	-	-	471,955	471,955
Other comprehensive income:						
Items that will not be reclassified to profit or loss						
Depreciation of investments at fair value through other comprehensive income	-	-	-	(7,988)	-	(7,988)
Total comprehensive (loss) /income for the year	-	-	-	(7,988)	471,955	463,967
Other reserve movements:						
Reclassification of capital gains to capital reserves (note 13)	-	-	1,029,214	-	(1,029,214)	-
Transactions with stockholders						
Capital distributions (note 19)	-	-	(224,429)	-	-	(224,429)
Unclaimed distributions to stockholders written back (note 19)	-	-	6,842	-	-	6,842
Balances at December 31, 2020	<u>112,214</u>	<u>135,087</u>	<u>1,816,728</u>	<u>(1,018)</u>	<u>1,999,292</u>	<u>4,062,303</u>

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

JAMAICA PRODUCERS GROUP LIMITED

Company Statement of Cash Flows
Year ended December 31, 2020

	<u>Notes</u>	<u>2020</u> \$'000	<u>2019</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		471,955	14,446
Adjustments for:			
Depreciation – plant, property and equipment	10	9,222	14,127
Amortisation – right-of-use assets	11	4,026	4,026
Net unrealised exchange gains		(98,653)	(14,408)
Gain on disposal of property, plant and equipment and investments		(424,232)	(17,828)
Increase/(decrease) in provision for diminution in value of interest in subsidiaries	8	10,865	(1,827)
Debt forgiveness – subsidiary		-	(3,382)
Expected credit loss charge on trade receivables		1,213	3,896
Amortisation of bond issuance costs	14	12,274	3,386
Interest income	16	(61,720)	(19,190)
Interest expense	16	112,745	96,817
Current taxation charge	18	<u>191</u>	<u>532</u>
		37,886	80,595
Increase in current assets:			
Accounts receivable		(10,711)	(7,056)
Taxation recoverable		3,771	(7,112)
Increase/(decrease) in current liabilities:			
Accounts payable		51,588	74,812
Unclaimed dividends		36,272	28,470
Taxation paid		<u>(191)</u>	<u>(532)</u>
Net cash provided by operating activities		<u>118,615</u>	<u>169,177</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Short term investments		(874,709)	(219,801)
Securities purchased under resale agreements		(916,213)	(143,542)
Additions to property, plant and equipment	10	(2,058)	(13,156)
Net movement in investments		-	(19,947)
Interest received		34,942	21,664
Interests in subsidiary and associate companies		1,442,880	599,489
Proceeds from disposal of investments and property, plant and equipment		<u>467,303</u>	<u>17,828</u>
Net cash provided by investment activities		<u>152,145</u>	<u>242,535</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution to stockholders	19	(168,322)	(134,657)
Interest paid		(95,645)	(98,381)
Lease payment		(6,251)	(6,247)
Loans and borrowings		<u>(70,206)</u>	<u>(100,000)</u>
Net cash used by financing activities		<u>(340,424)</u>	<u>(339,285)</u>
Net (decrease)/increase in cash and cash equivalents		(69,664)	72,427
Effect of foreign exchange movement		(3,287)	5,344
Cash and cash equivalents at beginning of year		<u>88,571</u>	<u>10,800</u>
Cash and cash equivalents at end of year		<u>18,607</u>	<u>88,571</u>

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

1. The company

Jamaica Producers Group Limited (the company) is incorporated and domiciled in Jamaica. The company's registered office is located at 4 Fourth Avenue, Newport West, Kingston 13.

Its principal activities are the provision of administration services to its subsidiaries and associates (note 23) and the holding of investments.

During the year, as part of the group's divestment of 22.1% of the issued share capital of SAJE Logistics Infrastructure Limited ('SAJE'), the company sold all its shares in SAJE to P.S.C. Limited, a subsidiary, for consideration of \$462,471,000. (see note 8).

During the prior year, the group disposed of 30% of the shares of its subsidiary, JP Snacks Caribbean Limited, for consideration totaling \$585,411,000. This did not result in a loss of control of the subsidiary. JP Snacks Caribbean Limited manufactures, markets and sells tropical snacks under the St. Mary's Brand.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The company has assessed them and has adopted those which are relevant to its financial statements but their adoption did not result in any changes to amounts recognised or disclosed in these financial statements.

At the date of authorisation of the financial statements, certain new and amended standards have been issued which are not yet effective and which the group has not early adopted. The group has assessed the relevance of all such new standards and amendments with respect to its operations and has determined that the following may be relevant:

- Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 16 *Leases*, is effective for annual accounting periods beginning on or after January 1, 2021 and address issues affecting financial reporting in the period leading up to interbank offered rates (IBOR) reform. The second phase amendments apply to all hedging relationships directly affected by IBOR reform. The amendments principally address practical expedient for modifications. A practical expedient has been introduced where changes will be accounted for by updating the effective interest rate if the change results directly from IBOR reform and occurs on an 'economically equivalent' basis. A similar practical expedient will apply under IFRS 16 *Leases* for lessees when accounting for lease modifications required by IBOR reform. In these instances, a revised discount rate that reflects the change in interest rate will be used in remeasuring the lease liability. The amendments also address specific relief from discontinuing hedging relationships as well as new disclosure requirements.

