

JAMAICA PRODUCERS GROUP LIMITED

MINUTES OF THE 84th ANNUAL GENERAL MEETING HELD AT JAMAICA PRODUCERS
GROUP LIMITED

4 FOURTH AVENUE, NEWPORT WEST, KINGSTON 13, ON
FRIDAY, 18TH JUNE 2021 AT 10:00 A.M.

Present Were:	Mr. Charles Johnston	-	Chairman/Shareholder
	Mr. Jeffrey Hall	-	Group Managing Director/ Shareholder
	Mr. Alan Buckland	-	Group Finance Director/Shareholder
Directors attending via Zoom:	Mrs. Patricia Francis	-	Director
	Mrs. Sanya Goffe	-	Director
	Dr. the Hon. Marshall Hall	-	Director/Shareholder
	Mrs. Dahlia Kelly	-	Director/Shareholder
	Mr. Grantley Stephenson	-	Director
	Prof. Alvin Wint	-	Director/Shareholder
	Mrs. Kathleen Moss	-	Director/Shareholder
In Attendance Were:	Ms. Simone Pearson	-	Secretary/Group General Counsel /Shareholder
	Mr. Nigel Chambers	-	Partner – KPMG

Shareholders in attendance are listed in the Appendix.

1. CALL TO ORDER

The Chairman extended a warm welcome to everyone present. He noted that due to the health risks presented by the Covid-19 pandemic, the company sought and was granted the permission of the Supreme Court of Jamaica to hold the annual general meeting of the company in a virtual format. He pointed out that the Court's Order and all other documents related to JPG's Court application had been posted on the company's website and on the website of the Jamaica Stock Exchange for viewing. The Chairman thanked JPG's shareholders who had joined the livestreamed meeting and explained that the Board of Directors of JPG were present at the meeting via Zoom.

Following confirmation by the Company Secretary that a quorum was present, the Chairman called the meeting to order at 10:00 a.m. This was followed by prayer, which was offered by Miss Shanique Francis of JP Tropical Foods Limited.

2. AUDITORS' REPORT

At the invitation of the Chairman, Mr. Nigel Chambers, Partner from KPMG, read the Auditors' Report on the Audited Financial Statements for the year ended December 31, 2020.

3. NOTICE OF MEETING

The Notice of the 84th Annual General Meeting was taken as read. The Chairman informed the shareholders that 34 proxies had been received which represented 43% of the issued stock of the company.

4. INTRODUCTIONS

The Chairman re-introduced the members of the Board of Directors and management team of Jamaica Producers Group. The Chairman also acknowledged the management team of JP subsidiaries and associate companies.

5. CHAIRMAN'S REMARKS

The Chairman gave his remarks in respect of the Group's results for the year ended December 31, 2020.

The Chairman thanked the team of JP and its growing list of associated companies, and the Board of Directors and management, who collectively contributed to the Group's 2020 performance.

6. PRESENTATION BY THE GROUP MANAGING DIRECTOR

The Group's Managing Director, Mr. Jeffrey Hall, was then invited to make a presentation to the shareholders, which included an overview of the Group's results for 2020 and the outlook of the Group going forward. Highlights of the presentation are set out below.

a. Overview of JP Today:

Mr. Hall opened the presentation by extending his appreciation to the board of directors for their adaptability throughout the course of the pandemic. He highlighted that all the businesses within the Group were designated essential services and as a result the JP team had been at the forefront of the crisis. A brief overview of the two business lines and the geographical position of the businesses was provided. Mr. Hall highlighted that the largest segment by assets within the Group was the Logistics & Infrastructure (L&I) division and the largest segment by revenue was the Food & Drink (F&D) division, which saw 60% of revenues being generated from this division.

b. The Results:

For the year ended December 31, 2020, the Group earned consolidated revenues of \$21 billion a reduction of 2% on 2019, the reduction was primarily attributed to the global Covid-19 pandemic. Both business segments had mixed results. Mr. Hall highlighted that gross margins were affected; however, this was primarily due to short term Covid-19 related demand and supply issues, which were expected to resolve themselves. Further he noted that net margin profits were ahead of 2019 by 80%. This included the divestment of shares in an associate, SAJE Logistics Infrastructure Limited, which harvested a gain of \$1.5 billion for the Group.

JP Logistics & Infrastructure Division: The Logistics & Infrastructure ('L&I') Division reported a Covid-19 impacted decline in revenues and profits; profits at the EBIT level declined by 10%.

