JETCON CORPORATION LIMITED

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

JETCON CORPORATION LIMITED
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

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Crooks Jackson Burnett
Chartered Accountants

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Independent auditor's report

To the Members of
Jetcon Corporation Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of **Jetcon Corporation Limited** (the Company) set out on pages 1 to 22, which comprise statement of financial position as at December 31, 2020, 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 financial statements give a true and fair view of the financial position of company as at December 31, 2020, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the **Auditors' Responsibility for the Audit of the Financial Statements** section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (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.

Key Audit Matters

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

Key Audit Matters (continued)

1. **Carrying value of inventory**
   - At reporting date, December 31, 2020, inventory amounted to approximately $392 Million, representing 60% of the company's total assets. Over 97% of inventory comprise motor vehicles and each vehicle is separately identifiable and traceable. Cost includes purchase price and all costs specifically relating to bringing the vehicles to its location and in a condition for sale.

   - Inherently, there is risk of misstatement of other associated costs relating to bringing the vehicles to its location and in a condition for sale.

   - The company's revenue has been adversely affected as a result of the impact of the COVID-19 pandemic. Accordingly, the carrying value of year-end inventory has been assessed in relation to *'net realisable value'*.

How our audit addressed the key audit matter.

Our audit procedures in response to this matter, included:

- Reviewed the company's standard operating procedure in order to assess the effectiveness of internal controls in respect to recording of all elements of costs.

- Observed stock counts and conducted 100% counts all motor vehicles on hand at year-end at all several locations where stocks are held.

- Verified the audit stock count results against the company's inventory records and the year-end inventory valuation report.

- Performed impairment assessment of inventories by measuring (samples) selling prices of vehicles sold subsequent to year-end to inventory valuation report.

Based on the procedures conducted, there were no significant adjustments to the year-end inventory valuation.

Other information

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this audit report.

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

Other information

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 the Board of Directors.

Responsibilities of management 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.

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

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

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

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

- 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 auditor's report to the related disclosures in the company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the company's financial statements, including the disclosures, and whether the company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on other legal and regulatory requirements

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

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

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

Chartered Accountants

April 15, 2021

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

JETCON CORPORATION LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2020

	Notes	2020 $	2019 $
Revenue		**629,276,230**	1,025,926,150
Cost of Sales	*5*	**(548,483,052)**	(890,252,534)
Gross Profit		**80,793,178**	135,673,616
Other operating income	*6*	**1,187,000**	1,141,631
		81,980,178	136,815,247
Expenses:			
Selling and marketing expenses	*5*	**(21,588,490)**	(22,713,413)
Administrative expenses	*5*	**(43,535,275)**	(46,661,388)
Total expenses		**(65,123,765)**	(69,374,801)
Profit before depreciation and finance cost		**16,856,413**	67,440,446
Depreciation	*5 & 10{iii}*	**(17,604,086)**	(3,484,581)
(Loss)/profit before finance costs		**(747,673)**	63,955,865
Finance costs	7	**(5,987,176)**	(3,651,870)
Net (loss)/profit before taxation		**(6,734,849)**	60,303,995
Taxation	*8*	**-**	-
Net (loss)/profit after taxation		**(6,734,849)**	60,303,995
Other comprehensive income:			
Items that will not be reclassified to profit or loss - Decrease in fair value of *available-for-sale* equity investment security	*11*	**(27,174)**	(11,081)
Total comprehensive (loss)/income		**(6,762,023)**	60,292,914
(Loss)/earnings per stock unit for (loss)/profit attributable to stockholders of the company during the year	17	**(0.012)**	0.103

