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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 7 to 39, which comprise the separate balance sheet as at December 31, 2022, the separate 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 separate financial statements give a true and fair view of the unconsolidated financial position of the company as at December 31, 2022, and of its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Standards as issued by the International Accounting Standards Board ("IFRS Standards") 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 (CONTINUED)

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Separate Financial Statements (continued)*Key Audit Matters*

Key audit matters are matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters 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 these matters. We have determined that there are no key audit matters to communicate in our report.

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, 2022 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 Standards 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.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICA PRODUCERS GROUP LIMITED

Report on the Audit of the Separate 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 4 to 5, 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 Cynthia Lawrence.

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

Kingston, Jamaica

March 1, 2023



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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.



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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, 2022

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
CURRENT ASSETS			
Cash and cash equivalents	4	29,856	23,957
Short term investments	3(d),5	592,602	416,110
Securities purchased under resale agreements	3(e)	584,471	1,242,023
Accounts receivable	6	19,205	24,396
Taxation recoverable		<u>35,298</u>	<u>20,899</u>
Total current assets		<u>1,261,432</u>	<u>1,727,385</u>
CURRENT LIABILITIES			
Accounts payable	7	1,077,524	817,047
Current portion of loans and borrowings	14	130,000	130,000
Current portion of lease liabilities	11(b)	<u>6,478</u>	<u>5,974</u>
Total current liabilities		<u>1,214,002</u>	<u>953,021</u>
WORKING CAPITAL SURPLUS		<u>47,430</u>	<u>774,364</u>
NON-CURRENT ASSETS			
Interest in subsidiaries, associates and joint ventures	8	3,744,145	3,894,690
Investments	9	12,377	17,870
Property, plant and equipment	10	109,395	80,521
Right-of-use assets	11(a)	<u>63,062</u>	<u>64,419</u>
Total non-current assets		<u>3,928,979</u>	<u>4,057,500</u>
Total assets less current liabilities		<u>3,976,409</u>	<u>4,831,864</u>
EQUITY			
Share capital	12	112,214	112,214
Reserves	13	<u>2,964,880</u>	<u>3,686,716</u>
Total equity attributable to stockholders		<u>3,077,094</u>	<u>3,798,930</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	14	841,778	971,034
Lease liabilities	11(b)	<u>57,537</u>	<u>61,900</u>
Total non-current liabilities		<u>899,315</u>	<u>1,032,934</u>
Total equity and non-current liabilities		<u>3,976,409</u>	<u>4,831,864</u>

The financial statements on pages 6 to 39 were approved by the Board of Directors on March 1, 2023 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

Company Statement of Profit or Loss and Other Comprehensive Income
 Year ended December 31, 2022

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
Revenue:			
Management fees - subsidiaries	15	50,659	41,095
- other	15	27,608	26,030
Interest income - subsidiaries		31,058	19,658
- other		58,289	87,107
Dividends	16	403,042	360,598
Rent - subsidiaries	15	23,698	22,488
- other	15	<u>1,512</u>	<u>499</u>
		595,866	557,475
Administration and other operating expenses	17	<u>(656,044)</u>	<u>(414,184)</u>
(Loss)/profit from operations		(60,178)	143,291
Net (loss)/gain from fluctuation in exchange rates	16	(40,246)	153,091
Gain on disposal of investments and property, plant and equipment		1,043	-
Debt forgiveness		-	1,626
Increase in impairment allowance on loans and receivables - subsidiaries	8	<u>(169,065)</u>	<u>(167,598)</u>
(Loss)/profit before finance cost and taxation		(268,446)	130,410
Finance cost - interest	16	<u>(120,905)</u>	<u>(122,218)</u>
Profit before taxation		(389,351)	8,192
Taxation	18	<u>(12)</u>	<u>(22)</u>
(Loss)/profit for the year		<u>(389,363)</u>	<u>8,170</u>
Other comprehensive loss:			
Item that will not be reclassified to profit or loss:			
Decrease in fair value of investments classified as fair through other comprehensive income ("FVOCI")		<u>(5,493)</u>	<u>(1,059)</u>
Total comprehensive (loss)/income for the year		<u>(394,856)</u>	<u>7,111</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, 2022