JP Food & Drink Division: The JP Food & Drink ('F&D') Division experienced the most direct impact on gross margins. While revenues within some channels improved during the year, overall the division experienced some revenue compression. Supply side cost increases also impacted the gross margins.

c. **2021 Outlook**

Mr. Hall explained that the Group's operational platform was tested in 2020 and proved to be resilient and provided growth opportunities in light of the challenging Covid-19 pandemic. The Group was now in the 'Re-Invent Phase' of the Group's Covid-19 response framework. Mr. Hall noted that for the 'Re-Invent Phase', the Group would be pursuing six main themes. For the L&I Division, the initiatives were digital transformation, diversification of cargo types, and to become Caribbean specialists. For the F&D Division, the initiatives were to expand European juice holdings, pivot Tortuga to address the North America market and to become specialists in a wider range of tropical food. He highlighted that for Q1 2021 revenues were up by 5.6% and shareholders' profit was up by 15.5%. This was attributable to the strategic and strong position in which the Group has positioned itself in the post-Covid environment.

7. **QUESTIONS FROM SHAREHOLDERS**

The Chairman remarked that since the Group opted for a fully virtual meeting, shareholders had been invited to submit questions ahead of the meeting and up to 10:30am during the meeting. Three shareholders had submitted questions and these questions and Management's responses are set out below.

a. Questions submitted by Mr. Orette Staple:

- i. **Page 12 of Annual Report:** Management was asked to explain how, with the downturn in the movement of shipping, JPG will benefit from the acquisition of SSL REIT (re renting of warehousing facilities).

Response: Mr. Hall noted that the acquisition of SSL REIT (now renamed KW Warehousing Limited) was completed in 2019 by Kingston Wharves Limited. This acquisition allowed JPG to take ownership of a substantial block of warehousing in the Newport West area of Kingston, adjacent to KW's terminal and logistics operations, and added to KW's logistics and warehousing capacity. While Covid had an impact on the volume of cargo going through the terminal, the logistics services division of KW grew, both in revenues and operating profits, in 2020 in conjunction with the demand for KW's high-quality logistics services.

- ii. **Page 79 of the Group Financial Statement:** Management was asked to explain why trade receivables were reduced from J\$ 2,400,999 billion in 2019 to J\$ 2,367,560 billion in 2020 but JPG's provision for credit loss increased from J\$125,203 million to J\$200,728 million. Additionally, management was asked to explain why E.C.L. decreased.

Response: Mr. Buckland noted that the impact of Covid-19 on certain of JPG's customers in the tourism sector, the foodservice sectors, and some logistics sectors was particularly high and these customers were either unable or unwilling to pay JPG's receivables at 31 December 2020. As a result, the aging of JPG's receivables worsened and the ECL of aged receivables worsened which increased the bad debt provision. He highlighted that the increase in the provision of \$111m represented only 0.5% of revenues of the group and was netted against \$41m of balances which were recovered following previous provisioning. Management would continue to work with all the group's customers who have outstanding debts and felt confident

of more recovery throughout the year.

- iii. **Page 80 of the Group Financial Statements:** Management was asked to explain why the Group had limited the recognition of losses to the value of its equity and debt interest in Tortuga International Holdings Limited.

Response: Mr. Buckland explained that this was a reference to a technical accounting point for an associate company in the Tortuga group of businesses. During the year, the business had made a minor loss, following the impact of Covid-19. Accounting standards required of the Group to limit the recognition of the loss just to the value of the Group's investments.

- iv. **Page 86 of the Group Financial Statements:** Management was asked to explain why the fair value of plan assets was reduced from J\$4,200,906 billion in 2019 to J\$ 3,730,537 billion.

Response: Mr. Buckland reported that the Kingston Wharves Defined Benefit Pension Scheme had a closing fair value of its assets of \$3.7bn. The table on page 87 of the accounts had highlighted the composition of these assets. 50% of the assets were quoted as equity investments. Due to the general fall in the values of stocks across the Jamaican stock market during 2020, the value of the plan's assets had declined.

- v. **Page 96 of the Group Financial Statements:** Management was asked to explain what accounted for the increase of management remuneration from J\$122,597,000.00 to \$151,659,000.00. Additionally, management was asked to explain why, with the use of modern technology, the auditors' remuneration had increased from J\$69,392,000.00 to J\$80,278,000.00.

Response: Mr. Hall explained that note 23 on page 96 identified that there was an adjustment in the categorization of staff costs for 2020 compared to 2019. This factored into the Groups' total selling and administrative staff costs, and in 2019 this was reduced from \$1.35b to \$1.21b. This reduction was a direct effect of the reduced volumes which resulted in the Group closing some of its commercial operations around the Group.