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

JETCON CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2020

	Notes	2020 $	2019 $
ASSETS			
Non-current assets			
Property, plant and equipment	*9*	**137,932,195**	135,729,469
Lease right-of-use asset	*10*	**39,810,625**	-
Investments	*11*	**66,135**	93,309
Total non-current assets		**177,808,955**	135,822,778
Current assets			
Inventories	*12*	**391,858,946**	444,682,692
Receivables	*13*	**45,572,477**	87,154,925
Cash and bank balances	*14*	**26,357,714**	10,675,373
Parent company	*15*	**8,345,639**	2,345,638
Total current assets		**472,134,776**	544,858,628
TOTAL ASSETS		**649,943,731**	680,681,406
EQUITY			
Share capital	*16 [a]*	**88,817,218**	88,817,218
Retained earnings		**434,983,866**	441,718,715
Capital reserves	*16 [b]*	**16,776,645**	16,803,819
Total equity attributable to shareholders		**540,577,729**	547,339,752
LIABILITIES			
Non-current liabilities			
Long-term liabilities	*19*	**6,879,877**	29,300,606
Right-of-use liabilities	*10*	**22,812,707**	-
Total non-current liabilities		**29,692,584**	29,300,606
Current liabilities			
Payables	*18*	**53,938,220**	94,601,162
Current portion of long-term liabilities	*19*	**10,377,480**	9,439,886
Right-of-use liabilities	*10*	**15,357,718**	-
Total current liabilities		**79,673,418**	104,041,048
TOTAL LIABILITIES		**109,366,002**	133,341,654
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		**649,943,731**	680,681,406

The financial statements on pages 1 to 22 were approved for issue by the Board of Directors on April 15, 2021 and signed its behalf by:

Chairman — John H. Jackson

Director — Andrew Jackson

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

JETCON CORPORATION LIMITED

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

YEAR ENDED DECEMBER 31, 2020

	Share capital $	Capital reserves $	Retained earnings $	Total $
Balance as at December 31, 2018 (*see note 16*)	88,817,218	16,814,900	398,919,720	504,551,838
Net profit			60,303,995	60,303,995
Transactions with owners:				
Dividend paid			(17,505,000)	(17,505,000)
Other comprehensive income:				
Decrease in fair value of *available-for-sale* investment security		(11,081)		(11,081)
Balance as at December 31, 2019 *(see note 16)*	88,817,218	16,803,819	441,718,715	547,339,752
Net loss			(6,734,849)	(6,734,849)
Other comprehensive income:				
Decrease in fair value of *available-for-sale* investment security		(27,174)	-	(27,174)
Balance as at December 31, 2020 *(see note 16)*	**88,817,218**	**16,776,645**	**434,983,866**	**540,577,729**

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

JETCON CORPORATION LIMITED
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2020

	Notes	2020 $	2019 $
CASH FLOWS WERE PROVIDED BY/ (USED IN):			
OPERATING ACTIVITIES			
Net (loss)/profit after taxation		**(6,734,849)**	60,303,995
Item not affecting cash resources:			
Interest on lease liability	*7*	**1,427,374**	-
Interest income	*6*	**(876,496)**	(559,634)
Interest expense	*7*	**3,080,662**	1,261,676
Depreciation	*5 & 10{iii}*	**17,604,086**	3,484,581
		14,500,777	64,490,618
Changes in non-cash working capital components:-			
Inventories		**52,823,746**	(10,034,267)
Receivables		**41,582,448**	(54,341,337)
Payables		**(40,662,942)**	41,037,034
Rent paid	*10{iv}*	**(16,337,782)**	-
Cash provided by operating activities		**51,906,247**	41,152,048
Financing activities			
New loans received		**-**	41,688,642
Repayment of loans		**(21,483,135)**	(2,948,150)
Interest paid		**(3,080,662)**	(1,261,676)
Dividend paid		**-**	(17,505,000)
Cash (used in)/provided by financing activities		**(24,563,797)**	19,973,816
Investment activities			
Parent company		**(6,000,001)**	-
Purchase of property, plant and equipment		**(6,536,604)**	(57,310,078)
Interest received		**876,496**	559,634
Cash used in investment activities		**(11,660,109)**	(56,750,444)
Increase in cash and cash equivalents		**15,682,341**	4,375,420
Cash and cash equivalents at the beginning of the year		**10,675,373**	6,299,953
CASH AND CASH EQUIVALENT - End of year		**26,357,714**	10,675,373
REPRESENTED BY:			
Cash and bank balances		**26,357,714**	10,675,373

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

1. Identification

The company is incorporated under the Jamaican Companies Act. It's a 60.78% subsidiary of St. Andrew Investments Limited. Jetcon Corporation Limited and its parent company are domiciled in Jamaica, having their registered offices at 2 Sandringham Avenue, Kingston 10, Jamaica.