	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 January 1, 2021	<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>
Total comprehensive income for 2021:						
Profit for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,170</u>	<u>8,170</u>
Other comprehensive income:						
Decrease in fair value of investments carried at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,059)</u>	<u>-</u>	<u>(1,059)</u>
Total comprehensive (loss)/income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,059)</u>	<u>8,170</u>	<u>7,111</u>
Transactions with owners of the company						
Capital distributions (note 19)	<u>-</u>	<u>-</u>	<u>(280,536)</u>	<u>-</u>	<u>-</u>	<u>(280,536)</u>
Unclaimed distributions to stockholders written back (note 19)	<u>-</u>	<u>-</u>	<u>10,052</u>	<u>-</u>	<u>-</u>	<u>10,052</u>
Balances at December 31, 2021	<u>112,214</u>	<u>135,087</u>	<u>1,546,244</u>	<u>(2,077)</u>	<u>2,007,462</u>	<u>3,798,930</u>
Total comprehensive income for 2022:						
Loss for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(389,363)</u>	<u>(389,363)</u>
Other comprehensive income:						
Decrease in fair value of investments carried at fair value through other comprehensive income	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,493)</u>	<u>-</u>	<u>(5,493)</u>
Total comprehensive (loss)/income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,493)</u>	<u>(389,363)</u>	<u>(394,856)</u>
Transactions with owners of the company						
Capital distributions (note 19)	<u>-</u>	<u>-</u>	<u>(336,643)</u>	<u>-</u>	<u>-</u>	<u>(336,643)</u>
Unclaimed distributions to stockholders written back (note 19)	<u>-</u>	<u>-</u>	<u>9,663</u>	<u>-</u>	<u>-</u>	<u>9,663</u>
Balances at December 31, 2022	<u>112,214</u>	<u>135,087</u>	<u>1,219,264</u>	<u>(7,570)</u>	<u>1,618,099</u>	<u>3,077,094</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, 2022

	<u>Notes</u>	<u>2022</u> \$'000	<u>2021</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit for the year		(389,363)	8,170
Adjustments for:			
Depreciation – plant, property and equipment	10	11,023	9,296
Amortisation – right-of-use assets	11	4,142	4,026
Net unrealised exchange loss/(gains)		41,793	(153,854)
Gain on disposal of property, plant and equipment and investments		(1,043)	-
Debt forgiveness		-	(1,626)
Increase in provision for diminution in value of interest in subsidiaries	8	169,065	167,598
Expected credit loss charge on trade receivables	17	10,282	2,348
Amortisation of bond issuance costs	14	744	744
Interest income	16	(89,347)	(106,765)
Interest expense	16	120,905	122,218
Current taxation charge	18	<u>12</u>	<u>22</u>
		(121,787)	52,177
(Increase)/decrease in current assets:			
Accounts receivable		(9,396)	2,593
Taxation recoverable		(14,399)	(14,220)
Increase/(decrease) in current liabilities:			
Accounts payable		191,132	44,109
Unclaimed dividends		<u>20,978</u>	<u>44,428</u>
Cash generated from operating activities		66,528	129,087
Taxation paid		<u>(12)</u>	<u>(22)</u>
Net cash provided by operating activities		<u>66,516</u>	<u>129,065</u>
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Short term investments		(190,666)	684,015
Securities purchased under resale agreements		-	(71,917)
Redemption of securities purchased under resale agreements		650,192	-
Additions to property, plant and equipment	10	(39,897)	(2,238)
Interest received		88,589	116,762
Interests in subsidiary and associate companies		(95,304)	(403,646)
Proceeds from disposal of investments and property, plant and equipment		<u>1,043</u>	<u>-</u>
Net cash provided by investment activities		<u>413,957</u>	<u>322,976</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution to stockholders	19	(280,536)	(224,429)
Interest paid		(59,569)	(67,224)
Lease payments	11(b)	(6,644)	(5,551)
Loans and borrowings		<u>(130,000)</u>	<u>(130,000)</u>
Net cash used by financing activities		<u>(476,749)</u>	<u>(427,204)</u>
Net increase in cash and cash equivalents		3,724	24,837
Effect of foreign exchange movement		2,175	(16,500)
Cash and cash equivalents at beginning of year		<u>23,957</u>	<u>15,620</u>
Cash and cash equivalents at end of year		<u>29,856</u>	<u>23,957</u>