The company is assessing the impact that the amendment will have on its 2021 financial statements.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

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

(a) Statement of compliance: (continued)

Standards issued but not yet effective (continued)

- Amendments to IAS 37 *Provision, Contingent Liabilities and Contingent Assets* is effective for annual periods beginning on or after January 1, 2022 and clarifies those costs that comprise the costs of fulfilling the contract.

The amendments clarify that the 'costs of fulfilling a contract' comprise both the incremental costs – e.g. direct labour and materials; and an allocation of other direct costs – e.g. an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. This clarification will require entities that apply the 'incremental cost' approach to recognise bigger and potentially more provisions. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

The company is assessing the impact that the amendment will have on its 2021 financial statements.

- Annual Improvements to IFRS Standards 2018-2020 cycle contain amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards*, IFRS 9 *Financial Instruments*, IFRS 16 *Leases*, IAS 41 *Agriculture*, and are effective for annual periods beginning on or after January 1, 2022.
 - (i) IFRS 9 *Financial Instruments* amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
 - (ii) IFRS 16 *Leases* amendment removes the illustration of payments from the lessor relating to leasehold improvements.

The company does not expect the amendment to have a significant impact on its financial statements.

(b) Basis of preparation:

These separate financial statements are intended to show the affairs of the company as a stand-alone business. They are not intended to, and do not, show the consolidated financial position, results of operations and cash flows of the company and its subsidiaries. The company's interests in subsidiaries [note 23] are measured at cost, less allowance for diminution in value [note 3(i)]. Unless otherwise indicated, references to "financial statements" herein are to the un-consolidated financial statements.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

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

(b) Basis of preparation: (continued)

The financial statements are prepared on the historical cost basis, except for fair value through other comprehensive income (FVOCI) investments, which are measured at fair value. The financial statements are presented in Jamaica dollars (J\$), which is the functional currency of the company.

(c) Use of estimates and judgment:

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

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

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

(i) Impairment losses on receivables

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

Under this ECL model, the company analyses its accounts receivable in a matrix by days past due and determines for each age bracket an average rate of ECL, considering actual credit loss experience over the last 8 months and analysis of future delinquency, that is applied to the balance of the accounts receivable.

The average ECL rate increases in each segment of days past due until the rate is 100% for the applicable ageing bracket. The use of assumptions makes uncertainty inherent in such estimates.

(ii) Depreciation methods, useful lives and residual values

Depreciation methods, useful lives and residual values rely on judgment and estimates by management, one of which is that the relevant assets will continue to be used for their current purpose within the company.

In addition, useful lives and residual values vary between individual assets and are dependent upon continuation of the current level of maintenance. Should there be a change in the present use or level of maintenance this could change the charge for depreciation and net book value of property, plant and equipment (note 10) within the next financial year.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

3. Significant accounting policies

The company has consistently applied the accounting policies as set out in note 3 to all periods presented in these financial statements.

(a) Foreign currencies:

Except for investments in foreign subsidiaries, foreign currency balances at the reporting date are translated at the buying rates of exchange ruling at that date [note 22(b)(ii)]. Investments in foreign subsidiaries are carried at historical rates of exchange.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(b) Financial instruments – classification, recognition and de-recognition, and measurement:

Financial instruments carried on the statement of financial position include cash and cash equivalents, accounts receivable, securities purchased under resale agreement, short-term investments, equity investments, payables and loans and borrowing.

Financial assets

Initial recognition and measurement

The financial assets that are not designated as at fair value through profit or loss and: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are classified as “Held to collect” and measured at amortised cost.

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

- Cash and cash equivalents;
- Accounts receivable;
- Securities purchased under resale agreements; and
- Short-term investments.

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

Equity instruments

On initial recognition of an equity instrument, the company elects to irrevocably designate an equity investment at fair value through other comprehensive income. Subsequent changes in the investment at fair value are recorded in OCI.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described in the particular recognition methods disclosed in their individual policy notes.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

3. Significant accounting policies (continued)

- (b) Financial instruments – classification, recognition and de-recognition, and measurement (continued):

Financial assets (continued)

Impairment of financial assets

Impairment losses of financial assets, including receivables, are recognised using the expected credit loss (ECL) model for the entire lifetime of such financial assets on initial recognition, and at each subsequent reporting period, even in the absence of a credit event or if a loss has not yet been incurred, considering past events and current conditions, as well as reasonable and supportable forecasts affecting collectability.

Derecognition

A financial asset is primarily derecognised when the rights to receive cash flows from the asset have expired, or the company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities

Initial recognition and measurement

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

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in their individual policy notes.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

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

- (c) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments, rather than for investment or other purposes.

