

ANNUAL REPORT 2017

Jamaican  
Teas LTD. 





## Mission

We aim to grow our business by producing high quality products that are safe, healthy and economical, while simultaneously being an exemplary corporate citizen, ensuring sustainable returns to our customers, shareholders and staff.

## Vision

To become a leading producer of consumer goods within the Latin America and Caribbean region, through innovation, growth in exports and people centered values.



# Table of Contents

Mission/Vision Statement	<b>1</b>
Notice of Annual General Meeting	<b>3</b>
Directors' Report	<b>5</b>
Directors' Profiles	<b>8</b>
Operations Management Team	<b>10</b>
Management Discussion & Analysis	<b>14</b>
Historical Financial Data	<b>19</b>
Shareholdings of Note	<b>20</b>
Corporate Social Responsibility	<b>21</b>
Audited Financial Statements	<b>27</b>

# Notice of Annual General Meeting

Notice is hereby given that the 2018 Annual General Meeting of the members of the Company will be held at The Jamaica Pegasus Hotel, 81 Knutsford Blvd, Kingston 5, on the 18th day of April, 2018 at 3:00 p.m. for the purpose of transacting the following business:

1. a) To receive and approved the Audited Financial Statements and the Reports of the Directors for the year ended 30 September, 2017 together with the Auditors' Report therein.  
b) Be it resolved:  
"That the Audited Financial Statements, the Auditors Report and the Reports of the Directors for said period be and is hereby approved."
2. a) To declare a capital distribution of three cents (0.03¢) per share paid on 19 December 2017, as a final distribution out of the sums standing to the credit of the Company's Capital Reserves for the year ending 30 September 2017.  
b) Be it resolved:  
"That the capital distribution of (0.03¢) paid out of capital reserves for said period, be and is hereby approved"
3. a) To elect Directors:
  - i. John Mahfood retires by rotation as a Director in accordance with Article 111 of the Company's Articles of Association being eligible, he offers himself for re-election.
  - ii. Suzette Smellie-Tomlinson retires by rotation as a Director in accordance with Article 111 of the Company's Articles of Association being eligible, she offers herself for re-election.b) To consider, and if thought fit, pass the following resolutions:
  - i. "That John Mahfood, who is retiring by rotation in accordance with a) i above, be and is hereby re-elected a Director of the Company.
  - ii. "That Suzette Smellie-Tomlinson who is retiring by rotation in accordance a) ii above, be and is hereby re-elected a Director of the Company."
4. To approve the remuneration of the Directors:  
To consider, and if thought fit, pass the following resolution:  
"That the amount shown in the Audited Financial Statements for the year ended 30 September 2017 as fees to the Directors for services as Directors' be and is hereby approved."
5. To appoint Auditors of the Company for the next financial year and to authorize the Directors to fix their remuneration.

BY ORDER OF THE BOARD



**Tanisha Samuels**  
Secretary, Jamaican Teas Limited

Dated this 23rd day of January, 2018

\*Please see proxy and notes thereto



# Directors' Report 2017



*Directors (l to r): John Jackson, Suzette Smellie-Tomlinson, John Mahfood - Chief Executive Officer, Duncan Davidson and Marcos Dabdoub*

The Directors take pleasure in presenting their Report on the 2017 financial year. We were delighted with the turnout of shareholders at the last Annual General Meeting and look forward to the upcoming meeting scheduled for April 18, 2018 at The Jamaica Pegasus Hotel, 81 Knutsford Blvd., Kingston 5.

## 2017 RESULTS

Jamaican Teas completed yet another successful year to September 2017 in which shareholders' equity passed the \$1 billion mark resulting from increased profits, which rose 34 percent after tax in the last financial period.

Overall, the Group saw a 21 percent increase in revenues from \$1.3 billion in the 2015/16 financial year to \$1.5 billion in the period under review.

For the full year, audited net profit increased from \$118 million to \$196 million. Earnings per share, after discontinued operations, moved to 29 cents from 17 cents in the 2015/16 financial year.

The improved profit results flowed from revenue growth of 15 percent from manufacturing operations while supermarket sales increased by 10 percent.

Our export thrust flourished, producing a 26 percent increase in tea exports for the year with export sales comfortably exceeding local tea sales by over 20 percent. The prospects for continued growth are encouraging, notwithstanding, the disruptions that have occurred in some of our export markets such as the U.S. Virgin Islands, St. Maarten, Dominica, the Bahamas and Antigua and Barbuda.

We are also planning for stronger domestic sales' growth in the new financial year.

