



Mair Russell

**Grant Thornton**

Stationery and Office  
Supplies Limited

Financial Statements  
December 31, 2018

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# Independent auditor's report

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To the Members of  
Stationery and Office Supplies Limited

## Report on the Audit of the Financial Statements

### Opinion

We have audited the separate financial statements of Stationery and Office Supplies Limited (“the Company”) which comprise the statement of financial position as at December 31, 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2018, 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 for Opinion

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

### Key Audit Matters

Key audit matters are those matters that in our professional judgement; were of most significance in our audit of the financial statements of the current period. The matter was addressed in the context of our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Allowance for expected credit losses

As at December 31, 2018 trade and other receivables after allowance for expected credit losses of \$2,826,825 amounted to \$150,241,459 or 18% of the total assets. We consider the measurement of expected credit losses a key audit matter as the determination is based on management judgement and subject to significant uncertainty.

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#### Chartered Accountants.

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# Independent auditor's report (cont'd)

To the Members of  
Stationery and Office Supplies Limited

## **Report on the Audit of the Financial Statements (cont'd)**

### **Allowance for expected credit losses (cont'd)**

The principles for determining expected credit losses are described in the summary of significant accounting policies. The management of credit risk and the review for impairment have been described in more details in note 28b to the financial statements.

### **How our audit address the key audit matter**

Our audit procedures included, amongst others:

To ensure compliance with IFRS 9, we evaluated the techniques and methodologies used by the company in order to assess expected credit losses. In addition, we assessed and validated the inputs used and assumptions applied in determining the loss rates which are integral to the provision matrix used in determining the expected credit losses for trade receivables.

### **Other information**

Management is responsible for the other information. The other information comprises the information in the annual report 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 auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### **Responsibilities of Management and those charged with governance for the Financial Statements**

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

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

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

# Independent auditor's report (cont'd)

To the Members of  
Stationery and Office Supplies Limited

## **Report on the Audit of the Financial Statements (cont'd)**

### **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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that presents a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

# Independent auditor's report (cont'd)

To the Members of  
Stationery and Office Supplies Limited

## **Report on the Audit of the Financial Statements (cont'd)**

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

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

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

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

## **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 auditor's report is Ms. Karen Lewis.

Kingston, Jamaica

March 1, 2019

  
Chartered Accountants

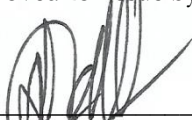
# Statement of financial position

## December 31, 2018

	Note	2018 \$	2017 \$
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	(5)	389,502,671	322,495,979
Intangible assets	(6)	14,553,096	5,095,397
Investments	(7)	1,427,016	1,500,000
		<b>405,482,783</b>	<b>329,091,376</b>
<b>Current assets</b>			
Inventories	(8)	215,160,638	158,707,704
Trade and other receivables	(9)	150,241,459	130,673,742
Prepayments		28,982,472	28,186,844
Taxation recoverable		841,982	247,180
Bank and cash	(10)	52,625,987	8,297,006
		<b>447,852,538</b>	<b>326,112,476</b>
<b>Total assets</b>		<b>853,335,321</b>	<b>655,203,852</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	(11)	88,151,214	88,151,214
Capital reserve	(12)	112,423,398	112,423,398
Retained profits		294,024,654	213,180,070
<b>Total equity</b>		<b>494,599,266</b>	<b>413,754,682</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	(13)	128,063,719	41,075,921
Other loans	(14)	52,227,886	56,814,327
Finance lease	(15)	205,707	6,557,005
Deferred tax liability	(16)	8,799,710	15,551,925
		<b>189,297,022</b>	<b>119,999,178</b>
<b>Current liabilities</b>			
Bank overdraft	(17)	3,846,305	-
Trade and other payables	(18)	134,943,209	85,092,897
Owing to Directors	(14)	685,442	413,193
Current portion of borrowings	(13)	20,572,020	23,252,767
Current portion of other loans	(15)	3,039,692	-
Current portion of finance lease		6,352,365	12,691,135
		<b>169,439,033</b>	<b>121,449,992</b>
<b>Total liabilities</b>		<b>358,736,055</b>	<b>241,449,170</b>
<b>Total equity and liabilities</b>		<b>853,335,321</b>	<b>655,203,852</b>

The notes on the accompanying pages 10 to 42 form an integral part of these financial statements.

Approved for issue by the Board of Directors on March 1, 2019 and signed on its behalf by:

  
\_\_\_\_\_) Director  
David McDaniel

  
\_\_\_\_\_) Director  
Marjorie McDaniel

# Statement of profit or loss and other comprehensive income Year ended December 31, 2018

	Note	2018 \$	2017 \$
<b>Revenue</b>	(4c)	<b>1,064,360,671</b>	906,505,818
Cost of sales		<b>(559,850,241)</b>	(483,492,384)
		<b>504,510,430</b>	423,013,434
Other income		<b>1,123,353</b>	97,991
Administrative and general expenses		<b>(294,316,318)</b>	(236,627,569)
Selling and promotional costs		<b>(88,627,558)</b>	(72,259,503)
Impairment loss on financial assets		<b>(143,176)</b>	(714,969)
Depreciation, amortisation and impairment		<b>(24,294,167)</b>	(22,312,151)
<b>Operating profit</b>		<b>98,252,564</b>	91,197,233
Finance income	(19)	<b>305,734</b>	420,367
(Loss)/gain on foreign exchange		<b>(3,144,526)</b>	208,016
Finance costs	(19)	<b>(13,931,914)</b>	(9,483,266)
Gain/(loss) on disposal of property, plant and equipment		<b>3,499,001</b>	(60,772)
<b>Profit before tax</b>	(20)	<b>84,980,859</b>	82,281,578
Income tax credit	(21)	<b>6,692,215</b>	684,867
<b>Profit for the year</b>		<b>91,673,074</b>	82,966,445
<b>Total comprehensive income for the year</b>		<b>91,673,074</b>	82,966,445
<b>Basic and Diluted Earnings Per Share</b>	(22)	<b>0.37</b>	0.38

The notes on the accompanying pages 10 to 42 form an integral part of these financial statements.



## Statement of changes in equity

### Year ended December 31, 2018

	Share Capital \$	Capital Reserve \$	Retained Profits \$	Total \$
<b>Balance at December 31, 2016</b>	<b>4,000</b>	<b>112,423,398</b>	<b>130,213,625</b>	<b>242,641,023</b>
Issue of shares	88,147,214	-	-	88,147,214
Transaction with owners	88,147,214	-	-	88,147,214
Profit for the year being total comprehensive income	-	-	82,966,445	82,966,445
<b>Balance at December 31, 2017</b>	<b>88,151,214</b>	<b>112,423,398</b>	<b>213,180,070</b>	<b>413,754,682</b>
Adjustment from the adoption of IFRS 9 (note 3)	-	-	(823,670)	(823,670)
<b>Adjusted balance at December 31, 2017</b>	<b>88,151,214</b>	<b>112,423,398</b>	<b>212,356,400</b>	<b>412,931,012</b>
Dividends (23)	-	-	(10,004,820)	(10,004,820)
Transaction with owners	-	-	(10,004,820)	(10,004,820)
Profit for the year being total comprehensive income	-	-	91,673,074	91,673,074
<b>Balance at December 31, 2018</b>	<b>88,151,214</b>	<b>112,423,398</b>	<b>294,024,654</b>	<b>494,599,266</b>

The notes on the accompanying pages 10 to 42 form an integral part of these financial statements.