- (d) Short-term investments:

Short-term investments comprise fixed deposits with banks, money market securities and debt instruments at amortised cost due within one year. They are acquired for their earnings potential and for balancing the company's risks on its investment portfolio. Their nature, liquidity and risk are similar to those of cash and cash equivalents.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

3. Significant accounting policies (continued)

(e) Securities purchased under resale agreements:

Securities purchased under resale agreements ('reverse repos') are short-term transactions in which the company makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price.

Reverse repos are accounted for as short-term collateralised lending.

The difference between the sale and repurchase consideration is recognised on the accrual basis over the period of the transaction and is included in interest income.

(f) Accounts receivable

Trade and other receivables are measured at amortised cost, less impairment losses.

(g) Accounts payable and provisions

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

(h) Property, plant and equipment:

(i) Owned assets

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets, are recognised as part of the cost of those qualifying assets.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and it can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss, as it is incurred.

(ii) Depreciation

Property, plant and equipment, with the exception of freehold land, on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write-off the assets over their expected useful lives. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

3. Significant accounting policies (continued)

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

(ii) Depreciation (continued)

The depreciation rates are as follows:

Leasehold land and buildings	5%
Freehold buildings	5%
Furniture and equipment	10%
Motor vehicles	20%
Computer software and equipment	33½%

(i) Impairment:

The company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. At each reporting date, the loss allowance for the financial asset except trade receivables, is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. The loss allowance on trade receivables is measured at an amount equal to the lifetime expected credit losses.

The company uses judgement when considering the following factors that affect the determination of impairment:

Macroeconomic Factors, Forward Looking Information and Multiple Scenarios

The company applies an unbiased and probability weighted estimate of credit losses by evaluating a range of possible outcomes that incorporates forecasts of future economic conditions. Macroeconomic factors and forward-looking information are incorporated into the measurement of ECL as well as the determination of whether there has been a significant increase in credit risk since origination.

Measurement of ECLs at each reporting period reflect reasonable and supportable information at the reporting date about past events, current conditions and forecasts of future economic conditions. The company uses three scenarios that are probability weighted to determine ECL.

For accounts receivable, the company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision. The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

3. Significant accounting policies (continued)

(j) Leases

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the company uses the definition of a lease in IFRS 16.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the company by the end of the lease term or the cost of the right-of-use asset reflects that the company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. The right-of-use asset is reduced by impairment losses, if any, and periodically adjusted for remeasurements of the lease liability.

The lease liability is initially measured at the present value of the scheduled lease payments 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 company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

3. Significant accounting policies (continued)

(j) Leases (continued):

(i) As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount expected to be payable under a residual value guarantee, if the company changes its assessment of whether it will exercise a purchase, extension or termination option, or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company recognises the lease payments associated with these leases as an expense on the straight-line basis over the lease term.

(ii) As a lessor

When the company acts as a lessor, it makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

The company applies the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. The company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

(k) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and housing; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner:

- short-term employee benefits are recognised as a liability, net of payments made, and charged as expense.
- the expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.
- post-employment benefits are pensions provided through a defined contribution pension plan in which the company participates. The company's contributions to the plan are charged to profit or loss in the period in which they are due.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

3. Significant accounting policies (continued)

(l) Revenue:

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue over time as the service is provided.

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

Performance obligations and revenue recognition policies:

<u>Type of revenue</u>	<u>Nature and timing of satisfaction of performance obligations, including significant payment terms.</u>	<u>Revenue recognition under IFRS 15</u>
Rental income	The company rents land and buildings to tenants. Rental income is based on market rates and charged monthly according to an agreement.	Recognised over time as the services provided.
Management fees	The company provides services to its subsidiaries. Fees are based on the provision of comparable services in the market and are charged on a monthly basis	Recognised over time as the services are provided.
Dividend income	The company earns dividends from subsidiaries and associated companies and equity investments.	Recognised at the point in time that the company's right to receive payment is established.

(m) Finance costs:

Finance costs represent interest payable on borrowings together with amortised transaction costs and are recognised in profit or loss using the effective interest method.

(n) Interest income:

Interest income is recognised in profit or loss as it accrues, taking into account the effective interest on the asset.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

3. Significant accounting policies (continued)

(o) Taxation:

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

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

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Loans payable:

Loans payable are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, loans are measured at amortised cost using the effective interest method.

(q) Subsidiaries and associated companies:

Interests in subsidiaries and associated companies are measured at cost, less allowance for impairment.

4. Cash and cash equivalents

This comprises cash and deposit balances with maturities of ninety (90) days or less.

5. Short term investments

This comprises fixed deposits and a short-term loan note of \$800,000,000 which bears interest at 7.5% and matures August 2021.