Further, he noted that the directors' remuneration for management was highly variable, and dependent on the shareholders' profit of the group. As the Group's shareholders' profit increased by 80% this had a direct impact on the executive management remuneration.

Lastly, the auditors' remuneration had increased significantly in all of the Group's businesses over a number of years due in part to KPMG being required to undertake more work due to new IFRS and International Auditing Standards. This, however, was something the Group constantly reviewed with KPMG and sought to minimize by improving the Group's efficiency. FY 2020 also included some overruns from work related to 2019, which were received after the close of 2019.

- vi. **Page 97 of the Group Financial Statements:** Management was asked to explain what accounted for the company's and certain subsidiaries' taxation losses of J\$3,607,918,000, which was available for relief on future profits. It was queried why shareholders were not benefitting from these losses.

Response: Mr. Buckland explained that while the Group had generated profits consistently over the long term, some specific legal entities in the Group had recorded losses, or in the case of the parent company, had received income that was almost entirely non-taxable and so as a result generated accounting profits but taxable losses. This figure represented the cumulative total of these over many years. The Group sought to utilize its tax losses where it was appropriate to do so.

- vii. **Page 101 of the Group Financial Statements:** Management was asked to explain the reduction in revenues and non-current assets in Jamaica from J\$ 10,555,722,000 in 2019 to J\$ 9,192,119,000 in 2020 and J\$23,371,533,000 in 2019 to J\$ 22,613,117,000 in 2020 respectively.

Response: The Chair noted that the reduction in revenue reflected the reduced sales of Kingston Wharves, Tortuga, and JP Snacks within Jamaica and is specifically linked to the fall-out from the Covid-19 pandemic. The largest movement in the fall in the non-current assets reflected the reduction in KW defined benefit pension asset, which was reduced during 2020 due to the previously mentioned fall in the fair value of the plan's equity investments.

- b. Question submitted by Mr. Edward Isaacs:

Dividends: Management was asked to explain why dividends paid out to shareholders of the Group remained small, having regard to the increase in profits year on year.

Response: Mr. Hall explained that relative to 2015 and 2017, dividends had tripled and doubled respectively and in general, dividends had increased year on year. This, he noted, reflected the fact that the Board and the Group were aligned with shareholders in increasing the dividends.

- c. Questions submitted by Mr. Peter Pearson:

Page 55 of the Group Financial Statements: Management was asked to explain why the cost method of accounting for investment property was used, rather than the fair value method.

Response: Mr. Buckland explained that the Group had a policy of historical cost for all of its property, plant and equipment, and chose to also do this for its investment property despite the possibility of using fair value. The investment property was a warehouse that is held for long term rental income. The group had taken the view that the financial cost to the shareholders of a regular policy of revaluation of its diversely located assets was more than the financial benefit brought to the shareholders.

Dividends: Management was asked if the Group has a stated dividend policy.

Response: Mr. Hall noted that JP does in fact have a dividend policy. Pursuant to this policy, the Board accounted for numerous risks in determining the dividend paid out. Further, the Group maintains a large reserve to manage adverse shocks, which the Group has benefited from in various situations, including, but not limited to, the current pandemic.

The session ended at this point and the Chairman thanked everyone for their questions, observations, comments and suggestions.

8. RESOLUTIONS

ORDINARY RESOLUTION NO. 1 - DIRECTORS' REPORT, AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

The resolution for the adoption of the Directors' Report, Auditors' Report and Audited Financial Statements for the year ended December 31, 2020 was unanimously passed after being put to the meeting by the Chairman. Simone Pearson moved the motion for its adoption, which was seconded by Jeffrey Hall. Accordingly, it was resolved:

“THAT the Directors' Report, Auditors' Report and Audited Financial Statements of the Company and the Group for the year ended December 31, 2020 be and are hereby adopted.”

ORDINARY RESOLUTION NO. 2 - REMUNERATION OF AUDITORS

The following resolution was unanimously passed after being put to the meeting by the Chairman. Simone Pearson moved the motion for its adoption, which was seconded by Jeffrey Hall. Accordingly, it was resolved:

“THAT the remuneration of the Auditors, KPMG, having been fixed by the Directors for 2020 be and is hereby approved.”