# Statement of cash flows

## Year ended December 31, 2018

	Note	2018 \$	2017 \$
<b>Cash flows from operating activities:</b>			
Profit before tax		84,980,859	82,281,578
Adjustment for:			
Depreciation, amortisation and impairment	(5 & 6)	28,342,717	22,312,151
Loss/(gain) on foreign exchange on foreign currency loans		1,287,819	(1,527,675)
(Gain)/loss on disposal of property, plant and equipment		(3,499,001)	60,772
Loss on financial assets recognised in profit or loss		17,377	-
Interest income		(305,734)	(420,367)
Interest expense	(19)	13,914,537	9,483,266
		<u>124,738,574</u>	<u>112,189,725</u>
Increase in inventories		(56,452,934)	(39,876,609)
Increase in trade and other receivables		(20,391,387)	(43,173,685)
Increase in prepayments		(795,628)	(7,186,886)
Increase in trade and other payables		49,850,312	5,924,047
Increase/(decrease) in owing to Directors		272,249	(1,059,127)
		<u>97,221,186</u>	<u>26,817,465</u>
<b>Cash generated from operations</b>		<b>97,221,186</b>	<b>26,817,465</b>
Interest paid		(13,914,537)	(9,483,266)
Income taxes paid		(649,179)	(14,915,089)
<b>Net cash provided by operating activities</b>		<b>82,657,470</b>	<b>2,419,110</b>
<b>Cash flows from investing activities:</b>			
Interest received (net of withholding tax)		300,111	420,109
Purchase of property, plant and equipment		(100,073,107)	(97,738,773)
Proceeds from disposal of property, plant and equipment		9,090,000	-
Purchase of shares		(1,247,001)	(1,500,000)
Proceeds from disposal of shares		1,302,608	-
Purchase of intangible asset	(6)	(10,325,000)	-
<b>Net cash used in investing activities</b>		<b>(100,952,389)</b>	<b>(98,818,664)</b>
<b>Cash flows from financing activities</b>			
Issues of shares		-	88,147,214
Dividends paid		(10,004,820)	-
Proceeds from borrowings		115,395,000	55,540,001
Proceeds from finance lease		-	3,152,700
Repayment of borrowings		(31,087,949)	(29,647,266)
Repayment of other loans		(2,834,568)	(4,117,043)
Repayment of finance lease		(12,690,068)	(12,925,131)
<b>Net cash provided by financing activities</b>		<b>58,777,595</b>	<b>100,150,475</b>
<b>Net increase in cash and cash equivalents</b>		<b>40,482,676</b>	<b>3,750,921</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>8,297,006</b>	<b>4,546,085</b>
<b>Cash and cash equivalents at end of year</b>	(10)	<b>48,779,682</b>	<b>8,297,006</b>

The notes on the accompanying pages 10 to 42 form an integral part of these financial statements.

# Notes to the financial statements

## December 31, 2018

### 1. General information and nature of operation

Stationery and Office Supplies Limited is a limited liability company incorporated under the Laws of Jamaica on July 23, 1965. The company is domiciled in Jamaica with registered offices located at 23 Beechwood Avenue, Kingston 5, Jamaica, West Indies.

The main activity of the company is the sale of office furniture, fixtures, stationery and other office supplies and the manufacture and sale of books.

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on August 10, 2017.

At the reporting date, Outlook Limited, a company incorporated in St. Lucia, and its directors controlled the company by virtue of their direct holding of 80% of the issued shares of the company.

### 2. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and have been prepared on the accruals basis and under the historical cost convention as modified by the revaluation of properties and investments.

### 3. Changes in accounting policies

#### **New and revised standards that are effective for annual periods beginning on or after January 1, 2018**

Certain new and amended standards and interpretations to existing standards have been published and became effective during the current financial year. The company has assessed the relevance of all such new standards, interpretations and amendments and determined that the following will have an impact on the company.

#### **IFRS 9 'Financial Instruments'**

IFRS 9 replaces IAS 39 'Financial Instruments' Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets.

When adopting IFRS 9, the company has applied transitional relief and opted not to restate prior periods.

The adoption of IFRS 9 has impacted the following areas:

- investment in quoted equity securities previously classified as available-for-sale (AFS) investments under IAS 39 are now measured at fair value through profit or loss as the cash flows are not solely payments of principal and interest.

The company did not elect to irrevocably designate any of the equity investment at fair value with changes presented in other comprehensive income. The change in classification did not have an impact on the opening statement of financial position as at January 1, 2018.

## Stationery and Office Supplies Limited

### Notes to the Financial Statements December 31, 2018

- The impairment of financial assets (trade and other receivables) did not have a material impact on the opening statement of financial position as at January 1, 2018.

On the date of initial application, January 1, 2018, the financial instruments of the company were reclassified as follows:

	Measurement Category		Carrying Amount		
	Original (IAS 39) Category	New IFRS 9 Category	Closing Balance December 31, 2017 (IAS 39)	Adoption of (IFRS 9)	Opening Balance January 1, 2018 (IFRS 9)
<b>Non-current financial assets:</b>					
Quoted equity securities	Available- for- sale	FVTPL	745,028	-	745,028
Cash	Loans and receivables	Amortised cost	754,972	-	754,972
			1,500,000	-	1,500,000
<b>Current financial assets:</b>					
Trade and other receivables	Loans and receivables	Amortised cost	130,673,742	(823,670)	129,850,072
Bank and cash	Loans and receivables	Amortised cost	8,297,006	-	8,297,006
<b>Total financial assets balances</b>			<b>138,970,748</b>	<b>(823,670)</b>	<b>138,147,078</b>

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9 at January 1, 2018

	IAS 39 carrying amount December 31, 2017	Reclassification	Remeasurement	IFRS 9 carrying amount January 1, 2018	Retained earnings effect
	\$	\$	\$	\$	\$
<b>Fair value through profit or loss</b>					
From available for sale	-	745,028	-	745,028	-
<b>Total change to fair value through profit or loss</b>	-	<b>745,028</b>	-	<b>745,028</b>	-
Available for sale financial assets	745,028	(745,028)	-	-	-
Amortised cost	130,673,742	-	(823,670)	129,850,072	(823,670)
<b>Total financial assets balances, reclassification and remeasurement</b>	<b>132,173,742</b>	-	<b>(823,670)</b>	<b>129,850,072</b>	<b>(823,670)</b>

#### IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 replaces IAS 18 'Revenue', IAS 11 – 'Construction Contracts', and several revenue related interpretations. IFRIC 15 defines a comprehensive framework for determining when and to what extent revenue can be recognised. In accordance with IFRS 15, an entity shall recognise revenue as a monetary amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services in question.

According to the standard, revenue must be allocated to performance obligations based on relative transaction prices. A performance obligation is defined as a promise to transfer goods and/or services to customers. The revenue recognition takes place over time or at a point in time, with the transfer of control as the key criterion. The company's revenue stream, consists of the sale of office furniture, fixtures, stationery and other office supplies and the manufacture and sale of books. In the sale of these goods, control of the goods is transferred when the

physical possession of the product has been transferred to the customer, which typically occurs at delivery. Application of the standard did not have an impact on the revenue or results of the company.

### **IFRIC 22 ‘Foreign Currency Transactions and Advance Consideration’**

IFRIC 22 (effective for annual periods beginning on or after January 2, 2018). The interpretation clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income on the derecognition of non-monetary asset or non-monetary liability relating to advance consideration, the date of transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. The entity must determine the transaction date for each payment or receipt of advance consideration, if there are multiple payments or receipts in advance. The adoption of this interpretation had no impact on the company’s financial statements.

### **Standards, amendments and interpretations issued but not yet effective and have not been adopted early by the company**

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early adopted by the company. Information on those expected to be relevant to the company’s financial statements are provided below.

Management anticipates that all relevant pronouncements will be adopted in the company’s accounting policies for the first period beginning after the effective date of the pronouncement.

New standards, amendments and interpretations not early adopted or listed below have not been disclosed as they are not expected to have a material impact on the company’s financial statements.

### **IFRS 16 ‘Leases’**

IFRS 16 Leases’, (effective for annual periods beginning on or after January 1, 2019). In January 2017, the IASB published IFRS 16 which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a ‘right-of-use asset’ for virtually all lease contracts. There is an optional exemption for lessees applicable to certain short-term leases and leases of low-value assets. The company is assessing the impact of future adoption of the measurements on its financial statements.

### **IFRIC 23 ‘Uncertainty over Income Tax Treatment’**

IFRIC 23 (effective for annual periods beginning on or after January 1, 2019). The IFRIC clarifies how the recognition and measurement requirements of IAS 12 ‘Income Taxes’ are applied where there is uncertainty over income tax treatments. The IFRIC (IFRIC 23) explains how to recognize and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. The company is currently assessing the impact that the interpretation will have on its 2019 financial statements.

### **Amendments to IFRS 9, Financial Instruments’, on prepayment features with negative compensation**

Amendments to IFRS 9 (effective for annual period beginning on or after January 1, 2019). This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from IAS 39.

The adoption of this standard is not expected to have an impact on the Company.

**Annual improvement 2015-2017**

Annual improvement 2015-2017 (effective for annual period beginning on or after January 1, 2019). These amendments include minor changes to:

- IFRS 3, 'Business combinations', - a company remeasures its previously held interest in a joint operation when it obtains control of the business.
- IFRS 11 'Joint arrangements', - a company does not remeasure its previously held interest in a Joint operation when it obtains Joint control of the business.
- IAS 12, 'Income taxes' a company accounts for all income tax consequences of dividend payments in the same way.
- IAS 23 'Borrowing costs' - a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

The adoption of these standards are not expected to have a significant impact on the Company.