6. Accounts receivable

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Staff receivables	4,768	2,269
Prepayment	7,402	4,972
Other receivables and prepayments	<u>45,600</u>	<u>12,503</u>
	57,770	19,744
Less: Allowance for impairment	(11,245)	(9,237)
	<u>46,525</u>	<u>10,507</u>

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
December 31, 20206. Accounts receivable (continued)

The movement in the allowance for impairment in respect of accounts receivable during the year is as follows:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Balance at January 1	9,237	5,341
Balances written off	-	(250)
Impairment losses recognised	1,213	3,967
Exchange loss	<u>795</u>	<u>179</u>
Balance at end of year	<u><u>11,245</u></u>	<u><u>9,237</u></u>

7. Accounts payable

	<u>2020</u> \$'000	<u>2019</u> \$'000
Dividends payable	224,429	168,322
Accrued staff costs	121,135	97,679
Accrued expenses	38,533	37,512
Interest payable	16,618	21,527
Loan from ESOP	171,363	141,388
Trade payables	4,029	7,160
Loan from Trusts	87,973	61,754
Unclaimed dividends	10,052	6,841
Other	<u>8,867</u>	<u>8,181</u>
	<u><u>682,999</u></u>	<u><u>550,364</u></u>

8. Interests in subsidiary and associated companies

	<u>2020</u> \$'000	<u>2019</u> \$'000
Subsidiary companies:		
Shares, at cost	4,129,526	4,129,526
Loan accounts receivable	563,642	212,441
Current accounts receivable	2,077,957	2,145,822
Less: Impairment allowance	(458,369)	(447,504)
Loan accounts payable	(2,630,120)	(691,535)
Current accounts payable	<u>(57,925)</u>	<u>(336,401)</u>
Interest in subsidiaries	3,624,711	5,012,349
Associated companies:		
Shares	<u>-</u>	<u>43,070</u>
Interests in subsidiary and associated companies	<u><u>3,624,711</u></u>	<u><u>5,055,419</u></u>

Shares held in a subsidiary are pledged as security against a term loan (note 14).

During the year the company sold all its shares in its associate company SAJE Logistics Infrastructure Limited to a fellow group company.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

8. Interests in subsidiary and associated companies (continued)

The recoverable amount of the company's investment in each subsidiary is reviewed annually for impairment. The impairment review at the end of the year resulted in an increase of \$10,865,000 in the impairment allowance (2019: decrease of \$1,827,000), net of exchange rate fluctuation of \$Nil (2019: \$2,036,000. Additionally, during the year, as part of the acquisition of the interests of a Non-controlling interest in the receivables of a non-trading subsidiary, the company acquired a receivable with the same subsidiary totalling \$164,588,000 for consideration of \$1. The company has assessed the receivable as fully impaired and immediately increased the total impairment allowance by \$164,588,000.

9. Investments

This is comprised of quoted equity investments measured at fair value through other comprehensive income.

10. Property, plant and equipment

	<u>Work-in- progress</u> \$'000	<u>Freehold land and buildings</u> \$'000	<u>Leasehold land and buildings</u> \$'000	<u>Equipment, vehicles and furniture</u> \$'000	<u>Total</u> \$'000
Cost					
December 31, 2018	125	73,423	36,732	119,507	229,787
Additions	<u>-</u>	<u>611</u>	<u>2,837</u>	<u>9,708</u>	<u>13,156</u>
December 31, 2019	125	74,034	39,569	129,215	242,943
Additions	-	-	-	2,058	2,058
Disposals	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
December 31, 2020	<u>125</u>	<u>74,033</u>	<u>39,569</u>	<u>131,273</u>	<u>245,000</u>
Depreciation					
December 31, 2018	-	24,421	11,548	98,103	134,072
Charge for the year	<u>-</u>	<u>2,020</u>	<u>1,757</u>	<u>10,350</u>	<u>14,127</u>
December 31, 2019	-	26,441	13,305	108,453	148,199
Charge for the year	<u>-</u>	<u>2,019</u>	<u>1,272</u>	<u>5,931</u>	<u>9,222</u>
December 31, 2020	<u>-</u>	<u>28,460</u>	<u>14,577</u>	<u>114,384</u>	<u>157,421</u>
Net book values					
December 31, 2020	<u>125</u>	<u>45,573</u>	<u>24,992</u>	<u>16,889</u>	<u>87,579</u>
December 31, 2019	<u>125</u>	<u>47,593</u>	<u>26,264</u>	<u>20,762</u>	<u>94,744</u>
December 31, 2018	<u>125</u>	<u>49,002</u>	<u>25,184</u>	<u>21,404</u>	<u>95,715</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

11. Leases

(a) Right-of-use assets

	<u>Leasehold land and buildings</u>
	\$'000
Balance at January 1, 2019	76,497
Depreciation charge for the year	<u>(4,026)</u>
Balance at December 31, 2019	72,471
Depreciation charge for the year	<u>(4,026)</u>
Balance at December 31, 2020	<u>68,445</u>

(b) Lease liabilities

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Maturity analysis - contractual undiscounted cash flows:		
Less than one year	6,801	6,635
One to five years	35,471	34,515
More than five years	<u>90,029</u>	<u>35,348</u>
Total contractual cash flows	132,301	76,498
Less: future interest	<u>(68,206)</u>	<u>(6,202)</u>
	64,095	70,296
Less: current portion	<u>(5,795)</u>	<u>(5,795)</u>
Non-current	<u>58,300</u>	<u>64,501</u>
Amounts recognised in profit or loss		
Interest on lease liabilities	<u>494</u>	<u>444</u>
Amounts recognised in the statement of cash flows		
Total cash outflow for leases	<u>6,251</u>	<u>6,247</u>

(c) Real estate leases

The company leases land and buildings for its office space. The leases of office space typically run for a period of 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the contract term.