Completion of sales contracts for homes at the St. Thomas housing project, Orchid Estate, proceeded apace this year. The development is nearing physical completion and the remaining units are expected to be delivered by the end of the calendar year 2018.

## INVESTMENTS

The investment portfolio continues to perform well, yielding realized gains of \$60 million for the year and unrealized gains of \$45 million at the end of the financial year. Quoted investments as at September 30, 2017 stood at \$227 million.

In April 2017, the Group completed the purchase of a 42 percent stake in KIW International Limited from the Government of Jamaica. Our initial plan was to further develop KIW's warehouse complex on Spanish Town Road. After further planning, we concluded that selling the building and reinvesting the proceeds elsewhere would produce better financial returns. Accordingly, the sale of these premises was completed in November 2017, and reinvestment of the sales proceeds has already commenced.

The Group recently signed a contract to buy premises in downtown Kingston suitable for rental to other small manufacturers. The purchase price was substantially lower than the replacement value of the building. We intend to purchase other buildings in the area for short term rental income and long-term capital gains.

## CORPORATE DEVELOPMENTS

In the 2015/16 financial year, losses of \$28 million were incurred from the discontinued operation of the western supermarkets, which have not recurred in 2017. During this year, finance costs declined by \$9 million due to lower borrowings and reduced interest rates, as well as a \$29 million gain on the acquisition of KIW International Ltd during the period.

To better meet our customers' needs, plans are afoot to renovate and expand the Kingston store, during the 2017/18 financial year.



## Directors' Report Continued



### DIVIDENDS

On November 15, 2017, Directors approved the payment of a capital distribution of three (3) cents per share to shareholders on record as at November 27, 2017, which was paid on December 19, 2017.

### OUTLOOK

Tea exports have continued to grow strongly since the financial year end and are running ahead of planned levels. Local tea sales have largely met our projections whereas the supermarket has exceeded expectations so far.

Based on the progress achieved in the first quarter and early January, coupled with our internal projections for the balance of the financial year, the outlook for 2017/18 is for another good financial year.

### THANKS

We extend our thanks to all our customers, and the distributors who convey our products to the shops and supermarkets where they are sold to households across the region (Caribbean).

Finally, thanks to our employees whose service and dedication to the Group's member companies undergirded the successful operations enjoyed in 2017.





# DIRECTORS' PROFILES

## Suzette Smellie-Tomlinson

Non Executive Director, (appointed February 2012)

Suzette Smellie-Tomlinson has over two decades of experience in various industries, including financial (banking and insurance), retail and distribution; media; education; cold storage and shipping, among others. She has served at the senior level with several corporate entities including: Scotiabank, AIC Limited, National Commercial Bank Jamaica Limited and Supreme Ventures Limited, among others. She heads the Compensation and Marketing Committee. She holds an MBA (Finance, Marketing), Manchester Business School & University of Wales, and a BSc. Economics & Management.



## Marcos Dabdoub

Non Executive Director, (appointed May 2010)

Marcos Dabdoub is a founding Director and currently Managing Director of Amalgamated Distributors Limited, the Company's exclusive Jamaican distributor of its Tetley and Caribbean Dreams product lines, which generates approximately 50 percent of the Company's overall sales. He has 45 years' experience in sales and distribution. He is a member of the Compensation and Marketing Committee.

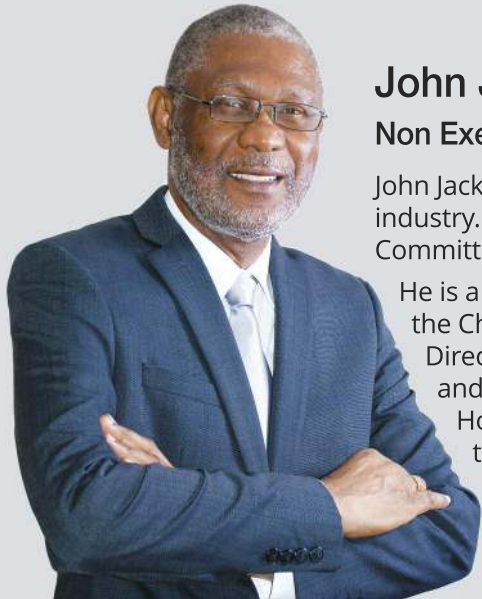
He began his career in 1963 when he joined J & J Dabdoub Limited as a salesman. In 1967, he opened Marc's Department Store in Kingston. He attended St. George's College in Kingston and is a graduate of St. Mary's College, St. Andrew.