**4. Summary of significant accounting policies**

The financial statements have been prepared using the significant accounting policies and measurement basis summarised below:

**a Property, plant and equipment**

- (i) Property, plant and equipment are carried at revalued amounts or cost less accumulated depreciation and impairment (Note 4j). Cost includes any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the company's management.
- (ii) Land and buildings are carried at revalued amounts being the market value and are performed once every three to five (3 – 5) years, unless market factors indicate a material change in fair value. Any revaluation surplus is recognized in other comprehensive income and credited to capital reserve in equity, unless the carrying amount of that asset has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognized in other comprehensive income, a revaluation increase is credited to profit or loss with the remaining part of the increase recognized in other comprehensive income.

Downward revaluations of land and buildings are recognized upon revaluation or impairment testing, with the decrease being charged to other comprehensive income to the extent of any surplus in equity relating to this asset and any remaining decrease recognized in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

- (iii) Depreciation is charged on assets in the month after the date of acquisition.

Depreciation is provided on the straight line basis at such rates as will write off the cost of the various assets over the period of their expected useful lives. The useful lives approximate to fifty (50) years for building, twenty-five (25) years for roadway, ten (10) years for machinery, equipment and storage container, computer equipment, furniture and fixtures, five (5) years for motor vehicles and eight (8) years for solar system equipment.

Leasehold improvements are being amortised over five (5) years.

Land is not depreciated.

- (iv) Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

## Stationery and Office Supplies Limited

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(v) Repairs and renewals

The cost of repairs and renewals which do not enhance the value of the existing assets are written off to the profit or loss as they are incurred.

**b Inventories**

Inventories are stated at the lower of cost, determined on a first in first out (FIFO) basis, and net realisable value. Net realisable value is estimated selling price in the ordinary course of business less estimated costs of completion and any applicable selling expenses.

Cost of finished goods and work-in-progress includes raw materials and labour as well as suitable portions of related production overheads, based on normally operating capacity.

Cost of other inventories comprising raw materials and finished goods (merchandise) comprise of their cost and expenses incurred in acquired and bringing them to their existing location and condition.

**c Revenue recognition**

Revenue comprises sales to customers and other income. Sales represent the invoiced value of goods to customers net of General Consumption Tax.

Revenue from the sale of goods is recognised at a point in time when the control of the asset is transferred to the customer. Control of the goods is transferred when the physical possession of the good has been transferred to the customer which typically occurs at delivery.

**d Foreign currency translation**

*Functional and presentation currency*

The financial statements are prepared and presented in Jamaican Dollars, which is the functional currency of the company. Except where otherwise stated, these financial statements are expressed in Jamaican Dollars.

*Foreign currency translations and balances*

- (i) Foreign currency balances at the end of the reporting period have been translated at rates of exchange ruling at that date.
- (ii) Transactions in foreign currency are converted at rates of exchange ruling at the dates of those transactions.
- (iii) Gains/losses arising from fluctuations in exchange rates are included in profit or loss.

**e Cash and cash equivalents**

Cash and cash equivalents consist of current and savings accounts, held with licensed financial institutions and cash on hand maintained by the company.

**f Income tax**

Income tax on profit or loss for the year comprises current and deferred tax.

When applicable, current tax is calculated on taxable profits at current tax rates.

Current tax is the expected tax payable on the taxable income for the year, using tax values enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous year.

Deferred tax is accounted for using liability method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the corresponding basis used in the computation of taxable profit. In principle, deferred tax liabilities are recognised for taxable differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged to profit or loss, except when it is related to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

## **g Financial instruments**

### **Recognition and derecognition**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

### **Classification and initial measurement of financial assets**

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost
- fair value through profit or loss (FVTPL)
- fair value through other comprehensive income (FVOCI).

In the periods presented the company does not have any financial assets categorised as FVOCI.

The classification is determined by both:

- the entity's business model for managing the financial asset
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

### **Subsequent measurement of financial assets**

#### **Financial assets at amortised cost**

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The



company's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

**Financial assets at fair value through profit or loss (FVTPL)**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The company's quoted equity securities fall into this category.

The company accounts for the investment at FVTPL and did not make the irrevocable election to account for the investment in quoted equity securities at fair value through other comprehensive income (FVOCI).

In the current financial year, the fair value is determined in line with the requirements of IFRS 9, which does not allow for measurement at cost.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists.

**Financial assets at fair value through other comprehensive income (FVOCI)**

The company accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" the associated cash flows and sell and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Any gains or losses recognised in other comprehensive income (OCI) will be recycled upon derecognition of the asset. None of the company's financial assets fall into this category.

**Financial assets classified as available for sale (AFS) under IAS 39 (comparative periods)**

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets (FVTPL or held to maturity and loans and receivables).

The company's AFS financial assets include quoted equity securities, All AFS financial assets were measured at fair value. Gains and losses if any, were recognised in other comprehensive income and reported within the AFS reserve within equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss.

When the asset was disposed of or was determined to be impaired, the cumulative gain or loss recognised in other comprehensive income was reclassified from the equity reserve to profit or loss. Interest calculated using the effective interest method and dividends were recognised in profit or loss within finance income.

**Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts (for the issuer) that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the company first identifying a credit loss event. Instead the company considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

The company applies the simplified approach for trade receivables which is permitted by IFRS 9. The simplified approach requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL.

The company established a provision matrix based on historical credit losses adjusted to reflect forward looking macro economic factors affecting the customers ability to settle the amount outstanding.

**Previous financial asset impairment under IAS 39**

In the prior year, the impairment of trade receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

**Trade and other receivables**

The company makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument.

In calculating, the company uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The company assess impairment of trade receivables on a collective basis as they possess shared credit risk characteristics they have been grouped based on the days past due. Refer to Note 28b for a detailed analysis of how the impairment requirements of IFRS 9 are applied.

**Classification and measurement of financial liabilities**

As the accounting for financial liabilities remains largely the same under IFRS 9 compared to IAS 39, the company's financial liabilities were not impacted by the adoption of IFRS 9. However, for completeness, the accounting policy is disclosed below.

The company's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the company designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

**h Owing to Directors**

Amounts owing to Directors are carried at amortised cost.

**i Borrowings**

Borrowings comprise loans and capital lease obligations and are classified as financial liabilities measured at amortised cost and are recognised initially at fair value, being their issued proceeds net of transaction costs incurred.

Subsequently, borrowings are measured at amortised cost and any difference between net proceeds and the redemption value is recognised in the profit or loss account over the period of the borrowings using the effective interest method. Interest charges are recognised in profit or loss in the period in which they occur.

**j Impairment**

The company's property, plant and equipment and intangible assets are subject to impairment testing.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Individual assets or cash-generating units are tested 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 assets or cash-generating units carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

**k Intangible assets**

**Initial recognition**

Computer software is capitalised on the basis of the costs incurred to acquire and install the specific software.

**Brand name**

Brand name acquired are recognised as an intangible asset at its fair value.

**Subsequent measurement**

All finite-lined intangible assets, are accounted for using the cost model whereby capitalised costs are amortised in a straight line basis over their estimated useful lives. Residual values and useful lives are reviewed at each reportig date. In addition they are subject to impairment testing as described in Note 4j. The useful lives applied are ten (10) years for computer software and twenty (20) years for brand name.

Amortisation has been included within depreciation, amortisation and impairment of non-financail assets.

Subsequent expenditures on the maintenance of computer software and brand name are expensed as incurred.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset, and is recognised in profit or loss within other income or expenses.

**I Leases**

**Finance leases**

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the lease payments plus incidental payments, if any, to be borne by the lessee.

A corresponding amount is recognised as a finance lease liability, irrespective of whether some of these lease payments are payable up-front at the date of inception of the lease. Subsequent accounting for assets held under finance lease agreements, that is, depreciation methods and useful lives, correspond to those applied to comparable acquired assets. The corresponding finance leasing liability is reduced by lease payments less finance charges, which are charged to profit or loss as finance costs.

Finance charges represent a constant periodic rate of interest on the outstanding balance of the finance lease liability and are charged to profit or loss as finance costs or the term of lease if shorter.

**Operating leases**

All other leases are treated as operating leases. Where the company is a lessee, payments on operating lease arrangements are recognised as an expense on a straight line basis over the lease term. Associated costs such as maintenance are expensed as incurred.

**m Equity**

Share capital is determined using the proceeds received for the shares that have been issued.

Capital reserve represents gains and losses arising from the revaluation of land and buildings.

Retained profits include all current and prior period results as disclosed in profit or loss.