Some leases provide for additional rent payments that are based on changes in local price indices in the period. Some also require the company to make payments that relate to the property taxes levied on the lessor and insurance payments made by the lessor. These amounts are generally determined annually.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

11. Leases (continued)

(d) As the Lessor

Leases relate to property owned by the company or property leased to its subsidiaries with lease or sub-lease terms of between 2 to 5 years, with options to extend for a further 1 to 5 years. The lessees do not have the option to purchase the property at the expiry of the lease period.

The company earned property rental income of \$23,159,000 (2019: \$16,188,000) under operating leases. Direct operating expenses arising on leased property in the period was \$1,060,000 (2019: \$1,017,000).

Commitments for income under non-cancellable operating leases at year-end are as follows:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Within one year	18,381	15,476
In the second to fifth year inclusive	<u>37,734</u>	<u>9,694</u>
	<u>56,115</u>	<u>25,170</u>

12. Share capital

Authorised:

1,500,000,000 ordinary shares at no par value.

Stated capital, comprises 1,122,144,036 issued and fully paid stock units.

The company's stated capital does not include share premium which is retained in capital reserves (note 13) in accordance with Section 39 (7) of the Companies Act.

13. Reserves

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Capital:		
Share premium (note 12)	135,087	135,087
Other	1,816,728	1,005,101
Fair value reserve	<u>(1,018)</u>	<u>6,970</u>
	1,950,797	1,147,158
Revenue:		
Retained profits	<u>1,999,292</u>	<u>2,556,551</u>
	<u>3,950,089</u>	<u>3,703,709</u>

Other capital reserves comprise gains on disposal of property, plant and equipment and investments up to December 31, 2020, unrealised exchange gains and unclaimed dividends to stockholders (note 19).

The company declared a capital distribution of \$0.20 (2019: \$0.15) per share unit effective December 18, 2020 (note 19).

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

14. Loans and borrowings

	<u>2020</u> \$'000	<u>2019</u> \$'000
Term loan	1,235,000	-
Corporate bond	<u>-</u>	<u>1,300,000</u>
Less borrowing cost:		
Balance at start of the year	(11,778)	(15,164)
Incurred during the year	(5,206)	-
Amortised for the year	<u>12,274</u>	<u>3,386</u>
	<u>(4,710)</u>	<u>(11,778)</u>
Total carrying value of long-term loan	1,230,290	1,288,222
Less: current portion long term loan	<u>(130,000)</u>	<u>(150,000)</u>
	<u>1,100,290</u>	<u>1,138,222</u>

On September 29, 2017, the company issued a Corporate bond for \$1,500,000,000. This note was secured by shares in Kingston Wharves Limited (KW) and was repayable by September 2024. The note was to be repaid by semi-annual payments and a lump sum payment of \$700,000,000 in the final year. The interest rate on the loan was originally fixed at 9% p.a. for the first five years and thereafter at the GOJ 6-month Weighted Average Treasury Bill Yield (WATBY) plus 200 basis points, capped at 12% p.a. With effect from September 28, 2018, the interest rate was revised to 6.4% for four years and for the subsequent period the cap was revised to 10% p.a. The proceeds of this note were principally used to refinance two previous notes.

On March 30, 2020, this Corporate bond was refinanced with a term loan from The Bank of Nova Scotia Jamaica Limited. The term loan is secured by shares in Kingston Wharves Limited and is repayable by April 2027. Principal is repayable in semi-annual payments of \$65,000,000 with a final payment of \$455,000,000 in April 15, 2027. Interest accrues at a rate of 5.35% p.a.

15. Gross operating revenue

Gross operating revenue comprises management fees earned by the company for services rendered to its subsidiaries.