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements Year December 31, 2022

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 prior year, the company completed an investment in Grupo Frontera Limited (“GFL”), a joint venture holding company. The investment was made by subscription of shares and through a long term loan. The company owns 50% of the issued shares of GFL. On the same date, a subsidiary of GFL, Grupo Alaska SA, acquired the assets of an ice and bottled water producer and distributor in the Dominican Republic. (see note 8).

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 (“IASB”) and comply with the provisions of the Jamaican Companies Act.

Certain new, and revised 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 material changes to amounts recognised or disclosed in these financial statements.

Standards issued but not yet effective

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 company has not early adopted. The company 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 IAS 1 *Presentation of Financial Statements* are effective for annual periods beginning on or after January 1, 2023 and may be applied earlier. The amendments help companies provide useful accounting policy disclosures.

The key amendments to IAS 1 include:

- requiring companies to disclose their *material* accounting policies rather than their *significant* accounting policies;
- clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company’s financial statements.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

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

(a) Statement of compliance: (continued)

Standards issued but not yet effective (continued)

- Amendments to IAS 1 *Presentation of Financial Statements* (continued)

The amendments are consistent with the refined definition of material:

“Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements”.

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

- Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* are effective for periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 *Financial Instruments*: and
- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

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

(a) Statement of compliance: (continued)

Standards issued but not yet effective (continued)

- Amendments to IAS 12 *Income Taxes* are effective for annual reporting periods beginning on or after January 1, 2023, with early adoption permitted. The amendments clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption (IRE) so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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

- Amendments to IAS 1 *Presentation of Financial Statements*, will apply retrospectively for annual reporting periods beginning on or after January 1, 2024. The amendments promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

Under existing IAS 1 requirements, entities classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Instead of the requirement for a right of deferral to be unconditional, the standard requires that a right to defer settlement must have substance and exist at the reporting date. An entity classifies a liability as non-current if it has a right to defer settlement for at least twelve months after the reporting date. It has also been clarified that a right to defer exists only if the entity is in compliance with conditions specified in the loan agreement at the reporting date, even if the lender does not test compliance until a later date.

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

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

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

(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 24] are measured at cost, less allowance for impairment. Unless otherwise indicated, references to "financial statements" herein are to the unconsolidated financial statements.

The financial statements are prepared on the historical cost basis, except investments, which are measured at fair value. The financial statements are presented in Jamaican 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.

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

Impairment of investment in subsidiaries

Impairment of investment in subsidiaries is dependent upon management's internal assessment of future cash flows from subsidiaries. That internal assessment determines the recoverable value of subsidiaries. The estimate of the amount recoverable from future operations of the company's subsidiaries are sensitive to the discount rates and expected cashflows and weighted average cost of capital used.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

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 balance sheet include cash and cash equivalents, accounts receivable, securities purchased under resale agreement, short-term investments, equity investments, accounts payable, loans and borrowing and lease liabilities.

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;
- 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 (“OCI”). Subsequent changes in the investment at fair value are recorded in OCI.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

3. Significant accounting policies (continued)

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

Subsequent measurement

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

Impairment of financial assets

Impairment losses of financial assets, including receivables, are recognised using the expected credit loss 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.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

3. Significant accounting policies (continued)

(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.

(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 an 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.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

3. Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

(i) Owned assets (continued)

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.

The depreciation rates are as follows:

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

(i) Impairment financial assets

The company recognises a loss allowance for expected credit losses ("ECLs") on financial assets that are measured at amortised cost.

At each reporting date, the loss allowance on trade receivables is always measured at an amount equal to the lifetime expected credit losses. The loss allowance for other financial assets 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.