All transactions with owners of the parent are recorded separately within equity.

Dividends are recognized in the period in which they are declared.

**n Operating expenses**

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

**o Use of estimates and judgements**

The preparation of financial statements in accordance with International Financial Reporting Standards requires management to make estimates and assumptions that affect the amounts reported in the financial statements.

These estimates are based on historical experience and management's best knowledge of current events and actions. Actual results may differ from these estimates and assumptions.

There were no critical judgements, apart from those involving estimation, that management has made in the process of applying the company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

## Stationery and Office Supplies Limited

Notes to the Financial Statements  
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The estimates and assumptions which have the most significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

(i) Depreciation of property, plant and equipment

Depreciation is provided so as to write down the respective assets to their residual values over their expected useful lives and, as such, the selection of the estimated useful lives and the expected residual values of the assets requires the use of estimates and judgements. Details of the estimated useful lives are as shown in Note 4(a).

(ii) Taxation

The company is required to estimate income tax payable to the Commissioner General of Tax Administration Jamaica on any profit derived from operations. (Note 21). This requires an estimation of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments.

These temporary differences result in deferred tax assets or liabilities which are included in the statement of financial position. Deferred tax assets and liabilities are measured using the enacted tax rate at the end of the reporting period.

If the tax eventually payable or recoverable differs from the amounts originally estimated then the difference will be accounted for in the accounts in the year such determination is made.

(iii) Impairment

The company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the valuation was taken to equity. In this case the impairment is also recognised in equity up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss and

other comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

- (iv) In determining amounts recorded from impairment of trade receivables, the company applies a simplified approach in calculating expected credit losses. The company recognises a loss allowance based on 12 months expected credit losses at each reporting period date and has established a provision matrix based on its historical credit loss experience and adjusted for forward looking microeconomic factors affecting the customers ability to settle the amount outstanding.

**p Provisions, contingent liabilities and contingent assets**

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the company and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, legal disputes or onerous contracts.

Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at reporting date, including the risks and uncertainties associated with the present obligation. Any reimbursement expected to be received in the course of settlement of the present obligation is recognised, if virtually certain as a separate asset, not exceeding the amount of the related provision.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. In addition, long-term provisions are discounted to their present values, where time value of money is material.

All provisions are reviewed at the end of the reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognised in the statement of financial position.

Probable inflows of economic benefits to the company that do not yet meet the recognition criteria of an asset are considered contingent assets.

**q Operating segments**

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 Chief Operating Decision Makers to make decisions about resources to be allocated to the segments and assess its performance.

The company has three operating segments, books, furniture and stationery and other supplies.

**r Comparative information**

Certain previous year figures have been restated to conform to current year's presentation.

## Stationery and Office Supplies Limited

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### 5. Property, plant and equipment comprise:

The carrying amounts for property, plant and equipment for the years included in these financial statements as at December 31, 2018 can be analysed as follows:

	Freehold Land \$	Buildings \$	Roadway \$	Leasehold improvements \$	Motor Vehicles \$	Computer Equipment \$	Other Equipment \$	Solar Equipment \$	Total \$
<b>Gross carrying amount</b>									
Balance at January 1, 2018	100,000,000	160,394,126	2,062,400	7,234,615	83,200,292	10,997,002	21,765,533	14,600,678	400,254,646
Additions	-	8,219,040	-	-	34,000,000	1,695,108	56,158,959	-	100,073,107
Disposals	-	-	-	-	(14,395,735)	-	-	-	(14,395,735)
<b>Balance at December 31, 2018</b>	<b>100,000,000</b>	<b>168,613,166</b>	<b>2,062,400</b>	<b>7,234,615</b>	<b>102,804,557</b>	<b>12,692,110</b>	<b>77,924,492</b>	<b>14,600,678</b>	<b>485,932,018</b>
<b>Depreciation</b>									
Balance at January 1, 2018	-	(3,841,596)	(61,872)	(7,234,614)	(40,787,489)	(8,233,926)	(12,123,914)	(5,475,256)	(77,758,667)
Depreciation and impairment	-	(3,100,456)	(82,496)	-	(15,806,574)	(1,216,945)	(5,443,860)	(1,825,085)	(27,475,416)
Disposals	-	-	-	-	8,804,736	-	-	-	8,804,736
<b>Balance at December 31, 2018</b>	<b>-</b>	<b>(6,942,052)</b>	<b>(144,368)</b>	<b>(7,234,614)</b>	<b>(47,789,327)</b>	<b>(9,450,871)</b>	<b>(17,567,774)</b>	<b>(7,300,341)</b>	<b>(96,429,347)</b>
<b>Carrying amount at December 31, 2018</b>	<b>100,000,000</b>	<b>161,671,114</b>	<b>1,918,032</b>	<b>1</b>	<b>55,015,230</b>	<b>3,241,239</b>	<b>60,356,718</b>	<b>7,300,337</b>	<b>389,502,671</b>

- (i) Included in the above are motor vehicles with gross carrying amounts totaling \$16,842,047 (2017 - \$23,750,884), which were acquired under finance lease arrangements (Note 15).
- (ii) Land and buildings located at 34 Collins Green Avenue, St. Andrew, were revalued by independent valuers D.C. Tavares & Finson Realty Ltd. in November 2017. The resulting decrease in valuation has been debited to the statement of profit or loss.
- (iii) Under the cost model, the carrying amount of revalued land and buildings at 21, 23 and 25 Beechwood Avenue, Kingston 5 and 34 Collins Green Avenue, St. Andrew at reporting date would be \$95,994,739 (2017 - \$84,232,901).
- (iv) Land and buildings have been pledged as security for the company's borrowings (Note 13).

## Stationery and Office Supplies Limited

Notes to the Financial Statements  
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### 5. Property, plant and equipment comprise (Cont'd):

	Freehold Land \$	Buildings \$	Roadway \$	Leasehold improvements \$	Motor Vehicles \$	Computer Equipment \$	Other Equipment \$	Solar Equipment \$	Total \$
<b>Gross carrying amount</b>									
Balance at January 1, 2017	75,000,000	117,000,000	-	7,234,615	73,304,335	9,997,915	18,630,198	14,600,678	315,767,741
Additions	25,000,000	43,394,126	2,062,400	-	23,147,825	999,087	3,135,335	-	97,738,773
Disposals	-	-	-	-	(13,251,868)	-	-	-	(13,251,868)
<b>Balance at December 31, 2017</b>	<b>100,000,000</b>	<b>160,394,126</b>	<b>2,062,400</b>	<b>7,234,615</b>	<b>83,200,292</b>	<b>10,997,002</b>	<b>21,765,533</b>	<b>14,600,678</b>	<b>400,254,646</b>
<b>Depreciation</b>									
Balance at January 1, 2017	-	-	-	(7,234,614)	(40,862,736)	(7,209,123)	(10,247,124)	(3,650,170)	(69,203,767)
Depreciation and impairment	-	(3,841,596)	(61,872)	-	(13,115,849)	(1,024,803)	(1,876,790)	(1,825,086)	(21,745,996)
Disposals	-	-	-	-	13,191,096	-	-	-	13,191,096
<b>Balance at December 31, 2017</b>	<b>-</b>	<b>(3,841,596)</b>	<b>(61,872)</b>	<b>(7,234,614)</b>	<b>(40,787,489)</b>	<b>(8,233,926)</b>	<b>(12,123,914)</b>	<b>(5,475,256)</b>	<b>(77,758,667)</b>
<b>Carrying amount at December 31, 2017</b>	<b>100,000,000</b>	<b>156,552,530</b>	<b>2,000,528</b>	<b>1</b>	<b>42,412,803</b>	<b>2,763,076</b>	<b>9,641,619</b>	<b>9,125,422</b>	<b>322,495,979</b>



## Stationery and Office Supplies Limited

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### 6. Intangible assets

Details of intangible assets and their carrying amounts are as follows:

	Acquired Software \$	Brand Name \$	Total \$
<b>Gross carrying amount</b>			
Balance at January 1, 2018	5,661,552	-	5,661,552
Separately acquired	-	10,325,000	10,325,000
<b>Balance at December 31, 2018</b>	<b>5,661,552</b>	<b>10,325,000</b>	<b>15,986,552</b>
<b>Amortisation</b>			
Balance at January 1, 2018	(566,155)	-	(566,155)
Charge for the year	(566,155)	(301,146)	(867,301)
<b>Balance at December 31, 2018</b>	<b>(1,132,310)</b>	<b>(301,146)</b>	<b>(1,433,456)</b>
<b>Carrying amount at December 31, 2018</b>	<b>4,529,242</b>	<b>10,023,854</b>	<b>14,553,096</b>

	Acquired Software \$	Total \$
<b>Gross carrying amount</b>		
Balance at January 1, 2017	5,661,552	5,661,552
Addition	-	-
<b>Balance at December 31, 2017</b>	<b>5,661,552</b>	<b>5,661,552</b>
<b>Amortisation</b>		
Balance at January 1, 2017	-	-
Charge for the year	(566,155)	(566,155)
<b>Balance at December 31, 2017</b>	<b>(566,155)</b>	<b>(566,155)</b>
<b>Carrying amount at December 31, 2017</b>	<b>5,095,397</b>	<b>5,095,397</b>

### 7. Investments

The company accounted for its equity securities at FVTPL and did not make the irrecoverable election to account for it at FVOCI.