The following table shows disaggregation of contract revenue by primary markets, major products and services and timing of recognition:

	<u>2020</u> \$'000	<u>2019</u> \$'000
Primary Geographic Market		
Europe	12,756	11,880
Caribbean	<u>47,249</u>	<u>27,226</u>
	<u>60,005</u>	<u>39,106</u>
Major Service		
Corporate services	36,846	22,918
Property rental	<u>23,159</u>	<u>16,188</u>
	<u>60,005</u>	<u>39,106</u>
Timing of recognition		
Services transferred over time	<u>60,005</u>	<u>39,106</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

16. Financial income and expenses

	<u>2020</u> \$'000	<u>2019</u> \$'000
Finance income:		
Interest income on bank deposits, loans and receivables	61,720	19,190
Dividend income	329,468	328,139
Net foreign exchange gain	<u>98,644</u>	<u>15,519</u>
	<u>489,832</u>	<u>362,848</u>
Finance costs:		
Interest expense on financial liabilities measured at amortised cost	(112,251)	(96,373)
Interest expense – lease liability	<u>(494)</u>	<u>(444)</u>
	<u>(112,745)</u>	<u>(96,817)</u>
Net finance income	<u>377,087</u>	<u>266,031</u>

17. Disclosure of expenses

	<u>2020</u> \$'000	<u>2019</u> \$'000
Administrative and other expenses:		
Advertising & promotion	1,530	1,301
Audit – current year	15,671	13,207
prior year	1,865	-
Bad debt	1,213	3,967
Bank charges	754	1,168
Depreciation – property, plant and equipment	9,222	14,127
Depreciation – right-of-use assets	4,026	4,026
Director's emoluments – fees	12,268	12,380
Donations	17,670	15,623
Insurance	2,041	1,994
IT & Communications	4,799	5,234
Legal & professional	36,562	31,102
Office costs	504	709
Other property costs, maintenance, security, cleaning	7,400	3,069
Staff costs	223,693	214,436
Transport, automobile and associated costs	2,869	4,764
Travel	9,303	29,381
Utilities	1,968	1,951
Other	<u>24,955</u>	<u>31,913</u>
Total administrative and other operating expenses	<u>378,313</u>	<u>390,352</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

18. Taxation

- (a) The taxation charge is based on the company's results for the year, as adjusted for tax purposes and comprises:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Current tax expense:		
Withholding tax at source on dividend	<u>191</u>	<u>532</u>

- (b) Reconciliation of actual taxation charge:

The effective tax rate for 2020 was 0.04% (2019: 3.7%) compared to a statutory rate of 25% (2019: 25%). The actual tax charge differs from the "expected" tax charge for the year as follows:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Profit before taxation	<u>472,146</u>	<u>14,978</u>
Computed "expected" tax charge at 25%	118,037	3,745
Taxation difference between profit for financial statements and tax reporting purposes on:		
Gain on sale of investment and property, plant and equipment	(103,606)	(4,457)
Foreign currency gain on capital items	(21,164)	(411)
Capital adjustments	-	(457)
Disallowed income and expenses, depreciation and other items	<u>6,924</u>	<u>2,112</u>
Actual tax charge recognised in the profit and loss account	<u>191</u>	<u>532</u>

- (c) At December 31, 2020, taxation losses subject to agreement by the Commissioner General, Tax Administration Jamaica, available for relief against future taxable profits amounted to approximately \$1,579,744,749 (2019: \$1,353,522,258). As of January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utilised is restricted to 50% of chargeable income (before prior year losses) in any one year.

A deferred tax asset of \$394,936,619 (2019: \$338,380,565) has not been recognised as management considers its realisation within the foreseeable future to be uncertain.

19. Distributions to stockholders

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Capital distributions:		
First interim - \$0.20¢		
(2019: \$0.15¢) per stock unit - gross	224,429	168,322
Unclaimed capital distributions written back to capital reserves (note 13)	<u>(6,842)</u>	<u>(6,220)</u>
	<u>217,587</u>	<u>162,102</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

20. Contingent liabilities

The company has given a commitment to one of its subsidiaries of its intention to provide financial support as necessary for its operations for the foreseeable future. That subsidiary has a net shareholders' surplus of \$167 million at December 31, 2020 (2019: surplus of \$359 million).

21. Related parties

(a) Identity of related parties:

The company has related party relationships with its directors and officers. The company's executive directors and officers are collectively referred to as "key management personnel".

(b) Transactions with directors and other key management personnel:

Directors and officers of the company, their immediate relatives and entities over which they have significant influence control 31.9% (2019: 32.6%) of the voting shares of the company. In addition to their salaries, the company contributes to post-employment benefit plans on behalf of key management personnel.

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Short-term employment and other benefits	143,016	100,550
Post-employment benefits	<u>8,874</u>	<u>8,888</u>
Total remuneration, included in directors' emoluments and staff costs, where applicable (note 17)	<u>151,890</u>	<u>109,438</u>

(c) Transactions with other related parties, directors and key management personnel in other capacities:

<u>Category and nature of relationship</u>	<u>Nature of transactions</u>	<u>Transactions in year (income)/expense</u>		<u>(Payable)/receivable at end of year</u>		<u>Terms and conditions *</u>
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	
Former 30% Associate -	Dividend income	1,274	3,441	-	-	3
Transactions with directors and key management personnel or entities under their control and/or significant influence:						
Company under their control	Insurance premiums charged to company by broker	2,297	2,283	-	-	1,2,3
Company under Their control	Professional fees charged to company	-	3,060	-	-	1,2,3

* The number in each row represents the terms and conditions that are applicable to the stated transactions and their meanings are as follows:

1. Credit of up to 30 days
2. Unsecured
3. Settlement in cash
4. Credit over 30 days

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

22. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, short-term investments, securities purchased under resale agreements, accounts receivable and investments. Financial liabilities include long-term loans and accounts payable and lease liabilities.