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.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

3. Significant accounting policies (continued)

(i) Impairment (continued)

Macroeconomic factors, forward looking information and multiple scenarios (continued)

Measurement of ECLs at each reporting date reflects reasonable and supportable information 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 provide for expected credit losses, which allows the use of a provision matrix. 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.

Impairment of non-financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 is recognised in profit or loss if the carrying amount of an asset exceeds its recoverable amount.

(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.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

3. Significant accounting policies (continued)

(j) 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 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.

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.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

3. Significant accounting policies (continued)

(j) Leases (continued)

(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.
- employee share option plan

The company operates an Employee's Share Ownership Plan ("ESOP"), which is regarded as a structured entity. The ESOP is managed under Trust and provides certain employee with the option to purchase shares at a discount using their annual bonus entitlement.

The fair value of the amount payable to the employees which are settled based on the choice of the employees is measured as an expense with corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the option. Any changes in the liability are recognised in profit or loss.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

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>
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.

(m) Dividend and rental income

The company earns dividends from subsidiaries and associated companies and equity investments. Dividend income is recognised at the point in time that the company's right to receive payment is established.

The company rents land and buildings to tenants. Rental income is based on market rates and charged monthly according to an agreement and is recognized monthly over the term of the agreement.

(n) 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.

(o) Interest income

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

(p) 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.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

3. Significant accounting policies (continued)

(o) Taxation (continued)

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, joint ventures, and associated companies:

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

(r) Segment reporting

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assesses its performance; and for which discrete financial information is available.

The operations of the company are reviewed as a whole and not in segments by its CEO. The company is categorised into one main business segment and the company uses profit or loss before finance cost and taxation to measure performance of its business as a whole.

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 bearing interest of 3% to 3.5% annually.

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
Year December 31, 20226. Accounts receivable

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Staff receivables	2,773	778
Prepayment	3,506	6,218
Other receivables and prepayments	<u>37,200</u>	<u>31,774</u>
	43,479	38,770
Less: Allowance for impairment	<u>(24,274)</u>	<u>(14,374)</u>
	<u>19,205</u>	<u>24,396</u>

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

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Balance at January 1	14,374	11,245
Impairment losses recognised	10,282	8,948
Impairment losses written back	-	(6,600)
Exchange (gain)/loss	<u>(382)</u>	<u>781</u>
Balance at end of year	<u>24,274</u>	<u>14,374</u>

7. Accounts payable

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Dividends payable	336,643	280,536
Loan from ESOP	296,237	231,524
Loan from Trusts	171,423	122,738
Accrued staff costs	134,407	110,645
Accrued expenses	90,294	33,579
Interest payable	12,872	14,767
Trade payables	2,446	4,553
Unclaimed dividends (a)	20,798	9,663
Other	<u>12,224</u>	<u>9,042</u>
	<u>1,077,524</u>	<u>817,047</u>

(a) Article 121 of the amended Articles of Association provides that all dividends declared may be utilized for the benefit of the company until claimed. Dividends unclaimed for after a period of twelve years from the date of declaration, may be forfeited and revert to the company.

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year December 31, 2022

8. Interest in subsidiaries, associates and joint ventures

	<u>2022</u> \$'000	<u>2021</u> \$'000
Subsidiary companies:		
Shares, at cost	4,151,890	4,151,890
Loan accounts receivable	269,546	351,407
Current accounts receivable	2,793,836	2,677,421
Less: Impairment allowance	(959,620)	(790,555)
Loan accounts payable	(2,650,118)	(2,672,702)
Current accounts payable	(184,294)	(114,855)
Interest in subsidiaries	3,421,240	3,602,606
Joint ventures:		
Shares	36,942	36,942
Loan	<u>285,963</u>	<u>255,142</u>
Interest in subsidiaries, associates and joint ventures	<u>3,744,145</u>	<u>3,894,690</u>

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

During the prior year the company acquired a 50% shareholding in Grupo Frontera Limited (GFL) through subscription of shares. At the same time the company provided a long-term loan to GFL.