	December 31, 2018 \$
Quoted equity securities	1,427,016
	<u>1,427,016</u>
	December 31, 2017 \$
Available-for-sale investment:	
Quoted equity securities	745,028
Loans and receivables	
Cash	754,972
	<u>1,500,000</u>

## Stationery and Office Supplies Limited

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### 8. Inventories

	2018	2017
	\$	\$
Finished goods	173,659,555	142,085,621
Work-in-progress	653,786	-
Raw materials	13,103,359	-
Goods in transit	27,743,938	16,622,083
<b>Total</b>	<b>215,160,638</b>	<b>158,707,704</b>

The cost of inventories recognised as an expense during the year was \$559,850,241 (2017 - \$483,850,241). This includes \$218,997 in respect of items written down to net realisable value.

### 9. Trade and other receivables

	2018	2017
	\$	\$
Trade	151,328,979	128,443,162
Less: Allowance for expected credit loss	(2,826,825)	(1,969,888)
	148,502,154	126,473,274
Staff loans	565,516	571,975
Other receivable	1,173,789	3,628,493
<b>Total</b>	<b>150,241,459</b>	<b>130,673,742</b>

All amounts are short-term and the carrying value is considered a reasonable approximation of fair value.

The age of trade receivables and other receivables past due but not impaired is as follows

	2018	2017
	\$	\$
Not more than 3 months	129,633,714	103,061,273
More than 3 months but not more than 1 year	18,868,440	24,878,385
<b>Total</b>	<b>148,502,154</b>	<b>127,939,658</b>

### 10. Cash and cash equivalents

	2018	2017
	\$	\$
<b>Cash and bank balances:</b>		
J\$ savings account	33,686,278	4,649,643
J\$ current accounts	16,256,003	3,222,641
US\$ current account	2,353,101	169,724
Short-term investment	55,607	-
Cash in hand	274,998	254,998
<b>Total cash at bank and in hand</b>	<b>52,625,987</b>	<b>8,297,006</b>
Less: bank overdraft (Note 17)	3,846,305	-
<b>Total cash and cash equivalents</b>	<b>48,779,682</b>	<b>8,297,006</b>

## Stationery and Office Supplies Limited

Notes to the Financial Statements  
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### 11. Share capital

	2018	2017
	\$	\$
Authorised: 500,000,000 ordinary shares (2017 - 2000)		
Issued: 250,120,500 ordinary shares (2017 - 2000)		
Stated capital Issued and fully paid:		
Balance at beginning of the year	<b>88,151,214</b>	4,000
Transactions during year:		
Shares issued	-	96,786,600
Less: Transaction cost of share issue	-	(8,639,386)
	-	88,147,214
<b>Balance at end of the year</b>	<b>88,151,214</b>	8,151,214

Following a Directors meeting and a General Meeting of the company on March 29, 2017, the following steps were approved by written resolution with respect to the capital structure of the company:

- a. The increase in the authorised share capital of the company by 9,998,000 ordinary shares from 2,000 ordinary shares to 10,000,000 ordinary shares.
- b. The sub-division of each of the 10,000,000 shares into 50 shares each with no par value (in accordance with the Articles of Incorporation and the Act). Therefore, the company's authorised share capital increased from 10,000,000 ordinary shares to 500,000,000, and the issued ordinary shares increased from 2,000 to 200,096,400.
- c. The remaining 50,024,100 shares were offered to the general public and/or Reserve Share applicants in the invitation.
- d. The adoption of new Articles of Incorporation in a form suitable for a public company.
- e. The re-registration of the company as a public company under the provisions of the Jamaican Companies Act, 2004.

On August 10, 2017, the company issued 50,024,100 shares to the public and the shares were listed on the Junior Stock Market of the Jamaica Stock Exchange. (See Note 1).

### 12. Capital reserve

	2018	2017
	\$	\$
Balance at January 1	<b>112,423,398</b>	112,423,398
<b>Balance at December 31</b>	<b>112,423,398</b>	112,423,398

## Stationery and Office Supplies Limited

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### 13. Borrowings

	2018	2017
	\$	\$
<b>Loans –</b>		
(a) MF&G Trust & Finance Limited	21,110,183	13,160,027
(b) JN Fund Managers Ltd.	112,252,355	36,351,475
(c) Seramco Limited Superannuation Fund	1,944,135	9,226,775
(d) The Seramco Limited Staff Pension Fund (2015)	3,329,066	5,590,411
(e) Other loan	10,000,000	-
	<b>148,635,739</b>	64,328,688
Less: Current portion	<b>(20,572,020)</b>	(23,252,767)
<b>Total</b>	<b>128,063,719</b>	41,075,921

- (a) i These loans bear interest at a rate of ten point five percent (10.5%) per annum, subject to change depending on market conditions or determined by the Trustees. The loans matured in December 2018 and were secured by:
- first and second legal mortgage over property registered at Volume 1224 Folio 830 of the Register Book of Titles.
  - first and second legal mortgage over registered property at Volume 1422 Folio 264 of the Register Books of Titles.
  - assignment of Comprehensive Fire and Peril Insurance for value on real estate with the Bank's interest noted.
  - personal guarantee of Directors: David McDaniel and Marjorie McDaniel.
  - 2017 Subaru XV Crossover motor car and 2017 Ford Ranger D/cab pick-up.
- These loans were repaid during the year.
- ii A loan of \$14.9 million was received March 2018 towards the purchase of motor vehicles. The loan is to be repaid over thirty-six(36) monthly payments and matures February 2021. Interest is charged at a rate of eight point five percent (8.5%) per annum which is subject to change from time depending on money market conditions.
- The loan is secured by:
- Chattel Mortgage over two (2) 2017 Ford Everest motor cars comprehensively insured with interest duly noted for value of EMV \$7.45million each.
  - Personal Gaurantee of Directors David McDaniel and Marjorie McDaniel.
  - Prommissory Note signed by Stationery and Office Supplies Limited for \$14.9 million.
- iii A loan of \$6.5 million was received July 2018 to purchase motor vehicles. The loan is to be repaid over thirty-six(36) monthly payments and matures June 2021. Internet is charges at a rate of eight point five percent (8.5%) per annum which is subject to change from time to time depending on money market conditions.

The loan is secured by:

- Chattel Mortgage over one (1) 2016 Toyota Land Cruiser Prado comprehensively insured with interest duly noted for value of EMV \$8.2 million PSV \$6.69 million.
- Personal Gaurantee of Directors David McDaniel and Marjorie McDaniel.
- Prommissory Note signed by Stationery and Office Supplies Limited for \$6.5 million.

## Stationery and Office Supplies Limited

Notes to the Financial Statements  
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- iv A loan of \$3.995 million was received October 2018 to purchase motor vehicles. The loan is to be repaid over thirty-six(36) monthly payments and matures September 2021. Interest is charges at a rate of eight point five percent (8.5%) per annum which is subject to change from time to time depending on money market conditions.

The loan is secured by:

- Chattel Mortgage over one (1) 2019 Szuki APV Panel Van comprehensively insured with interest duly noted for value.
- 
- Personal Gaurantee of Directors David McDaniel and Marjorie McDaniel.
- Prommissory Note signed by Stationery and Office Supplies Limited for \$3.9995 million.

- (b) i A loan of \$37million was received October 2017 towards the purchase of property and is to be repaid over a period of eighty-four (84) months. Interest is at a rate of eight point five percent (8.5%) per annum, subject to change depending on market conditions with repayment commencing thirty (30) days following the date on which the loan was disbursed.

The loan is secured by:

- First legal mortgage over the Duplicate Certificate of Title to commercial property at 23 Beechwood Avenue, Kingston 5.
- Assignment of all Risk Peril Insurance, to the order of JN Fund Managers Limited, over the 10,958 square feet office building at 23 Beechwood Avenue, Kingston 5 for its full replacement cost minimum interest cover ratio 2:1.