(a) Fair value of financial instruments:

Fair value amounts represent estimates of the arm's length consideration for which an asset could be exchanged or a liability settled between knowledgeable, willing parties who are under no compulsion to act. Fair value is best evidenced by a quoted market price, if one exists.

The fair value of cash and cash equivalents, securities purchased under resale agreements, short-term investments, accounts receivable and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature. The fair value of long-term loans is assumed to approximate the carrying value as the interest rate reflects the market rate. Fair value of quoted investments is the market value. This method falls within the level 1 fair value hierarchy and is defined as quoted prices (unadjusted) in an active market for identical assets. The fair values of other investments are assumed to be cost, less allowance for impairment.

The company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk, currency risk and price risk. Information about the company's exposure to each of the above risks, and the company's objectives, policies and processes for measuring and managing risk are detailed below.

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

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. Management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the company if a counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from amounts due from customers, securities purchased under resale agreements, other investments and cash and cash equivalents.

The maximum exposure to credit risk at the reporting date is equal to its carrying value:

The company manages this risk as follows:

- Cash and cash equivalents and short-term investments

The company maintains cash resources and short-term deposits with reputable financial institutions. The credit risk is considered to be low.

No allowance for impairment is deemed necessary.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

22. Financial instruments (continued)

(a) Financial instrument risks (continued):

(i) Credit risk (continued)

The company manages this risk as follows (continued):

• Securities purchased under resale agreements

Assigned collateral, with a fair value of \$1,298,117,000 (2019: \$167,800,000) was held for securities purchased under resale agreements [note 3(e)].

No allowance for impairment is deemed necessary.

• Accounts receivable

The company has a credit policy in place to minimize exposure to credit risk inherent in trade accounts receivable. Credit terms are negotiated based on a mix of terms acceptable to both parties.

Allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are reviewed over lifetime of the trade receivables.

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 company has one trade receivable whose balance at December 31, 2020 was credit impaired and 100% provision was recorded.

Staff and other receivables are subject to credit terms consistent with staff guidelines and other factors. These guidelines include the provision of collateral as security for credit extended.

(ii) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on assets.

The company manages this risk by conducting research and monitoring the price movement of securities on the local and international markets.

There were no changes in the company's approach to managing market risk during the year.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

22. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaica dollar. The main currencies giving rise to this risk are the Pound Sterling (GBP) and United States dollar (USD).

The company manages this risk by matching foreign currency assets with liabilities as far as possible. Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations in which the borrowings are invested. This provides an economic hedge and no derivatives are entered into.

There were no changes in the company's approach to managing foreign currency risk during the year.

There were no material foreign currency financial assets or liabilities at year-end.

Foreign currency sensitivity analysis

The following table details the company's sensitivity to a 6% strengthening or 4% weakening of the relevant currencies against the Jamaica dollar and the resultant net exchange gains or losses based on the net foreign currency assets or liabilities at year-end.

These percentages represent management's assessment of the reasonably possible change in foreign currency rates.

This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis as in the previous year.

(i) 6% (2019: 6%) Depreciation of JMD

	<u>Effect on profit</u>	
	<u>2020</u>	<u>2019</u>
USD	97,273	69,756
GBP	5,576	3,846
EURO	<u>20,582</u>	<u>-</u>

4% (2019: 4%) Appreciation of JMD

	<u>Effect on profit</u>	
	<u>2020</u>	<u>2019</u>
USD	68,849	(46,504)
GBP	3,717	(2,564)
EURO	<u>13,721</u>	<u>-</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

22. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity analysis (continued)

(i) (continued)

Buying exchange rates at:

	<u>December 31</u>	
	<u>2020</u>	<u>2019</u>
USD 1 to JMD 1	140.77	130.02
GBP 1 to JMD 1	186.97	167.12
EUR 1 to JMD 1	<u>170.46</u>	<u>141.22</u>

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.

Bank loans and overdrafts are subject to interest rates which may be varied with appropriate notice from the lender.

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

	<u>2020</u>	<u>2019</u>
	\$'000	\$'000
Fixed rate instrument		
Financial liabilities	<u>1,235,000</u>	<u>1,300,000</u>

There were no changes in the company's approach to managing interest rate risk during the year.

Other price risk

Other price risk is the risk that the value of certain financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting instruments traded in the market. As the group's equity instruments are carried at fair value with fair value changes recognised in the revaluation reserve, all changes in market conditions would affect other comprehensive income (OCI).

The company's exposure to price risk is represented by the total carrying value of equity investments of \$18,929,000 (2019: \$26,917,000).