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

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

2. Statement of Compliance and Basis of Preparation

(a) Statement of Compliance

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

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

During the year, certain new standards, interpretations and amendments to existing standards became effective. Management has assessed the relevance of all such new standards, interpretations and amendments that became effective January 1, 2020 and have determined that the following will affect the amounts and disclosures in these financial statements:

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

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

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

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

  - New 'bundle of rights' approach to assets will mean that an entity may recognise a *right-to-use* an asset rather than the asset itself.
  - A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
  - A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

These new amendments have not materially changed the presentation of the 2020 financial statements.

2. Statement of Compliance and Basis of Preparation

(b) Basis of preparation

The financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency. These statements have been prepared on the historical cost basis, except for the revaluation of certain items of property, plant and equipment. Those significant accounting policies stated below conform in all material respects with IFRS.

· Use of estimates and judgements

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

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

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

(i) Judgements:

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

Classification of financial assets:

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

Impairment of financial assets:

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

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

Allowance for impairment loss of financial assets:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour [e.g. the likelihood of customers defaulting and the resulting losses], [*see notes 13 and 21*].

2. Statement of Compliance and Basis of Preparation (continued)

(b) Basis of preparation (continued)

· Use of estimates and judgements (continued)

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

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

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

(iii) Net realisable value of inventories:

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

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

3. Changes in significant accounting policies

The company applied IFRS 16 at the beginning of the year using the modified retrospective approach, under which the cumulative effect of initial application is recognised at January 1, 2020; accordingly, the comparative information presented in has not been restated.

The company used a mixed approach to the recognition of lease when applying IFRS 16 to lease previously classified as operating lease under IFRS 17. The following approach was applied:

- the company did not recognise right-of-use assets and liabilities for leases for which the term ends within twelve months of the date of the initial application
- the company did not recognise right-of-use assets and liabilities lease of low value informal lease arrangements.

Impact of the transition

On the adoption of IFRS on January 1, 2020 the company recognised additional right-to-use assets and additional lease liabilities. The company elected to measure the *right-to-use asset* at an amount equal to the lease liability. Consequently, there is no impact on the unappropriated profit at the date of transition.

In measuring lease liabilities for leases that were classified as operating leases, the company discounted lease payments using its incremental borrowing rate at January 1, 2020, using a discount rate factor of 6%.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

4. Significant Accounting Policies

(a) Revenue

Revenue is recognised as performance obligations are satisfied, that is, over time or at a point in time. Revenue is shown net of General Consumption Tax [GCT]. The company recognises revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow to the other party and when the specific criteria have been met in respect of the company's operating activities.

Type of revenue	Nature and timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under IFRS 15
Revenue is derived from the sale of motor cars, accessories, motor vehicle parts and allied services	When customers obtain control of goods when the goods are delivered (or services performed) and accepted by them. Invoices are generated and the revenue is recognised at that point. Payment is usually made at that point, except where there are special arrangements with management.	Revenue is recognised when goods ar delivered and have been accepted by the customer.

Interest income

Interest income is recognised as it accrues on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets net carrying amount on initial recognition

(b) Finance costs

Finance costs are recognised in the profit or loss in the period in which they are accrued using the effective interest method.

(c) Borrowings

Borrowings are recognised initially at fair value, net of transaction cost incurred and subsequently at amortised cost using the effective yield method. Interest charges, including direct issue costs are accounted for on an accrual basis in the statement of profit or loss and are added to the carrying amount of the loan to the extent that they are not settled in the period in which they arise.

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

4. Significant Accounting Policies (continued)

(d) Inventories

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

The cost of inventories comprising purchased goods is based on their cost and expenses incurred in acquiring and bringing them to their existing location and condition.