- ii A bond of \$80M was received April 2018 towards the purchase of equipment and the SEEK brand. The bond is to be repaid over six (6) years and bears interest at a rate of eight percent (8%) per annum. There will be a two year moratorium on principal repayment from April 25, 2018 through April 25, 2020.

The bond is secured by:

- Real estate property located at 34 Collins Green Avenue, with last valuation of J\$63,000,000.
- Floating charge over the equivalent of J\$85,000,000 of the company's receivables at 33% LTV ratio.
- The LTV of the collectoral package will be tested on an annual basis and should be maintained at aforementioned LTV levels.
- In lieu of receivables, the company can opt. to use cash in debt service reserve account at a LTV of 100%.

- (c) This represents a loan of \$11.545 million which bears interest at a rate of eight point five percent (8.5%) per annum. The interest rate is subject to change from time to time depending on money market conditions. Repayment will be for a period of thirty-six (36) months commencing one month after the disbursement date.

## Stationery and Office Supplies Limited

Notes to the Financial Statements  
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The loan is secured by:

- Chattel Mortgage over 2017 Subaru XV Crossover. Comprehensively secured with interest duly noted for values of EMV \$6.995 million and EMV \$4.55 million respectively.
  - Personal Guarantee of Directors David McDaniel and Marjorie McDaniel.
  - Promissory Note signed by Stationery and Office Supplies Limited for \$11,545,000.
- (d) This represents a loan of \$6.995 million at an interest rate of eight point five percent (8.5%) per annum which is subject to change from time to time depending on money market conditions. Repayment will be for a period of thirty six (36) months commencing one month after the disbursement date.

The loan is secured by:

- Chattel mortgage over 2016 Toyota Fortuner.
  - Personal Guarantee of Directors David McDaniel and Marjorie McDaniel.
  - Promissory Note signed by Stationery and Office Supplies Limited for \$11.545 million.
- (d) This represent a loan of \$10 million with no interest repayment. Repayment of \$5 million is due after the expiration of twelve (12) months and the next \$5 million due after the expiration of twenty-four (24) months accruing from the effective date of May 1, 2018.

### 14. (i) Other loans

	2018	2017
	\$	\$
Loan: (a)	36,110,148	38,064,327
(b)	19,157,430	18,750,000
	<u>55,267,578</u>	<u>56,814,327</u>
Less: current portion	3,039,692	-
<b>Total</b>	<u><b>52,227,886</b></u>	<u>56,814,327</u>

- (a) As of March 2018, this loan attracted interest of five point five percent (5.5%) per annum and is repayable on a quarterly basis.
- (b) The loan was received on September 1, 2015 for a period of six (6) years with a moratorium on principal payments for the first four (4) years. Interest is fixed at a rate of nine percent (9%) per annum and is payable on a quarterly basis. Effective June 2018 interest payments became due biannually and the rate of interest reduced from nine percent (9%) to six percent (6%) per annum.

### (ii) Owing to Directors

	2018	2017
	\$	\$
Advances	685,442	413,193
<b>Total</b>	<u><b>685,442</b></u>	<u>413,193</u>

These amounts are unsecured, interest free and have no fixed repayment terms (Note 24(ii)).

## Stationery and Office Supplies Limited

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### 15. Finance lease

	2018 \$	2017 \$
Finance lease	6,558,072	19,248,140
Less: Current portion	<b>(6,352,365)</b>	(12,691,135)
<b>Total</b>	<b>205,707</b>	6,557,005

The company entered into finance lease arrangements with MF & G Trust & Finance Limited and The Trustees of Seramco Limited Superannuation Fund for the acquisition of certain motor vehicles which are included in property, plant and equipment (Note 5) and computer software which is included in intangible asset (Note 6).

i Future minimum lease payments at December 31, 2018 are as follows:

	Due Within One Year \$	Due Within Two to Five Years \$	Total \$
Lease payments	6,755,120	208,732	6,963,852
Less: Finance charge	<b>(402,755)</b>	<b>(3,025)</b>	<b>(405,780)</b>
	6,352,365	205,707	6,558,072
Less: Current portion	<b>(6,352,365)</b>	-	<b>(6,352,365)</b>
<b>Total</b>	<b>-</b>	<b>205,707</b>	<b>205,707</b>

ii Future minimum lease payments at December 31, 2017 are as follows:

	Due Within One Year \$	Due Within Two to Five Years \$	Total \$
Lease payments	14,363,098	6,962,785	21,325,883
Less: Finance charge	<b>(1,671,963)</b>	<b>(405,780)</b>	<b>(2,077,743)</b>
	12,691,135	6,557,005	19,248,140
Less: Current portion	<b>(12,691,135)</b>	-	<b>(12,691,135)</b>
<b>Total</b>	<b>-</b>	<b>6,557,005</b>	<b>6,557,005</b>

iii Operating leases as lessee

The company leases an office, warehouse and storage buildings under operating leases. The future minimum lease payments are as follows:

	Minimum lease payments due within 1 year US\$	1 to 5 years US\$	Total US\$
December 31, 2018	47,774	-	47,774
December 31, 2017	47,774	-	47,774

The lease agreement expired on December 31, 2015. The company has an option to renew, however, at the reporting date the documentation to give effect to the terms of the new lease agreement had not been finalised.

## Stationery and Office Supplies Limited

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### 16. Deferred tax liability

Deferred tax is calculated on all temporary differences under the liability method using a tax rate of 12.5%, (2017 - 12.5%). The movement on the deferred tax account is as follows:

	2018 \$	2017 \$
Balance at beginning of year	(15,551,925)	(24,805,419)
Deferred tax credit	6,752,215	9,253,494
<b>Balance at end of year</b>	<b>(8,799,710)</b>	<b>(15,551,925)</b>

Deferred tax balance arose on temporary differences in respect of the following:

	2018 \$	2017 \$
Deferred tax liability on:		
Property, plant and equipment	(8,799,710)	(13,936,283)
Lease obligation	-	(1,615,642)
<b>Deferred tax liability</b>	<b>(8,799,710)</b>	<b>(15,551,925)</b>

### 17. Bank overdraft

The company does not have a bank overdraft facility. The amount represents uncleared cheques at the end of the year (Note 10).

### 18. Trade and other payables

	2018 \$	2017 \$
Trade	24,928,397	26,306,120
Customer deposits	57,334,528	34,724,929
Statutory deductions	9,308,059	5,526,224
Accruals	2,663,410	2,882,621
Other	40,708,815	15,653,003
<b>Total</b>	<b>134,943,209</b>	<b>85,092,897</b>

### 19. Finance income and finance cost

Finance income includes all income from short – term deposits and cash at bank:

	2018 \$	2017 \$
Interest income	305,734	420,367
<b>Total finance income</b>	<b>305,734</b>	<b>420,367</b>

Finance costs for the years presented comprise:

	2018 \$	2017 \$
Interest expense for borrowings at amortised cost	12,528,201	6,622,501
Fair value loss on financial assets	17,377	-
Interest on finance lease	1,386,336	2,860,765
<b>Total finance costs</b>	<b>13,931,914</b>	<b>9,483,266</b>



## Stationery and Office Supplies Limited

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### 20. Profit before tax

Profit before tax is stated after charging/ (crediting):

	2018	2017
	\$	\$
Depreciation, amortisation and impairment	28,342,717	22,312,151
Directors' emoluments –		
Management remuneration	56,298,502	45,740,080
Auditor's remuneration	1,748,250	1,665,000
Interest expense	13,914,537	9,483,266
Interest income	(305,734)	(420,367)
Loss/(gain) on foreign exchange	3,144,526	(208,016)
(Gain)/loss on disposal of property, plant and equipment	(3,499,001)	60,772

### 21. Income tax

The company's shares were listed on the Jamaica Stock Exchange Junior Market (JSE Junior Market) on August 10, 2017. As a result, the company is entitled to a remission of taxes for an allowable period not exceeding ten (10) years from the date of the listing on the JSE Junior Market, provided the shares remain listed for at least fifteen (15) years. The remissions of taxes are applicable as follows:

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

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions. However, the Minister of Finance amended the Income Tax Act requiring all companies, with the exception of charities and individuals with gross revenue below \$5 million and companies incorporated under the Companies Act for not more than twenty-four months, to pay a Minimum Business Tax of \$60,000.