The loan bears 2.5% interest per annum. The loan plus any outstanding interest is repayable on or before October 31, 2031.

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 in the impairment allowance of \$169,065,000 (2021: \$167,598,000).

9. Investments

This comprises quoted equity investments measured at fair value.

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, 2020	125	74,033	39,569	131,273	245,000
Additions	-	-	-	2,238	2,238
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(280)</u>	<u>(280)</u>
December 31, 2021	125	74,033	39,569	133,231	246,958
Additions	14,610	-	744	24,542	39,897
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,510)</u>	<u>(5,510)</u>
December 31, 2022	<u>14,735</u>	<u>74,033</u>	<u>40,313</u>	<u>152,263</u>	<u>281,345</u>

JAMAICA PRODUCERS GROUP LIMITEDNotes to the Financial Statements (Continued)
Year December 31, 202210. Property, plant and equipment (continued)

	<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, 2022	<u>14,735</u>	<u>74,033</u>	<u>40,313</u>	<u>152,263</u>	<u>281,345</u>
Depreciation					
December 31, 2020	-	28,460	14,577	114,384	157,421
Charge for the year	-	2,161	1,272	5,863	9,296
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(280)</u>	<u>(280)</u>
December 31, 2021	-	30,621	15,849	119,967	166,437
Charge for the year	-	2,168	1,272	7,583	11,023
Eliminated on disposal	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,510)</u>	<u>(5,510)</u>
December 31, 2022	<u>-</u>	<u>32,789</u>	<u>17,121</u>	<u>122,040</u>	<u>171,949</u>
Net book values					
December 31, 2022	<u>14,735</u>	<u>41,244</u>	<u>23,192</u>	<u>30,223</u>	<u>109,395</u>
December 31, 2021	<u>125</u>	<u>43,412</u>	<u>23,720</u>	<u>13,264</u>	<u>80,521</u>

11. Leases

(a) Right-of-use assets

	<u>Leasehold land and buildings</u> \$'000
Cost	
December 31, 2020 and 2021	76,497
Addition	<u>2,785</u>
December 31, 2022	<u>79,282</u>
Depreciation	
December 31, 2020	8,052
Charge for the year	<u>4,026</u>
December 31, 2021	12,078
Charge for the year	<u>4,142</u>
December 31, 2022	<u>16,220</u>
Net book values	
December 31, 2022	<u>63,062</u>
December 31, 2021	<u>64,419</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

11. Leases (continued)

(b) Lease liabilities

	<u>2022</u> \$'000	<u>2021</u> \$'000
Maturity analysis - contractual cash flows:		
Less than one year	8,780	7,830
One to five years	44,239	41,530
More than five years	<u>86,451</u>	<u>95,140</u>
Total contractual cash flows	139,470	144,500
Less: future interest	<u>(75,455)</u>	<u>(76,626)</u>
	64,015	67,874
Less: current portion	<u>(6,478)</u>	<u>(5,974)</u>
Non-current	<u>57,537</u>	<u>61,900</u>
Amounts recognised in profit or loss:		
Interest on lease liabilities (note 16)	<u>(1,452)</u>	<u>(1,249)</u>
Amounts recognised in the statement of cash flows:		
Total cash outflow for leases	<u>6,644</u>	<u>5,551</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.

(d) As the lessor

Leases relate to property owned by the company that is leased to its subsidiaries with 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 \$25,209,000 (2021: \$22,987,000) under operating leases. Direct operating expenses arising on leased property in the period was \$1,241,610 (2021: \$1,338,328).

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year December 31, 2022

11. Leases (continued)

(d) As the lessor (continued)

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

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Within one year	25,724	9,434
In the second to fifth year inclusive	<u>73,269</u>	<u>29,759</u>
	<u>98,993</u>	<u>39,193</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.

Holders to these shares are entitled to dividends as declared from time to time and entitled to one vote per share at general meetings of the company.