(e) Plant, Machinery and Equipment

Plant, machinery and equipment and other assets are carried at cost and valuation less accumulated depreciation. Depreciation is calculated on a straight line basis, at rates estimated to write-off the cost of the assets over their expected useful lives. No depreciation is charged on freehold land.

Annual rates used are as follows:

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

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

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

(f) Impairment of Non-Current Assets

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

(g) Cash and Cash Equivalents

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

4. Significant Accounting Policies (continued)

(h) Trade Receivables

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

(i) Accounts payable

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

(j) Investments

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

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

(k) Employee Benefits

Annual leave entitlements

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

(l) Taxation

(i) Current taxation

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability for current tax is calculated at tax rates that have been enacted at balance sheet date. Current and deferred taxes are recognised as income tax expense or benefit in the profit or loss account except, to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

(ii) Deferred taxation

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

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2020

4. Significant Accounting Policies (continued)

(l) Taxation (continued)

(ii) Deferred taxation

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

(m) Related party transactions and balances

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

a. A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or parent of the reporting entity.

b. A reporting entity, if any of the following conditions applies:
   i. the entity and the reporting entity are members of a group (which means that each parent, subsidiary and fellow subsidiary is related to each other).
   ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
   iii. both entities are joint ventures of the same third party.
   iv. the entity is a joint venture of a third entity and the other entity is an associate of the third entity.
   v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself a plan, the sponsoring employers are also related to the reporting entity.
   vi. the entity is controlled or jointly controlled by a person identified in (a) above.
   vii. a person identified in (a){i} above has significant influence over the entity (or is a member of the key management personnel of the entity.

5. Expense by Nature

The following items have been charged in arriving at operating profit:-

	2020	2019
	$	$
Direct cost of sales:		
Cost of Sales - Motor Vehicles	**520,382,148**	858,238,945
Motor vehicle parts and servicing	**23,551,484**	24,487,719
Other direct costs	**4,549,420**	7,525,870
	548,483,052	890,252,534

JETCON CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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5. Expense by Nature (continued)

The following items have been charged in arriving at operating profit:-

	2020	2019
	$	$
Administrative:		
Staff costs	**23,650,647**	25,577,753
Directors' fees	**2,350,000**	1,950,000
Security and insurance	**5,120,667**	8,693,423
Audit fee	**1,493,750**	1,343,750
Repairs and maintenance	**2,797,346**	1,341,995
Rent, utility and general office expenses	**4,393,189**	4,330,735
Travelling, transportation and entertainment	**138,927**	913,189
Other	**3,590,749**	2,510,543
	43,535,275	46,661,388
Provision:		
Depreciation on owned assets	**4,333,878**	3,484,581
	$	$
Sales and marketing:		
Salaries and statutory contributions	**9,732,445**	11,470,388
Advertising, sponsorship and promotion	**9,026,082**	8,204,359
Annual report	**2,829,963**	3,038,666
	21,588,490	22,713,413
	$	$
Staff costs:		
Wages and associated costs [*included in cost of sales*]	**7,007,821**	9,006,295
Salaries and statutory contributions - Sales and marketing	**9,732,445**	11,470,388
Salaries and statutory contributions - Administrative	**6,951,274**	9,366,183
Directors' remuneration	**12,359,920**	10,272,482
Staff benefits	**4,339,453**	5,939,088
	23,650,647	25,577,753
	40,390,913	46,054,436

The average number of persons employed full-time by the company during the year was 30 [2019 = 35].

6. Other Operating Income

	2020	2019
	$	$
Interest income	**876,496**	559,634
Miscellaneous	**310,504**	581,997
	1,187,000	1,141,631

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7. Financial Expenses

	2020	2019
	$	$
Bad debt provision	-	183,008
Finance charge	**223,289**	384,936
Loan interest	**3,080,662**	1,261,676
Bank charges and credit card commission	**948,579**	1,692,006
Overdraft interest	**307,272**	130,244
Interest on lease liability	**1,427,374**	-
	5,987,176	3,651,870

8. Taxation

(a) There was no profit tax charge. In the prior year the company's profit was not subject to profits as a result of 'remission of taxes' granted by Tax Administration Jamaica [*see note 8{c}*].