- i Income tax based on profit for the year, adjusted for tax purposes and computed at the tax rate of 25% comprise:

	2018	2017
	\$	\$
Minimum Business Tax	60,000	-
Current charge	-	8,568,627
Deferred tax expense (note 16)	(6,752,215)	(9,253,494)
<b>Total</b>	<b>(6,692,215)</b>	<b>(684,867)</b>

- ii Reconciliation of theoretical tax expenses to effective tax expenses:

	2018	2017
	\$	\$
<b>Profit before tax</b>	<b>84,980,859</b>	<b>82,281,578</b>
Tax at the applicable tax rate of 25%.	21,245,215	20,570,395
Minimum Business Tax	60,000	60,000
Employment Tax Credit	-	(3,627,229)
Tax effect of expenses not deductible for tax purposes	794,194	5,798,521
Tax effect of other charges and allowances	(8,026,495)	(14,626,838)
Remission of tax	(20,765,129)	(8,739,717)
<b>Income tax for the year</b>	<b>(6,692,215)</b>	<b>(684,867)</b>

## Stationery and Office Supplies Limited

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### 22. Basic and diluted earnings per share

Basic and diluted earnings per share are both calculated using the profit attributed to equity shareholders as the numerator:

	2018 \$	2017 \$
Profit attributable to shareholders	<b>91,673,074</b>	82,966,445
Weighted average number of ordinary shares	<b>250,120,500</b>	219,748,725
Basic and diluted earnings per share	<b>0.37</b>	0.38

### 23. Dividends

During the year the company paid final dividends for the financial year 2017 of \$10,004 820 to its equity shareholders. This represents a payment of \$0.04 per shares.

### 24. Segment reporting

Segment information for the reporting period are as follows:

	Books \$	Furniture \$	Stationery and Others \$	Total \$
Revenue	34,782,783	697,567,096	332,010,792	1,064,360,671
Less: Cost of sales	49,678,640	374,967,939	143,625,169	568,271,748
<b>Gross profit</b>	<b>(6,474,350)</b>	<b>322,599,157</b>	<b>188,385,623</b>	<b>504,510,430</b>

### 25. Related party balances

- i A party is related to the company if:
  - a Directly, or indirectly through one or more intermediaries, the party:
    - Is controlled by, or is under common control with the entity;
    - Has an interest in the company that gives it significant influence over the entity;or
    - Has joint control over the company.
  - b The party is an associate;
  - c The party is a joint venture in which the company is a venturer;
  - d The party is a member of the key management personnel of the entity or its parent;
  - e The party is a close member of the family of any individual referred to in (a) or (d);
  - f The party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or
  - g The party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

## Stationery and Office Supplies Limited

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- ii At the end of the reporting period trade and non-trade balances with related parties were as follows:

	2018	2017
	\$	\$
Other loans (Note 14)	55,267,278	56,814,327
Owing to Directors (See Note 14)	685,442	413,193
	<u>55,953,020</u>	<u>57,227,520</u>

- iii Transactions with key management personnel

	2018	2017
	\$	\$
Short-term employee benefits – Management remuneration	56,298,502	45,740,080
<b>Total</b>	<u>56,298,502</u>	<u>45,740,080</u>

### 26. Expenses by nature

Total direct, administrative and other overhead expenses:

	2018	2017
	\$	\$
Cost of inventories recognised as an expense	<u>559,850,241</u>	<u>483,492,384</u>
<b>Administrative and general expenses</b>		
Directors' remuneration	56,298,502	41,438,416
Directors' fees	-	4,301,664
Employee benefits (Note 27)	155,032,338	131,625,010
Rent	6,062,867	6,017,620
Utilities	5,767,309	4,768,118
Auditor's remuneration	1,748,250	1,665,000
Motor vehicle expense	18,388,987	15,138,504
Repairs and maintenance	22,394,309	15,483,543
Legal and professional fees	5,943,335	1,554,892
Asset declaration and annual return fees	200,000	200,000
Security	2,611,109	1,930,712
Insurance	3,808,914	3,248,106
Donations and subscriptions	828,367	964,429
Bank charges	4,428,279	3,842,517
Other administrative expenses	10,803,752	4,449,038
<b>Total</b>	<u>294,316,318</u>	<u>236,627,569</u>
<b>Selling and promotional costs</b>		
Advertising	22,396,605	15,345,135
Commission	53,233,930	46,111,180
Travelling and entertainment	11,962,710	10,087,355
Other	1,034,313	715,833
<b>Total</b>	<u>88,627,558</u>	<u>72,259,503</u>

### 27. Employee benefits

	2018	2017
	\$	\$
Salaries and wages	123,055,530	100,440,687
Statutory contributions	24,191,077	20,224,310
Staff benefits	7,785,731	10,960,013
<b>Total</b>	<u>155,032,338</u>	<u>131,625,010</u>

There were one hundred and thirty-four (134), (2017 – one hundred and ten (110)) employees at year end.

## 28. Risk management policies

The company's activities expose it to a variety of financial risks in respect of its financial instruments: market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The company seeks to manage these risks by close monitoring of each class of its financial instruments as follows:

### a Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

#### Foreign currency risk

The company is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risk, which result from both its operating and investing activities.

#### i Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company is exposed to currency risk due to fluctuations in exchange rates on balances that are denominated in currencies other than the Jamaican Dollar. For transactions denominated in United States Dollars (US\$) the company however, maintains US\$ bank account in an attempt to minimise this risk.

At the end of the reporting period there were net liabilities of approximately US\$90,565 (2017 - US\$332,161) which were subject to foreign exchange rate changes as follows:

#### Concentrations of currency risk

	2018 US\$	2017 US\$
Financial assets		
- Prepayments	207,902	214,546
- Bank and cash	18,691	1,368
- Goods-in-transit	184,655	-
Financial liabilities		
- Other loans	(450,000)	(454,514)
- Trade and other payables	(51,813)	(93,561)
<b>Total</b>	<b>(90,565)</b>	<b>(332,161)</b>

The above assets/liabilities are receivables/payables in United States Dollars (US\$). The exchange rate applicable at date is J\$125.8936 to US\$1 (2017 - J\$123.61 to US\$1).

#### Foreign currency sensitivity

The following table illustrates the sensitivity of the net result for the year end and equity with regards to the company's financial assets and financial liabilities and US Dollar to Jamaican (JA) Dollar exchange rate. Only movements between the Jamaican Dollar and US Dollars are considered, as these are the two major currencies of the company.

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The sensitivity analysis is based on the company's United States Dollar financial instruments at the end of the reporting period.

Effect on results of operations:

If the JA Dollar weakens by 4% (2017 – 4%) against the US Dollar then this would have the effect of the amounts shown below on the basis that all other variables remain constant.

	Rate %	Weakens \$
<b>2018</b>	<b>4</b>	<b>(456,062)</b>
2017	4	(1,642,337)

If the JA Dollar strengthens against the US Dollar by 2% (2017 – 2%) this would have the following impact:

	Rate %	Strengthens \$
<b>2018</b>	<b>2</b>	<b>228,031</b>
2017	2	821,168

### ii Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows 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. However, the company attempts to manage this risk by monitoring its interest-bearing instruments closely and procuring the most advantageous rates under contracts with interest rates that are fixed for the life of the contract, where possible.

The company maintains interest-earning bank accounts with licensed financial institutions. Interest rates on interest-earning bank accounts are not fixed but are subject to fluctuations based on prevailing market rates.

The company's interest rate risk arises mainly from its borrowings.

#### Interest rate sensitivity

Due to the fact that interest earned from the company's interest-earning bank accounts is immaterial, there would be no material impact on the results of the company's operations as a result of fluctuations in interest rates. However, the company is exposed to changes in market interest rates through its borrowings.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates.

Effects on results of operations:

If the interest rate increases by 1% (2017 – 1%) according to changes in money market conditions then this would be the effect of the amounts shown on the basis that all other variables remain constant.

	Rate %	\$
<b>2018</b>	<b>1</b>	<b>1,389,358</b>
2017	1	(643,287)

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If the interest rate decrease by 1% (2017 – 1%) according to change in money market conditions then this would be the effect of the amounts shown on the basis that all other variables remain constant.

	Rate %	\$
<b>2018</b>	<b>1</b>	<b>(1,389,358)</b>
2017	1	643,287

### iii Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The company's financial instruments are substantially independent of changes in market prices as they are short-term in nature.

### b Credit risk

Credit risk is the risk that a counterparty fails to discharge an obligation to the company. The company is expect to dredit risk from financial assets including cash and cash equivalents held at banks, trde and other receivables.

#### Credit risk management

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits, and are only with reputable financial institution.

The company continouesly monitors the credit quality of as customers. The company's policy is to deal with only credit worthy counterparties. The credit terms range between 15 and 30 days. The credit terms for customers are subject to an internal approval process which considers the credit rating scorecard. The on going credit risk is managed through regular review of aging analysis together with credit limit per customer.