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>2022</u>	<u>2021</u>
	\$'000	\$'000
Capital:		
Share premium (note 12)	135,087	135,087
Other	1,219,262	1,546,244
Fair value reserve	<u>(7,570)</u>	<u>(2,077)</u>
	1,346,779	1,679,254
Revenue:		
Retained profits	<u>1,618,101</u>	<u>2,007,462</u>
	<u>2,964,880</u>	<u>3,686,716</u>

Other capital reserves comprise gains on disposal of property, plant and equipment and investments up to December 31, 2022, unrealised exchange gains and unclaimed dividends to stockholders (note 19).

The company declared a capital distribution of \$0.30 (2021: \$0.25) per share unit effective December 20, 2022 (note 19).

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year December 31, 2022

14. Loans and borrowings

	<u>2022</u> \$'000	<u>2021</u> \$'000
Balance at, January 1	1,105,000	1,105,000
Repayment of loan	(130,000)	(130,000)
Balance at December 31	<u>975,000</u>	<u>971,034</u>
Less borrowing cost:		
Balance at beginning of the year	(3,966)	(4,710)
Amortised for the year	<u>744</u>	<u>744</u>
	<u>(3,222)</u>	<u>(3,966)</u>
	<u>971,778</u>	<u>1,101,034</u>
Total carrying value of long-term loan	971,778	1,101,034
Less: current portion long term loan	(130,000)	(130,000)
Non-current portion of long term loan	<u>841,778</u>	<u>971,034</u>

A term loan of \$1,300,000,000 was entered into on March 30, 2020 with The Bank of Nova Scotia Jamaica Limited. It is secured by shares in Kingston Wharves Limited and is repayable by April 2027 with principal repayable in 13 semi-annual payments of \$65,000,000 and a final payment of \$455,000,000 in April 2027. Interest accrues at a rate of 5.35% p.a.

15. Revenue

Revenue comprises management fees and rental income earned by the company for services rendered to its subsidiaries and joint ventures and dividends.

The company has no material reportable segments into which its business may be broken down other than that as disclosed in these financial statements.

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

	<u>2022</u> \$'000	<u>2021</u> \$'000
Primary Geographic Market		
Europe	44,824	40,669
Caribbean and North America	<u>58,653</u>	<u>49,443</u>
	<u>103,477</u>	<u>90,112</u>
Major Service		
Corporate services	78,267	67,125
Property rental	<u>25,210</u>	<u>22,987</u>
	<u>103,477</u>	<u>90,112</u>
Timing of recognition		
Services transferred over time	<u>103,477</u>	<u>90,112</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year December 31, 2022

16. Financial income and expenses

	<u>2022</u> \$'000	<u>2021</u> \$'000
Finance income:		
Interest income on bank deposits, loans and receivables	89,347	106,765
Dividend income	403,042	360,598
Net foreign exchange gain	<u>-</u>	<u>153,091</u>
	<u>492,389</u>	<u>620,454</u>
Finance costs:		
Interest expense on financial liabilities measured at amortised cost	(119,453)	(120,969)
Interest expense – lease liability [note 11(b)]	<u>(1,452)</u>	<u>(1,249)</u>
	(120,905)	(122,218)
Net foreign exchange loss	<u>(40,246)</u>	<u>-</u>
	<u>(161,151)</u>	<u>(122,218)</u>
Net finance income	<u>331,238</u>	<u>498,236</u>

17. Administrative and other operating expenses

	<u>2022</u> \$'000	<u>2021</u> \$'000
Administrative and other expenses:		
Advertising & promotion	7,870	2,751
Audit – current year	22,243	16,870
Bad debt	10,282	2,348
Bank charges	1,423	4,873
Depreciation – property, plant and equipment	11,023	9,296
Depreciation – right-of-use assets	4,142	4,026
Director’s emoluments – fees	12,640	11,340
Donations	10,724	5,281
Insurance	2,807	2,536
IT & Communications	7,062	6,306
Legal & professional	80,795	35,387
Office costs	1,390	1,015
Other property costs, maintenance, security, cleaning	10,240	7,332
Staff costs	389,527	258,594
Transport, automobile and associated costs	5,326	4,532
Travel	48,448	23,447
Utilities	3,835	2,525
Other	<u>26,267</u>	<u>15,725</u>
Total administrative and other operating expenses	<u>656,044</u>	<u>414,184</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