(b) Reconciliation of tax:

	2020	2019
	$	$
(Loss)/surplus for the year before taxation	**(6,734,849)**	60,303,995
Computed tax (credit)/ expense at 25%	**(1,683,712)**	15,075,999
Tax losses not recognised	**1,683,712**	-
Remission of income tax		(15,075,999)
	-	-

(c). Remission of income tax:

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

(i) The company remains listed for at least 15 years and is not suspended from the JSE for any breaches of the rules of the JSE.

(ii) The subscribed participating voting shareholders does not exceed $500 million.

(iii) The company has at least 50 participating voting shareholders.

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

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

Effective March 24, 2021, the tax rate applicable for the year of assessment 2021 will apply to 50% of the company's taxable profits.

9. Property, plant and equipment

	Freehold Properties $	Leasehold Property $	Computer systems $	Motor Vehicles $	Plant, Machines, Furniture & Fixtures $	Total $
At cost/valuation						
January 1, 2019	67,235,444	3,950,000	3,591,158	10,336,621	10,246,121	95,359,344
Additions	54,007,502	-	381,233	-	2,921,343	57,310,078
December 31, 2019	121,242,946	3,950,000	3,972,391	10,336,621	13,167,464	152,669,422
Additions	5,267,802	-	123,190	-	1,145,612	6,536,604
December 31, 2020	126,510,748	3,950,000	4,095,581	10,336,621	14,313,076	159,206,026
Accumulated depreciation						
January 1, 2019	3,039,977	-	2,163,858	5,087,461	3,164,076	13,455,372
Charge for the year	360,294	-	383,430	1,255,620	1,485,237	3,484,581
December 31, 2019	3,400,271	-	2,547,288	6,343,081	4,649,313	16,939,953
Charge for the year	360,957	-	730,370	1,173,003	2,069,548	4,333,878
December 31, 2020	3,761,228	-	3,277,658	7,516,084	6,718,861	21,273,831
Net book value						
December 31, 2020	**122,749,520**	**3,950,000**	**817,923**	**2,820,537**	**7,594,215**	**137,932,195**
December 31, 2019	117,842,675	3,950,000	1,425,103	3,993,540	8,518,151	135,729,469

Freehold properties

Freehold properties include land and buildings, comprising three {3} parcels of land.

The company's freehold land and building were revalued during 2009 by independent valuators, Allison Pitter & Company. The valuation was done on the basis of open market value and the valuation surplus was credited to capital reserves. Subsequent to that date, the building was modified and two additional parcels of land were acquired.

The directors have assessed the values of land and building based on recent sales of similar properties in the same locations and have determined that the fair value of the sum of the three parcels of freehold properties described above is One Hundred and Fifty Million dollars {$150,000,000}.

10 Lease right-of-use

The company leases a property to conduct its operations which were previously classified as operating leases under IAS 17. The lease arrangement relates to the current period; however, management believes that the existing terms will continue for the next three years. The lease rental payments over the next three years have been computed based on changes in local price indices.

The current lease arrangement is recognised in the statement of financial position as a ***right-of-use* asset** and the corresponding credit as a ***lease liability.***

Assets and liabilities are initially measured on a present value basis and lease liabilities include net present value of the fixed payments less any lease incentives receivable. The company has elected not to recognise ***right-to-use*** assets and lease liabilities for short-term [non-renewable leases and/or leases of low-value items.