## Duncan Davidson

Non Executive Director, (appointed April 2010)

Mr. Davidson brings his experience as a businessman to the Board. He is a Business Consultant, having worked for the supermarket chain, HiLo Food Stores and the former JSE listed company, Hardware and Lumber Limited. Mr. Davidson previously worked in the Jamaican shipping industry, having been a Managing Director of H. McCauley Orrett Ltd, a subsidiary of GraceKennedy & Co. Limited, and a director of Port Services Limited, GraceKennedy Shipping Limited, and the Maritime Training Institute (amongst other entities). He is a member of the Compensation & Marketing Committee. He spent a number of years working in Canada prior to returning to Jamaica in 1989. He is also the holder of a Diploma in Mechanical Engineering, (Ryerson University, Toronto 1971).





### **John Jackson**

**Non Executive Director & Mentor to the Board, (appointed April 2010)**

John Jackson brings to the Board his experience in the financial services industry. He is the Acting Chairman, Chairman of the Audit and Finance Committee and Mentor to the Board.

He is a Chartered Accountant and Financial Analyst. He was a founder of the Chartered Accounting firm, Jackson Burnett Parkinson Jackson. He is a Director of Bridgeton Management Services Limited, a private investment and management company since 1974. He is also a Director of Boston Holdings Limited, publishers of the financial website ICinsider.com and the journal Investor's Choice. He is the Chairman of Jetcon Corporation Limited and Jamaica Deposit Insurance Corporation (JDIC). He is also a director of the Development Bank of Jamaica (DBJ) and has involvement in other private entities.

### **John Mahfood** **Chief Executive Officer**

John Mahfood heads the Management Team and is responsible for developing and implementing guidelines, internal controls and human resource procedures. He is experienced in local and international retail and trading, as well as mergers, expansions and turnarounds, having served in those capacities in several corporate entities.

He is a Certified Public Accountant and a fellow of the Institute of Chartered Accountants of Jamaica.



# Operations Management Team Profiles



**CAMERON BURNET**  
Chief Financial Officer

Cameron Burnet joined the Group in July 2017 and oversees the accounting and financial operations of the Group and its member companies. He is a Chartered Accountant and has over 30 years' financial experience with other food processing and hotel groups in Jamaica and overseas as well as with two well-known public accounting firms.

## FINANCE ADMINISTRATION AND MARKETING

**Tanisha Samuels**  
Administrative Manager

Tanisha Samuels is a Certified Professional Secretary. She joined the Group in 2001 and supports the CEO in day-to-day operations.

**Charles Barrett**  
Marketing Manager

Charles Barrett is responsible for the marketing, public relations and food safety strategies of Jamaican Teas Limited. He has over 7 years' experience in marketing, regional retail trade, new product development, exports and food safety management.



He holds a BSc in Botany and Zoology from the University of the West Indies (UWI) and is currently pursuing a Masters in Business Administration (MBA) at the Mona School of Business and Management, UWI, Mona. He also holds Certificates in Applied HACCP Principles from the Royal Society for Public Health based in the United Kingdom, as well as Sales Management from the Mona School of Business.

# Operations Management Team Continued

## FACTORY

### Norman Russel Factory Manager

Norman Russel joined the Group in 1995, having served as a Factory Supervisor in a major battery manufacturing operation. He is responsible for all aspects of the Company's factory and warehouse operations.

### Omar Duval Assistant Factory Manager

Omar Duval joined the Group in 2016, in the production department with added responsibility for our food safety system. He has over 15 years' retail management experience with specialized experience in warehousing and inventory management.



## Operations Management Team Continued

### ACCOUNTING DEPARTMENT

**Robert Bignall**  
Accountant

Robert Bignall joined the Group in 2013 as an Accountant with responsibilities for general accounting, including the retail operations. He has over 5 years' experience in accounting and is currently pursuing the ACCA qualification.

**Oliver Goldsmith**  
Chief Accountant

Oliver Goldsmith joined the Group in 1998, having previously served with a major conglomerate. He has over 20 years' experience in the field and has direct responsibility for Jamaican Teas Limited and H. Mahfood & Sons Limited.

**Patricia Newby**  
Assistant Accountant

Patricia Newby holds a BSc in Business Administration (NCU) and an MSc in Accounting (UWI). She joined the Group in 2014 as an Assistant Accountant in charge of the pension scheme and other accounting functions.

**Carla Francis**  
Accounting Clerk

Carla Francis joined the Group in 2011 as an Accounting Clerk with responsibilities for the Group's accounts payable management. She is currently pursuing the ACCA qualification.



## Operations Management Team Continued



### Jonathan Mahfood

Jonathon Mahfood works closely with the Chief Executive Officer to realize the scope and vision of the Company. His portfolio of responsibilities covers various projects associated with new business and commercial developments and the expansion of the customer base.