Trade receivables consists of a large number of customers. The company does not require collateral or other credit enhancements in respect of its trade and other receivables.

The maximum credit risk faced by the company is limited to the carrying amount of financial assets recognised at the end of the reporting period, as summarised below:

	<b>2018</b> \$	2017 \$
Investments	<b>1,427,016</b>	1,500,000
Trade and other receivables	<b>150,241,459</b>	130,673,742
Bank balances	<b>52,350,989</b>	8,042,008
<b>Total</b>	<b>204,019,464</b>	140,215,750

#### Trade receivables

The company applies IFRS 9 simplified model of recognising lifetime estimate credit losses, for all trade receivables as these items do not have significant financing component.

In measuring the expected credit losses the trade recievables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due.

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The expected loss rates are based on the payment profile for sales over the last 24 months before December 31, 2018 and January 1, respectively as well as the corresponding historical losses during the period. The historical rates are adjusted to reflect forward looking macro economic factors affecting the customers ability to settle the amount outstanding. The company has identified gross domestic product (GDP) and inflation rates to be the most relevant factors and accordingly adjusts historical loss rates for expected changes in these factors.

Trade receivables are written off when there is no reasonable expectation of recovery, failure to make payments within 365 days from the invoice date and failure to engage with the company on alternative payment arrangement amongst other is considered indicators of no reasonable expectation of recovery.

**December 31, 2018**

	Trade receivables days past due					Total
	Current	More than 30 days	More than 60 days	More than 90 days	365 days and over	
Expected credit loss rate	0.67%	0.74%	0.82%	4.82%	100%	-
Gross carrying amount	80,635,593	35,817,839	14,101,223	19,823,954	950,371	151,328,979
Lifetime expected credit loss	540,258	265,052	115,630	955,514	950,371	2,826,825

December 31, 2017

	Trade receivables days past due					Total
	Current	More than 30 days	More than 60 days	More than 90 days	365 days and over	
Expected credit loss rate	0.25%	0.27%	0.30%	1.2%	100%	-
Gross carrying amount	61,171,353	30,017,353	15,000,191	19,979,437	2,274,829	128,443,162
Lifetime expected credit loss	152,928	81,047	45,001	239,753	2,274,829	2,793,558

The closing balance of the trade and other receivables as at December 31, 2018 reconciles with the trade receivables loss allowance opening balance as follows:

	2018 \$	2017 \$
Loss allowance as at January 1, calculated under IAS 39	1,969,888	1,254,919
Amount restated through opening retained earnings	823,670	-
Opening loss allowance at January 1, 2018	2,793,558	1,254,919
Receivables written-off during the year	(109,909)	-
Loss allowance recognised during the year	143,176	714,969
	2,826,825	1,969,888

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### c Liquidity risk

Liquidity risk is the risk that the company will encounter difficulty in meeting its commitments associated with financial liabilities.

The company manages its liquidity risk by carefully monitoring its cash outflow needs for day-to-day business and maintaining an appropriate level of resources in liquid or near liquid form to meet its needs. The company maintains cash to meet its liquidity requirements.

As at December 31, 2018, the company's non-derivative financial liabilities have contractual maturities (including interest payment where applicable) as summarised below:

	<b>Current Within 12 Months \$</b>	<b>Non-current 2 to 5 years \$</b>	<b>Non-current Over 5 years \$</b>
Borrowings	31,524,078	152,621,686	-
Other loans	4,935,427	43,835,145	16,023,408
Finance lease	6,755,120	205,707	-
Owing to directors	685,442	-	-
Trade and other payables	134,943,209	-	-
<b>Total</b>	<b>178,843,276</b>	<b>196,662,538</b>	<b>16,023,408</b>

This compares to the maturity of the company's financial liabilities in the previous reporting period as follows:

	<b>Current Within 12 Months \$</b>	<b>Non-current 2 to 5 years \$</b>	<b>Non-current Over 5 years \$</b>
Borrowings	28,088,374	50,390,513	-
Other loans	-	56,814,327	-
Finance lease	14,363,098	6,962,785	-
Owing to directors	413,193	-	-
Trade and other payables	64,384,125	20,708,772	-
<b>Total</b>	<b>107,248,790</b>	<b>134,876,397</b>	<b>-</b>

The above contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the end of the reporting period.

## 29. Fair value measurement

- (i) Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.



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Level 3: Unobservable inputs for the asset or liability.

December 31, 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Quoted equity securities	1,427,016	-	-	1,427,016
<b>Total</b>	<b>1,427,016</b>	<b>-</b>	<b>-</b>	<b>1,427,016</b>

December 31, 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Quoted equity securities	745,028	-	-	745,028
<b>Total</b>	<b>745,028</b>	<b>-</b>	<b>-</b>	<b>745,028</b>

There were no transfers between level 1 and level 2 in 2018 and 2017

The company's other financial assets and financial liabilities are measured at amortised cost, and the fair values for these are disclosed at Note 30.

(ii) Fair value measurement of non-financial assets.

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis at December 31, 2018:

December 31, 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Property, plant and equipment				
Land and buildings	-	-	261,671,114	261,671,114
<b>Total</b>	<b>-</b>	<b>-</b>	<b>261,671,114</b>	<b>261,671,114</b>

Fair value of the company's land and buildings is estimated based on appraisal by a professionally qualified valuator. The significant inputs and assumptions are developed in close consultation with management.

Land and Buildings (Level 3)

The appraisal was carried out using a market approach that reflects observed prices for market transactions and incorporates adjustments for factors specific to the company's property, including size, location, encumbrances and current use of the property. Land and buildings at 34 Collins Green Avenue, St. Andrew, were revalued November 2017.

Reconciliation of the opening and closing balances of the company's land and buildings:

	2018 \$
<b>Balance at January 1, 2018</b>	<b>256,552,530</b>
Additions	8,219,040
Impairment of property, plant and equipment	-
Depreciation of property, plant and equipment	(3,100,456)
<b>Balance at December 31, 2018</b>	<b>261,671,114</b>

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December 31, 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Property, plant and equipment				
Land and buildings	-	-	256,552,530	256,552,530
<b>Total</b>	-	-	256,552,530	256,552,530

Fair value of the company's land and buildings is estimated based on appraisal by a professionally qualified valuator. The significant inputs and assumptions are developed in close consultation with management.

### Land and Buildings (Level 3)

The appraisal was carried out using a market approach that reflects observed prices for market transactions and incorporates adjustments for factors specific to the company's property, including size, location, encumbrances and current use of the property. Land and buildings at 34 Collins Green Avenue, St. Andrew, were revalued November 2017.

Reconciliation of the opening and closing balances of the company's land and buildings:

	2017
	\$
<b>Balance at January 1, 2017</b>	192,000,000
Additions	68,394,126
Impairment of property, plant and equipment	(1,415,298)
Depreciation of property, plant and equipment	(2,426,298)
<b>Balance at December 31, 2017</b>	256,552,530

### 30. Summary of financial assets and liabilities by category

The carrying amount of the company's financial assets and liabilities recognised at the end of the reporting periods under review may also be categorised as follows:

	2018	2017
	\$	\$
<b>Financial assets</b>		
Investments		
Fair value through profit or loss	1,427,016	-
Available-for-sale	-	745,028
Amortised cost	-	754,972
	<b>1,427,016</b>	<b>1,500,000</b>
<b>Financial assets</b>		
Amortised cost		
Trade and other receivables	150,241,459	130,673,742
Bank and cash	52,625,987	8,297,006
<b>Total</b>	<b>202,867,446</b>	<b>138,970,748</b>
<b>Financial liabilities measured at amortised cost</b>		
Borrowings	128,063,719	41,075,921
Other loans	52,227,886	56,814,327
Finance lease	205,707	6,557,005
<b>Financial liabilities measured at amortised cost</b>		
Bank overdraft	3,846,305	-
Trade and other payables	134,943,209	85,092,897
Owing to directors	685,442	413,193
Current portion of borrowings	20,572,020	23,252,767
Current portion of other loans	3,039,692	-
Current portion of finance lease	6,352,365	12,691,135
<b>Total</b>	<b>349,936,345</b>	<b>225,897,245</b>

**31. Capital management, policies and procedures**

The company's capital management objectives are to ensure the company's ability to continue as a going concern and to sustain future development of the business. The company's Board of Directors review the financial position of the company at regular meetings.

The company is not subject to externally imposed capital requirements. The company did not change its approach to capital management policies during the year.



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