Amount recognised in the statement of financial position [IFRS16]:

i. Right-of-use assets

	2020
	$
Right-of-use assets	
Leasehold property [right-to-use upon adoption]	**53,080,833**
Depreciation charge for the year	**(13,270,208)**
Balance at end of year	**39,810,625**

ii. Lease liabilities

Lease liability [upon initiation]	**53,080,833**
Recognised in the year	**(14,910,408)**
	38,170,425
Maturity analysis - contractual undiscounted cash flows:	
Within one year	**15,357,718**
Over one year	**22,812,707**
	38,170,425

Amount recognised in the statement of financial position:

iii. Amount recognised in the statement of comprehensive income:

	2020
	$
Interest on lease liability	**1,427,374**
Depreciation charge for right-of-use assets	**13,270,208**

Right-of-use assets are measured at cost based on the amount of the initial measurement of the lease liability. The asset is subsequently depreciated using the straight-line method from the commencement date of the lease term.

iv. Amount recognised in the statement of cash flows:

Total cash outflows for leases	**16,337,780**

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NOTES TO THE FINANCIAL STATEMENTS
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11. Investments - securities

	2020	2019
	$	$
These comprise quoted securities:-		
Investment securities at the beginning of the year	**93,309**	104,390
Fair value adjustment to investment instrument [net]	**(27,174)**	(11,081)
Market value	**66,135**	93,309

12. Inventories

Inventories comprise:

	2020	2019
	$	$
Motor vehicles	**198,131,487**	192,825,397
Motor vehicles - Special Economic Zone *	**112,500,256**	140,397,746
Motor vehicles - bonded warehouse	**18,535,354**	18,632,277
Parts	**10,767,938**	7,590,014
Inventories on hand	**339,935,035**	359,445,434
Goods-in-transit	**51,923,911**	85,237,258
	391,858,946	444,682,692

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

13. Trade, Other receivables and Prepayments

These comprise:-

	2020	2019
	$	$
Trade receivables	**15,393,652**	21,813,213
Prepayments	**861,535**	819,842
Deposits with suppliers	**1,888,819**	36,697,285
Related party balances	**7,631,591**	6,420,647
Statutory receivables - GCT	**16,579,116**	18,197,572
Other receivables	**3,217,764**	3,206,366
	45,572,477	87,154,925

Trade receivables are stated net of provision for impairment. The provision have been computed in compliance with the provisions under IFRS 9 [see note 21{b}].

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14. Cash and Bank Balances

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

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

15. Parent Company

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

16. Share Capital and Capital Reserves

(a) Share capital

	2020	2019
	$	$
Authorised -		
900,000,000 [2019 = 900,000,000] Ordinary shares of no par value		
Issued and fully paid -		
583,500,000 [2019 = 583,500,000] Ordinary shares of no par value	**97,040,590**	97,040,590
Less: Transaction costs	**(8,223,372)**	(8,223,372)
	88,817,218	88,817,218

(b) Capital reserve:

Capital reserve comprise:

	$	$
Unrealised surplus arising from revaluation of freehold property and investment security *(see notes 9 & 10).*	**16,776,645**	16,803,819

17. Earnings per Stock Unit

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

	2020	2019
	$	$
Net profit attributable to equity holders of the company	**(6,762,023)**	60,292,914
Weighted average number of ordinary stock units in issue	**583,500,000**	583,500,000
Basic earnings per stock unit	**(0.012)**	0.103

JETCON CORPORATION LIMITED
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18. Trade, Other Payables and Accruals

These comprise:-

	2020	2019
	$	$
Trade payables	**30,659,249**	48,219,478
Deposits - other	**2,053,043**	6,281,888
Statutory payables	**-**	1,098,031
Credit cards	**19,406,871**	36,736,884
Accruals	**1,819,057**	2,264,881
	53,938,220	94,601,162

19. Long-term Liability

	2020	2019
	$	$
Jamaica Money Market Brokers:		
Loan balance	**17,257,357**	38,740,492
Less - Current portion	**(10,377,480)**	(9,439,886)
	6,879,877	29,300,606

Jamaica Money Market Brokers

This loan, in the amount of $42,000,000 was received on the September 2019 and repayable over Forty-Eight months. Interest is charged at 9.0% per annum over the life of the loan. During the year, the company made a number of 'bullets payments' on the principal.

The loan is secured by means of the securities outlined below:

i. Registered mortgage on freehold property, registered in the name of the company, together with freehold property registered in the name of its holding company, St. Andrew Investments Limited.

ii Personal guarantees signed by director and company secretary of St. Andrew Investments Limited.