At present, he is engaged in redesigning the Company's website, rehabilitating the supermarket and monitoring the construction and remedial processes at Orchid Estate.

He holds a BA in International Hospitality & Tourism Management from St. Leo University, Florida.

## JRG SHOPPERS' DELITE

### Althea Morgan Store Manager

Althea Morgan started her career with Jamaican Teas Limited in 2005 before being transferred to JRG Shoppers' Delite. She previously held positions as Chief Cashier in the Administrative Office and Assistant Manager, before being promoted to Store Manager in February 2017.



### Michael Mahfood Assistant Manager

Micheal Mahfood worked in the retail industry for over 20 years before joining JRG Shoppers' Delite as an Assistant Manager in 2015. He operated a store in the retail industry in addition to managing several stores throughout his 20 years' retail career.



# Management Discussion and Analysis 2017

The Management Discussion and Analysis (MD&A) is presented to enable shareholders and the public to evaluate the operational results of the Group for the financial year to September 30, 2017. The MD&A also serves to clarify the information reported in our financial statements, and to share the Group's prospects and plans.

## THE GROUP

### The Group includes:

Jamaican Teas Limited (JTL), manufacturer of the Tetley and Caribbean Dreams branded teas and grocery items. Operations include packing and processing teas under the above brands and hot beverage products for other local companies under their own brand name. We also purchase a small percentage of grocery products under the Caribbean Dreams label that are manufactured by other companies for local and overseas sales.

H. Mahfood and Sons Limited, owns real estate properties for investment rental and for development for sale to the public. The Company has executed two projects to date and is at an advanced stage to develop another.

JRG Shoppers Delite Limited, owns a supermarket in Kingston and operates a Western Union outlet in Savanna-la-mar. The latter has been set for sale.

KIW International Limited (KIW), formerly operated and rented warehouse space in Kingston which was sold prior to the year end. KIW also has an investment portfolio of companies listed on the Jamaica Stock Exchange, which has been expanded subsequent to the year end.

## EXPORTS

Exports of our manufactured products are an important source of income and profits for the Group. It also provides us with our foreign exchange needs. In 2017, Jamaican Teas Limited grew export sales to 54 percent of total revenues compared to 50 percent in 2016 and just 39 percent when we listed in 2010. Our strongest sales growth came from the United Kingdom, admittedly from a small base in 2016, followed by Guyana and Trinidad & Tobago. Part of this sales growth is attributed directly to the introduction of additional herbal teas to these markets. Our three largest markets for exports are USA, Trinidad & Tobago and Barbados.



The Group is planning to introduce additional types of herbal teas to customers both locally and overseas, to meet the growing demands of consumption in this area. This is consistent with the worldwide trend of increased consumption of herbal teas. Notwithstanding this, we will continue to support and grow our traditional Tetley branded black teas which continue to be a major part of our portfolio of teas. The Company recently upgraded the packaging of our Tetley range for greater customer appeal.

The Company is also focusing more on marketing as well as our relationship with the

distributors, to ensure that the markets are adequately served and can deliver the best returns for us.

### RETAILING

Having disposed of our supermarket operations in Montego Bay and Savanna-la-mar, retail business is now focussed on our profitable Kingston store on Chancery Street in Meadowbrook.

Plans are well advanced to expand and develop floor space at this supermarket for greater comfort of our customers and the addition of new product lines. These will include the renovation of the store, replacement of refrigeration and freezer space, new lighting, shelving and signage. A part of the improved convenience for shoppers is the recent acquisition of land to provide added parking facilities for customers.

Overall, the Kingston supermarket enjoyed a 10 percent growth in revenues in 2016/17 with some improvement in the gross margins. The small size of the present supermarket building limits the range of merchandise that can be offered. As such, the expansion of the facility is expected to result in stronger sales growth, particularly of higher margin fresh produce.

The gross margin improvements experienced in 2016/17 were more than offset by interest, penalties and irrecoverable GCT relating mainly to the Savanna-la-mar operations several years ago, which were only resolved this financial year. We do not anticipate a recurrence of these unusual expenses going forward.

### H MAHFOOD AND SON - REAL ESTATE



Physical completion of Orchid Estate, our housing project in Yallahs, St. Thomas occurred in November 2017. Completion of the sales contracts for each unit is well advanced, except for one unit which remains unsold.

The Group's rental properties at Harbour Street and Birdsucker Lane in Kingston are performing as expected. During the year, land was acquired in Red Hills for a possible



housing project, in addition to other lands owned on Ports View Road, in the Manor Park area, for which a housing project is under consideration.