Sensitivity to movements in equity prices

Sensitivity is measured by computing the impact on shareholders' equity of a reasonably probable change in equity prices.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

22. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Other price risk (continued)

Sensitivity to movements in equity prices (continued)

The company's equity investments are listed locally on the Jamaica Stock Exchange. A 10% (2019: 10% increase in stock prices at the reporting date would have increased other comprehensive income by \$1,892,900 (2019: \$2,691,700); an equal decrease would have decreased other comprehensive income by an equal amount.

(iii) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the company will not be able to meet its financial obligations as they fall due and/or encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities.

The management of the company aims at maintaining flexibility in funding by ensuring that sufficient cash resources are held or placed in short-term marketable instruments to meet financial obligations when they fall due.

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

The following tables show the undiscounted cash flows of non-derivative financial liabilities excluding lease liabilities based on the earliest date on which the company can be required to pay. The analysis also assumes that all other variables, in particular interest and exchange rates, remain constant.

	Weighted average interest rate %	Carrying amount \$'000	Contractual cash flows \$'000	0-1 year \$'000	1-5 years \$'000	Over 5 years \$'000
				<u>2020</u>		
Term Loan	5.35	<u>1,235,000</u>	<u>1,528,808</u>	<u>194,283</u>	<u>707,833</u>	<u>626,692</u>
				<u>2019</u>		
Corporate bonds	6.40	<u>1,300,000</u>	<u>1,672,585</u>	<u>230,000</u>	<u>1,442,585</u>	<u>-</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

22. Financial instruments (continued)

(c) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as total shareholders' equity. The level of dividends to ordinary shareholders is also monitored in accordance with the company's stated dividend policy.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

23. Subsidiaries and associates and joint venture companies

The company has investments in the following subsidiaries and associates. The results of these companies are not included in these financial statements [see note 2(b)]. Subsidiaries of subsidiaries are indented under their respective parent in the list below. Inactive subsidiaries are excluded.

	<u>% equity held</u>		<u>Place of business</u>
	<u>2020</u>	<u>2019</u>	
SUBSIDIARY COMPANIES			
JP Tropical Group Limited	100	100	Jamaica
Agualta Vale Limited	100	100	Jamaica
Agri Services Limited	100	100	Jamaica
Eastern Banana Estates Limited	100	100	Jamaica
St. Mary Banana Estates Limited	100	100	Jamaica
P.S.C. Limited	-	100	Jamaica
JP Tropical Foods Limited	100	100	Jamaica
JBFS Investments Limited	100	100	Jamaica
Crescent Developments Limited	100	100	Jamaica
JP Snacks Caribbean Limited (<i>formerly</i> <i>Central American Banana (2005) Ltd</i>)	70	70	Cayman Islands
Antillean Foods, Inc.	100	100	Cayman Islands
Jamaica Producers Shipping Company Limited	60	60	Jamaica
Kingston Wharves Limited	42	42	Jamaica
Harbour Cold Stores Limited	100	100	Jamaica
Security Administrators Limited	67	67	Jamaica
Western Storage	100	100	Jamaica
Western Terminals Limited	100	100	Jamaica

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
December 31, 2020

23. Subsidiaries and associates and joint venture companies (continued)

	<u>% equity held</u>		<u>Place of business</u>
	<u>2020</u>	<u>2019</u>	
Newport Stevedoring Services Limited	100	100	Jamaica
KW Logistics Limited	100	100	Jamaica
KW Warehousing Services Limited (formerly: SSL REIT Limited)	100	100	Jamaica
Four Rivers Mining Company Limited	100	51	Jamaica
JP International Group Limited	100	100	Cayman Islands
Coöperatief JP Foods U.A.	100	100	The Netherlands
A.L.Hoogesteger Fresh Specialist B.V.	100	100	The Netherlands
JP Shipping Services Limited	100	100	England and Wales
Tortuga International Holdings Limited	62	62	St. Lucia
Tortuga (Barbados) Limited	100	100	Barbados
Tortuga Imports, Inc	100	100	U.S.A
Tortuga Caribbean Rum Cake Jamaica Limited	100	100	Jamaica
Tortuga Caribbean Jamaica Limited	100	100	Jamaica

ASSOCIATES AND JOINT VENTURES

Tortuga Cayman Limited	40	40	Cayman Islands
SAJE Logistics Infrastructure Limited (formerly Shipping Association of Jamaica Property Limited)	-	30	Jamaica

24. Impact of Covid 19

The World Health Organisation declared the novel Coronavirus (COVID-19) outbreak a pandemic on March 11, 2020. The pandemic and the measures to control its human impact resulted in disruptions to economic activity, business operations and asset prices, which have negatively impacted the revenues, operating margins and cash flows of the group. The adverse impacts of the pandemic have also been considered in the group's estimates of impairment of goodwill, accounts receivable and other assets.

At the date of approving the financial statements, the full impact of the pandemic on the groups markets and businesses remains highly uncertain. However, management continues to monitor and respond to the business impact of the pandemic and does not anticipate that it will adversely affect the company's ability to continue as a going concern for the foreseeable future, having regard to the group's capital adequacy, profitability and liquidity.