20. Related Party Transactions

The company had no ***trading*** transactions with related parties during the year. Transactions with parent company were in respect of advances made by the company on behalf of it parent company.

21. Financial Risk management

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

(a) Market risk

(i) Currency risk

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

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

21. Financial Risk management (continued)

(a) Market risk (continued)

(i) Currency risk (continued)

Foreign currency sensitivity

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

At balance sheet date the company had foreign currency assets in the form of deposits at bank and advances made to foreign suppliers amounting to US$64,632 and foreign currency liabilities of US$165,841 in respect of amounts due to its foreign suppliers.

The exchange rates applicable at balance sheet date are US$ 1 = J$141.5233 (2019= J$129.7847) in respect of foreign currency assets and US$ 1 = J$143.3834 (2019 = J$132.56907) in respect of foreign current liabilities.

(ii) Price risk

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

(iii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The company's cash and cash equivalents are subject to interest rate risk. The level of interest bearing deposit is low and the company has not been able to negotiate the most advantageous interest rates in relation to its overdraft; however, the terms of its long-term borrowings are considered comparable to market, based on current trends.

Interest rate sensitivity

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

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

(b) Credit risk

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

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

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21. Financial Risk management (continued)

(b) Credit risk (continued)

Trade and other receivables

Trade and other receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the company and a failure to make contractual payments for a period greater than 120 days past due. The company's trade receivables is relatively low as it adopts a business model whereby the bank finances its customers rather than the company granting direct credit.

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

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

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

December 31, 2020

	Weighted Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		$	$	
Current	1.96%	10,055,864	197,095	no
31 to 60 days past due	5.0%	-	-	no
61 to 90 days past due	11.45%	240,183	27,501	no
91 to 120 days past due	16.70%	210,000	35,070	no
Over 120 days	35.00%	7,919,711	2,772,440	no
		18,425,758	3,032,106	

December 31, 2019

	Weighted Average loss rate	Gross carrying amount	Loss allowance	Credit impaired
		$	$	
Current	5.00%	11,661,499	583,075	no
31 to 60 days past due	7.75%	2,063,633	159,932	no
61 to 90 days past due	11.45%	5,986,537	685,458	no
91 to 120 days past due	16.70%	1,051,718	175,637	no
Over 120 days	35.00%	4,081,932	1,428,004	no
		24,845,319	3,032,106	

21. Financial Risk management (continued)

(c) Liquidity risk

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

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

The company's financial liabilities at December 31, 2020 and 2019 comprise payables, accruals, bank loan and lease *right-of-use* liability..

The table below summarises the maturity profile of the company's financial liabilities at December 31, 2020 and 2019:

	Current 2020 J$	**Current 2019 J$**	**Non-current 2020 J$**	**Non-current 2019 J$**
Bank loan	**9,439,886**	10,377,480	**7,817,471**	29,300,606
Payables and accruals	**53,938,220**	94,601,162	**-**	-
Right-of-use liability	**15,357,718**	-	**22,812,707**	-
	78,735,824	104,978,642	**30,630,178**	29,300,606

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

(d) Capital management

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

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

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

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

22. Contingent Liability and Capital Commitment

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

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

23. Impact of COVID-19 Pandemic

The novel Coronavirus (COVID-19) outbreak was declared a global pandemic in March, 2020 by the World Health Organisation. The pandemic and the measures to control its human impact have resulted in disruptions to economic activity, business operations and asset prices. The Government has implemented a number of measures to reduce the spread of the virus, including nightly curfews, quarantines and restrictions on large public gatherings. These restrictions have had adverse economic effects on the financial operations of some stakeholders. This has adversely impacted the company as it experienced a fall in revenue of almost 40% in the current year over the prior period.

Although, it may take awhile before business activities in the country return to full normalcy, having regards to all the precautionary measures being taken, management maintain that the ***going concern*** assumption remain appropriate and the company is not expected to be significantly impacted by the COVID-19 pandemic.