Subsequent to the year end, the Company acquired two properties one for use by the supermarket and the other in downtown Kingston, close to our other owned property downtown.

### KIW INTERNATIONAL

In April 2017, the Group acquired a controlling shareholding in KIW, although this shareholding is below 50 percent. KIW's primary focus, at the time of its acquisition, was the operation of a warehouse complex on Spanish Town Road, Kingston and managing an investment portfolio primarily for capital gains. The Company received an offer to acquire the property and in November 2017, KIW concluded the sale of the premises for \$160 million. KIW has expanded its portfolio of equity holdings using some of the proceeds of the sale of the property. The Group still plans on listing KIW on the JSE but at the time of this report, the listing exercise has not been finalised. The short-term plan is expected to see most of the funds invested in liquid assets but we will look at other opportunities that may involve longer term investments.

### STATEMENT OF FINANCIAL CONDITION

In 2017, the Group's consolidated shareholders' equity grew from \$878 million to \$1.2 billion including the non-controlling interest in KIW. Net profit of \$196 million was the main driver of this growth.

The management of the Group is satisfied that the growth in the equity base of the Company, has resulted in a higher share price and more investors becoming shareholders in the Group. No doubt the increased growth in our export markets, as well as a consistent overall growth over the years in profits, has contributed to a greater appreciation by the investing public, of what management has set about achieving. This has led to a major increase in the number of shareholders over the past year.

The amount held in investment properties rose from \$89 million in Sept 2016 to \$141 million in 2017, as a result of gains from revaluation of the properties and the acquisition of an additional property. Quoted investments grew to \$227 million from \$157 million, due primarily to the addition of the KIW investment portfolio of \$65 million.

Real estate developments can take place over fiscal year cycles resulting in large sums reflecting in the financial statements. At the end of the 2017 fiscal year, inventories of \$392 million include the cost of housing under development of \$217 million, which is down \$51 million from the \$268 million shown in 2016, which resulted in the overall inventories falling from \$446 million. Raw material of manufacturing products fell by \$20 million during the year.



## RECEIVABLES

Receivables grew by \$200 million during the year to \$383 million and was primarily driven by the amounts due from the sale of KIW's warehouse in September 2017 for \$160 million. In addition, trade receivables rose by \$40 million as result of continued growth in the manufacturing operations.

## STOCK PERFORMANCE

The shareholders for the second year running approved a 2 for 1 stock split at our Annual General Meeting (AGM) in April 2017, which was well received by the public.

The adjusted share price due to the split was \$2.02 at the beginning of October 2016; \$3.88 at the end of September 2017 and \$4.58 as at January 11, 2018.

The number of shareholders on the register increased from 583 on September 30, 2016 to 934 at the end of September 2017. During this period, one of the Company's USA distributors, Iberia Foods Corporation, took a 1.31 percent stake in the Group, and other institutional investors have since become shareholders in the Company. During the fiscal year a dividend amounting to \$20 million was paid and a capital distribution of \$20 million was paid in December 2017.

## TAX CONCESSIONS

We were listed on the Junior Market of the Jamaica Stock Exchange (JSE), in 2010 and based on the 10-year tax concession granted, the first 5-year period expired in 2015. As such, we have 3 years remaining of 50 percent of the regular tax rate. This is one of the elements that has contributed considerably to the growth of the equity capital of the Company, since listing.

## BORROWINGS

As at September 30, 2017, most of the Group's borrowings were short-term, or represented long-term borrowings repayable within 12 months. This included a Fixed and Variable Rate bond listed on the Jamaica Stock Exchange. In October, the Company successfully refinanced the bond, \$44 million of short-term borrowings and \$53 million of long-term loans, with a new \$200 million term loan from Bank of Nova Scotia Jamaica, payable over 5 years at an initial interest rate of 8.25 percent.

Over the next few months, we expect to convert most of the \$217 million shown on the balance sheet as housing under construction as at September 2017, into cash.



# Management Discussion & Analysis Continued

## STAFF

We have embarked on a second shift at the factory in order to meet a growing demand for our products. We have also moved some of the raw material from outside processors to inhouse. These moves resulted in our staff numbers rising from 35 at the end of 2016 to 38 at September 2017. Our Chief Financial Officer resigned in March 2017 and was replaced in July 2017, by Cameron Burnet, a Chartered Accountant, who has over 30 years' financial experience with food processing and hotel groups in Jamaica and overseas, as well as with two well-known public accounting firms.