18. Taxation

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

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Current tax expense:		
Withholding tax at source on dividend	<u>12</u>	<u>22</u>

- (b) Reconciliation of actual taxation charge:

The effective tax rate for 2022 was 0.01% (2021: 0.27%) compared to a statutory rate of 25% (2021: 25%). The actual tax charge differs from the "expected" tax charge for the year as follows:

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
(Loss)/profit before taxation	<u>(389,363)</u>	<u>8,192</u>
Computed "expected" tax charge at 25%	(97,341)	2,048
Taxation difference between profit for financial statements and tax reporting purposes on:		
Gain on sale of investment and property, plant and equipment	(261)	-
Foreign currency loss/(gain) on capital items	37,065	(42,420)
Disallowed income and expenses, depreciation and other items	<u>60,525</u>	<u>40,394</u>
Actual tax charge recognised in the profit and loss account	<u>12</u>	<u>22</u>

- (c) At December 31, 2022, taxation losses subject to agreement by the Commissioner General, Tax Administration Jamaica, available for relief against future taxable profits amounted to approximately \$1,904,325,368 (2021: \$1,614,079,640). 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 \$476,081,342 (2021: \$403,519,910) has not been recognised as management considers its realisation within the foreseeable future to be uncertain.

19. Capital distributions

	<u>2022</u>	<u>2021</u>
	\$'000	\$'000
Capital distributions:		
First interim - \$0.30¢		
(2021: \$0.25¢) per stock unit - gross	336,643	280,536
Unclaimed capital distributions written back to capital reserves (note 13)	<u>(9,663)</u>	<u>(10,052)</u>
	<u>326,980</u>	<u>270,484</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

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 \$19 million at December 31, 2022 (2021: surplus of \$65 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 22% (2020: 32.0%) 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>2022</u>	<u>2021</u>
	\$'000	\$'000
Short-term employment and other benefits	222,453	164,407
Post-employment benefits	<u>14,958</u>	<u>12,582</u>
Total remuneration, included in directors' emoluments And staff costs, where applicable (note 17)	<u>237,411</u>	<u>176,989</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</u>		<u>(Payable)/receivable</u>		<u>Terms and conditions</u> *
		<u>2022</u>	<u>2021</u>	<u>at end of year</u>	<u>2022</u>	
50% Joint venture - Management Fee		27,608	26,014	-	-	2,3
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	2,811	2,705	-	-	1,2,3
Company under their control	legal services charged to company	37,753	-	-	-	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 December 31, 2022

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 and are included in level 2 fair value hierarchy. The fair value of long-term loans is assumed to approximate the carrying value as the interest rate reflects the market rate and is included in level 2 fair value hierarchy. 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 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)
Year December 31, 2022

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 \$639,732,000 (2021: \$1,344,281,000) was held for securities purchased under resale agreements [note 3(e)].

The allowance for impairment is immaterial.

- 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 over their lifetime.

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, 2022 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)
Year December 31, 2022

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 Jamaican dollar. The main currencies giving rise to this risk are the Pound Sterling ("GBP"), Euro ("EUR") 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 4% strengthening or 1% 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) 4% (2021: 8%) Depreciation of JMD

	<u>Effect on profit</u>	
	<u>2022</u>	<u>2021</u>
USD	47,108	197,263
GBP	1,179	1,585
EUR	<u>-</u>	<u>14,107</u>

(ii) 1% (2021: 2%) Appreciation of JMD

	<u>Effect on profit</u>	
	<u>2022</u>	<u>2021</u>
USD	11,777	49,315
GBP	295	396
EUR	<u>-</u>	<u>3,527</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year December 31, 2022

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>2022</u>	<u>2021</u>
USD 1 to JMD 1	149.96	152.75
GBP 1 to JMD 1	176.90	208.11
EUR 1 to JMD 1	<u>154.68</u>	<u>167.78</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 loan is 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>2022</u>	<u>2021</u>
	\$'000	\$'000
Fixed-rate instruments:		
Financial liabilities	<u>975,000</u>	<u>1,105,000</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 or its issuer, or all factors affecting instruments traded in the market generally. As the company's financial equity investments, are carried at fair value with fair value changes recognised in the reserves, 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 \$12,377,000 (2021: \$17,870,000).