ORDINARY RESOLUTION NO. 3 – INTERIM CAPITAL DISTRIBUTION

The following resolution was passed by a majority decision after being proposed by the Chairman. Simone Pearson moved the motion for its adoption, which was seconded by Jeffrey Hall. Accordingly, it was resolved:

“THAT the interim capital distribution of 20 cents per stock unit of record date December 21, 2020 be and is hereby ratified and declared final for 2020.”

ORDINARY RESOLUTION NO. 4 - RE-APPOINTMENT OF AUDITORS

The Chairman reported that the Auditors, KPMG had expressed their willingness to continue as the Group's Auditors. The following resolution was unanimously passed after being put forward by the Chairman. Simone Pearson moved the motion for its adoption, which was seconded by Jeffrey Hall. Accordingly, it was resolved:

“THAT the Auditors, KPMG, having indicated their willingness to continue in office, be and are hereby re-appointed for the year 2022.”

ORDINARY RESOLUTION NO. 5 - RE-ELECTION OF DIRECTORS

The following resolution was unanimously passed after being proposed by the Chairman. Simone Pearson proposed the motion for its adoption, which was seconded by Jeffrey Hall. Accordingly, it was resolved:

“THAT Mr. Donovan Perkins who retires by rotation, be and is hereby re-elected a Director of the Company.”

The following resolution was unanimously passed after being proposed by the Chairman. Simone Pearson proposed the motion for its adoption, which was seconded by Jeffrey Hall. Accordingly, it was resolved:

“THAT Mr. Grantley Stephenson who retires by rotation, be and is hereby re-elected a Director of the Company.”

ORDINARY RESOLUTION NO. 6 - REMUNERATION OF DIRECTORS

The following resolution was unanimously passed after being proposed by the Chairman. Simone Pearson moved the motion for its adoption, which was seconded by Jeffrey Hall. Accordingly, it was resolved:

“THAT the amount of \$14,198,000.00 shown in the Accounts for the year ended December 31, 2020 for Non-Executive Directors’ fees be and is hereby approved.”

9. TERMINATION

In closing, the Chairman expressed appreciation to the shareholders for joining the meeting virtually, as well as, for their continued confidence and support which was necessary for the Group’s success. The Chairman also thanked the Board, management and the staff for their contribution and for successfully dealing with the challenges experienced during the year.

There being no further business, the Chairman declared the meeting terminated at 11:30 a.m.

DATE



CHAIRMAN

APPENDIX

ANNUAL GENERAL MEETING – FRIDAY JUNE 18, 2021

PHYSICAL ATTENDANCE REGISTER OF SHAREHOLDERS

ALAN BUCKLAND
JEFFREY HALL
CHARLES JOHNSTON
SIMONE PEARSON

REGISTER OF PROXIES

MEMBER

SYLVIA DENNIS
JAMAICA FREIGHT PENSION FUND TRUSTEES
ROBERT SMITH
ORETTE STAPLE
ASSURANCE BROKERS JAMAICA LIMITED
REBHAN'S GASES LIMITED
DAVID AND KATHLEEN MOSS
C.E. JOHNSTON TRUST
LENNOX PORTLAND LIMITED
JOHNSTON HOLDINGS LIMITED
MARINE MANAGEMENT SERVICES LIMITED
EDWARD JOHNSTON
MAREK JOHNSTON
MCGOWAN PROPERTIES LIMITED
MARCO ZOHLANDT
PETER PEARSON
FLORENCE PEART-REID
DONOVAN PERKINS
ALVIN WINT
DAHLIA KELLY
SUZETTE RILEY CREWE
LISA MCGREGOR JOHNSTON
DAVID MARTIN
CLAUDETTE VASSELL
CHERYL WRIGHT
MARLENE MCGREGOR
STEPHANIE ABRAHAMS
KIBWE KIDDOE
VERNETTA HENRY
CYNTHIA PEART
JAMAICA FRUIT & SHIPPING COMPANY LIMITED
SHAREHOLDERS SERVICES TRUST JBPA
SHAREHOLDERS SERVICES TRUST JP
TRUSTEES—JAMAICA PRODUCERS GROUP LIMITED ESOP

PROXY HOLDER(S)

CHARLES JOHNSTON/DAHLIA KELLY
CHARLES JOHNSTON/MARJORY KENNEDY
SIMONE PEARSON/JEFFREY HALL
SIMONE PEARSON
CHARLES JOHNSTON/JEFFREY HALL
CHARLES JOHNSTON/JEFFREY HALL
CHARLES JOHNSTON/JEFFREY HALL
CHARLES JOHNSTON/MARJORY KENNEDY
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