## Outlook

Figures for the first quarter of the new fiscal year show continued progress with revenues and profits rising again. Our forecast for the 2018 financial year suggests that the Group should enjoy another year of growth and increased profit. We will continue our efforts to accelerate our domestic tea sales growth and expand the export business. Already these are showing signs of growth.

New manufacturing sources are being sought for some of our non-tea grocery products so as to obtain better prices and improved margins. We will monitor carefully the available opportunities for our real estate and financial investments.



**Nyoka Rogers**  
Receptionist



# Historical Financial Data

<b>BALANCE SHEET</b>	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Shares Issued -'000	682,033	674,833	674,833	674,833	674,833	674,833	674,833	674,833	570,852	570,640	570,640
<b>\$'000</b>											
Shareholders' equity	1,174,133	878,103	725,278	634,115	586,937	511,403	471,561	392,146	267,667	200,037	172,723
Long Term Liabilities	0	188,257	292,504	200,179	11,283	35,677	25,059	8,390	14,414	2,655	-
Total Gearing	240,798	281,362	404,461	303,269	250,101	103,308	40,486	10,967	19,647	6,928	-
Fixed Assets	305,237	291,234	287,251	274,269	124,109	125,701	52,556	31,724	33,616	27,189	12,339
Current Assets	848,087	683,523	698,786	554,344	594,334	298,146	214,375	206,819	236,888	130,087	97,934
Current Liabilities	378,117	174,265	176,390	203,856	306,450	120,544	42,858	32,684	42,117	27,341	13,281
Inventories	391,552	446,014	389,280	288,906	176,696	131,352	95,814	84,299	58,958	46,384	35,903
Receivables	383,313	182,946	277,927	219,644	279,491	100,343	80,833	74,646	71,433	45,900	33,325
Cash & Equivalent	73,222	31,320	22,900	14,657	93,643	1,217	24,066	17,466	5,913	37,734	28,705
Investments	227,357	157,789	117,571	101,523	150,654	185,165	231,468	191,412	113,356	89,266	85,490
<b>PROFIT &amp; LOSS</b>											
Total Income	1,657,996	1,347,799	1,364,726	1,167,573	1,239,296	847,533	672,466	463,782	325,707	250,598	202,505
Yearly Change	23.02%	-1.24%	16.89%	-5.79%	46.22%	26.03%	45.00%	42.39%	29.97%	23.75%	40.02%
Gross Profit	330,158	306,145	259,129	204,146	220,849	150,014	147,067	124,538	115,417	76,771	63,152
Yearly Change	7.84%	18.14%	26.93%	-7.56%	47.22%	2.00%	18.09%	7.90%	50.34%	21.56%	39.50%
Pretax Profit	219,160	165,275	78,381	51,369	99,208	66,897	85,511	68,626	95,318	41,791	52,955
Yearly Change	32.60%	110.86%	52.58%	-48.22%	48.30%	-21.77%	24.60%	-28.00%	128.08%	-21.08%	60.78%
Aftertax Profit	196,128	146,509	72,201	51,609	93,256	74,749	82,232	58,102	72,498	28,418	39,276
Yearly Change	33.87%	102.92%	39.90%	-44.66%	24.76%	-9.10%	41.53%	-19.86%	155.11%	-27.65%	53.16%
<b>IMPORTANT RATIOS</b>											
Equity to Debt ratio	4.88	3.12	1.79	2.09	2.35	4.95	11.65	35.76	13.62	28.87	n/a
Current Assets ratio	2.24	3.92	3.96	2.72	1.94	2.47	5.00	6.33	5.62	4.76	7.37
Return on equity -%	20.21	18.28	10.62	8.45	16.98	15.21	19.04	17.61	31.00	15.25	25.24
Total Income to Inventories	4.23	3.02	3.51	4.04	7.01	6.45	7.02	5.50	5.52	5.40	5.64
Total Income to Receivables	4.33	7.37	4.91	5.32	4.43	8.45	8.32	6.21	4.56	5.46	6.08
Gross Profit Margin	21%	23%	19%	17%	18%	18%	22%	27%	35%	31%	31%
Return on Assets	14%	12%	6%	5%	10%	11%	15%	13%	22%	12%	21%
Price Book Ratio	2.49	1.50	0.72	0.88	1.15	1.29	1.40	1.57	0.00	0.00	0.00
Price Sales Ratio	1.70	0.98	0.38	0.48	0.54	0.78	0.98	1.33	0.00	0.00	0.00
Cash/Invest Per Share	0.44	0.28	0.21	0.17	0.36	0.28	0.38	0.31	0.21	0.22	0.20
Net Asset Per Share	1.56	1.30	1.07	0.94	0.87	0.76	0.70	0.58	0.47	0.35	0.30
Earnings Per Share	0.29	0.22	0.11	0.08	0.14	0.11	0.13	0.10	0.26	0.05	0.07
Closing Stock Price	3.88	1.95	0.78	0.83	1.00	0.98	0.98	0.91	0.00	0.00	0.00
P.E. Ratio	13.38	9.07	7.21	10.65	7.27	8.86	7.80	9.36	0.00	0.00	0.00