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)
Year December 31, 2022

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 6% (2021: 5%) increase in stock prices at the reporting date would have increased other comprehensive income by \$742,620 (2021: \$893,500; 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 <u>rate</u> %	Carrying <u>amount</u> \$'000	Contractual cash <u>flows</u> \$'000	0-1 <u>year</u> \$'000	1-5 <u>years</u> \$'000
			<u>2022</u>		
Term loan	5.35	<u>975,000</u>	<u>1,147,151</u>	<u>180,457</u>	<u>966,694</u>
			<u>2021</u>		
Term loan	5.35	<u>1,105,000</u>	<u>1,334,525</u>	<u>187,374</u>	<u>1,147,151</u>

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

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. Commitments

The company has entered into a share subscription agreement to purchase shares of Capital Infrastructure Group, a company incorporated under the laws of Barbados with the purpose of making investment in infrastructure properties and assets within the Caribbean. The shares being purchased by the company are 2,400 common shares valued at US\$2,400,000 and 11,000 preference shares valuing US\$11,000.

On 22 November 2022, the company was called upon to make payments amounting to US\$612,000 by 30 January 2023. The amount represent a commitment to subscribe for shares at the reporting date.

24. 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</u>
	<u>2022</u>	<u>2021</u>	<u>business</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
JP Tropical Foods Limited	100	100	Jamaica
JP Snacks Caribbean Limited	70	70	Cayman Islands
Antillean Foods, Inc.	100	100	Cayman Islands

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
 Year December 31, 2022

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

	<u>% equity held</u>		<u>Place of business</u>
	<u>2022</u>	<u>2021</u>	
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
Newport Stevedoring Services Limited	100	100	Jamaica
KW Logistics Limited	100	100	Jamaica
KW Warehousing Services Limited	100	100	Jamaica
Four Rivers Mining Company Limited	100	100	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
Miami Freight Shipping Limited.	100	-	U.S.A.
JP Fresh 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 Limited	100	100	Jamaica
<u>ASSOCIATES AND JOINT VENTURES</u>			
Tortuga Cayman Limited	40	40	Cayman Islands
Geest Line Limited	50	50	United Kingdom
Co Beverage Lab S.L.	50	50	Spain
Grupo Frontera Limited	50	50	St Lucia
Grupo Alaska S.A.	100	100	Dominican Republic

JAMAICA PRODUCERS GROUP LIMITED

Notes to the Financial Statements (Continued)
Year December 31, 2022

25 Other matters

On November 21, 2022, The Group announced that Jamaica Producers Group Limited ('JP') and PanJam Investment Limited ('PanJam'), have reached an agreement that will see the amalgamation of their businesses to take advantage of opportunities both locally and globally.

This arrangement was approved by the shareholders of both companies at extraordinary general meetings held on December 23, 2022.

The agreement will result in PanJam acquiring JP's operating assets in exchange for JP taking a 34.5% interest in PanJam. Post-transaction, PanJam, which will ultimately hold the combined businesses, will be renamed Pan Jamaica Group Limited. JP will emerge as the largest shareholder of the Pan Jamaica Group, with its shares in the Pan Jamaica Group being its principal operating asset. Both the renamed Pan Jamaica Group and JP will remain listed on the Main Market of the Jamaica Stock Exchange.

The combined assets and operations of JP and PanJam are expected to deliver value for shareholders through a diverse international portfolio of businesses. Pan Jamaica Group will have substantial holdings in real estate and infrastructure, specialty food and drink manufacturing, agribusiness, financial services and a global services network of interests in hotels and attractions, business process outsourcing, shipping, logistics and port operations.

The transaction is expected to be completed after the first quarter of 2023.