Note: The Company split the number of shares into 5 units for each one previously held in 2009, then by 2 in March 2016 and by 2 in April 2017. Accordingly, the number of shares in the prior years, the earnings per share and the stock prices have been adjusted to reflect these changes.

# Shareholdings of Note

## TOP 10 SHAREHOLDERS

Primary Account Holder	Units
JOHN MAHFOOD	215,403,356
VIOLET HELEN MAHFOOD	200,792,840
NANCY D. MILNE	39,985,040
JCSD TRUSTEE SERVICES LTD.	19,269,784
SJLIC FOR SCOTIABRIDGE RETIREMENT SCHEME	10,509,320
GRACEKENNEDY LIMITED PENSION SCHEME	10,278,688
PWL BAMBOO HOLDINGS LIMITED	9,299,400
IBERIA FOODS COMPANY OF NEW YORK INC.	8,941,852
PAM - POOLED EQUITY FUND	7,932,754
MAYBERRY MANAGED CLIENTS ACCOUNT	6,714,248
<b>Total Percentage of Top 10 Shareholders</b>	<b>77.58%</b>

## DIRECTORS' SHAREHOLDINGS

Name	Position	Units
John Mahfood	Chief Executive Officer	215,403,356
Duncan Davidson	Director	60,000
Marcos Dabdoub	Director	2,400,000
John Jackson	Director	4,360
	Connected Party Holdings	2,797,707
	Combined Holdings	2,802,067
Suzette Smellie-Tomlinson	Director	600,000
<b>Total Holdings of Directors</b>		<b>221,265,423</b>

## SENIOR MANAGEMENT SHAREHOLDINGS

Name	Position	Units
Norman Russell	Factory Manager	600,000
Tanisha Samuels	Administrative Manager	500,000
Charles Barrett	Marketing Manager	134,360
Cameron Burnet	Chief Financial Officer	NIL
Oliver Goldsmith	Chief Accountant	NIL
<b>Total Combined Holdings</b>		<b>1,234,360.00</b>

# Corporate Social Responsibility 2017

## Doing Good is Good for Business

As a Group of Companies, we believe there is a moral and business imperative to contribute to communities in which we live, work and do business.



DEVELOP | RESTORE | ENCOURAGE | ADVOCATE | MOTIVATE

In 2017 we continued our outreach in communities across Jamaica in order to help improve their conditions. We launched our Dream Initiative, in May 2017. Which seeks to support projects and programmes relating to: -

- Crime and Violence Prevention
- Sports and Education
- Youth Empowerment & Mentorship
- Advocacy
- Human Rights, Social & Economic Justice

The Company's first major project under the Dream Initiative focused on education. In partnership with the rural farming community of Slipe in South Western St. Elizabeth, we invested heavily in infrastructural works at the Slipe Leased Primary School, aimed at improving the learning environment of the students. In May 2017, members of staff along with a band of volunteers engaged in a number of restorative activities at the school including the:

- Erection of walls between grade classes to reduce noise and distraction
- Replacing of chalkboards with white boards, which reduce dust and irritants



### Jamaican Teas Dream Initiative on Labour Day 2017

Taking a break from painting and infrastructural work at the Slipe Leased Primary School in St. Elizabeth are Charles Barrett, (2nd right) Group Marketing Manager, JTL, the Honourable Floyd Green, MP, Minister of State in the Ministry of Education, Youth and Information (3rd left) and other members of the Jamaican Teas' Dream Team.



**Tetley**

*Refreshing  
Mint*



**Tetley**

*Refreshing Mint*

**Tetley**

*Refreshing  
Mint*

**Tetley**

*Refreshing Mint*

**Tetley**

*Refreshing  
Mint*

**Tetley**

*Refreshing Mint*

**Tetley**



## Corporate Social Responsibility Continued

- Application of fresh coating of paint to the interior and exterior of the school buildings

The students, members of the academic staff as well as the community were very appreciative of the improvements and the immeasurable impact it will have on pedagogy, learning outcomes, and student and staff comfort.

Charles Barrett, Group Marketing Manager Jamaican Teas Limited (JTL), says that Slipe Leased Primary was selected based on its critical needs and its designation as a remote rural school with minimal resources. With his full backing behind the Dream Initiative, JTL CEO, John Mahfood indicates that the various thematic areas under the initiative - Crime and Violence prevention, Education, Human Rights - reflect key developmental challenges for Jamaica. The Company is committed to engaging in and championing programmes aimed at Jamaica becoming the place of choice to live, raise families and do business.

### DISTRIBUTION OF SCHOOL SUPPLIES

Over 3,000 books and pencils were provided to students in the communities of Portmore and St. Catherine. These donations were made in partnership with local youth groups and non-government organizations (NGOs) to equip students with some of the necessary tools for learning. In addition, the children and their parents were treated to warm meals and wholesome family entertainment.

### JIU JITSU COMPETITION

JTL supported the Jamaica Jiu Jitsu team in its participation in the regional competition, which was held May 11-15, 2017 in Barbados. The team's outstanding performance ended with Kasrie "The Bulldog" Cassells winning the middle weight title.

### TALKING HISTORY

Talking History continues to be aired on Nationwide News Network (NNN) on Saturdays. The programme provides students and the wider public with accurate and current information relating to African and Caribbean history, with particular focus on Caribbean integration and inter-related matters of nationhood and personhood based on the CXC/CAPE syllabus.

### TEEN-AGE PREGNANCY AWARENESS & ADVOCACY

JTL Group partnered with Barracks Entertainment in staging the play "Wah Sweet Nanny Goat," which highlighted some of the negative effects of teenage pregnancy on young girls, family relationships, career development goals and society's attitudes towards young teenage mothers. The play was presented in an entertaining yet informative way, such that children, particularly adolescents, could appreciate the need for planned pregnancies, informed decisions and comprehensive sexual education within the home and school.



## Corporate Social Responsibility Continued

Our sponsorship supported fifteen (15) performances of the play with thirteen (13) schools from the corporate area and rural Jamaica viewing the production. This very moving, informative and entertaining play was also broadcast on TVJ three (3) times and on 1spot media for the benefit of the general public.

### CRIME & VIOLENCE PREVENTION



**JCF Pop Up Clinics**  
Jamaican Teas sponsored 4 Pop Up Information Clinics with more than 300 citizens, which has helped the Jamaica Constabulary Force to build mutual trust and respect within their communities.



In our ongoing partnership with the Jamaica Constabulary Force (JCF) on the national issue of crime and violence prevention, the Community Safety and Security Branch was assisted in reaching out to citizens in densely populated, high traffic

spaces and crime prone areas through information Pop Up Clinics. These were held at least once every quarter with police officers engaging citizens in an effort to improve their relations with the community, and demonstrating the critical role of community policing in facilitating a reduction in crime and violence.

JTL engaged in 4 Pop Up Information Clinics with more than 300 citizens, which has helped the JCF build mutual trust and respect within their communities. We are proud of our achievements and intend to expand our work in the area of crime reduction and social and economic justice.

### NURTURING JAMAICA'S CREATIVE TALENTS

Through partnership with the Jamaica Cultural Development Commission (JCDC), our Company played our part in helping to unearth, develop, preserve and promote the creative talents and cultural expressions of the Jamaican people. In 2017, we focused on culinary talents through the National Culinary Arts Competition, which showcased unique meal ideas by Jamaicans across the country (children, schools, institutions and community groups) utilizing local ingredients.

### INCLUSION, DIGNITY & EQUALITY

In keeping with our philosophy that Corporate Social Responsibility should reflect more broadly the need for corporations to address critical ethical and moral issues, JTL partnered with the National Family Planning Board through the Jamaica Network of Seropositives to improve public participation in the National Reporting and Redress System for persons experiencing HIV related discrimination. This collaboration led to a national competition, which resulted in a renamed and revamped system – The Jamaica

## Corporate Social Responsibility Continued

**JEA Export Awards**  
Charles Barrett (right), Group Marketing Manager, JTL receives the **Champion Manufacturer Award** (Runner Up, Category Two) from **Michelle Chong**, President of the Jamaica Exporters' Association.

Anti-Discrimination System for HIV (JADS). We are confident it will go a far way in capturing reports and address issues of discrimination relating to HIV in the society.

During 2017, we continued our support for organizations promoting human rights and safe spaces for all Jamaicans with the aim of achieving a more harmonious, tolerant society.

### CENTRE FOR REPARATIONS RESEARCH

In September of 2017, we were proud to be a part of the historic launch of the Centre for Reparations Research based at the University of the West Indies Regional Headquarters, Kingston, Jamaica. The Centre seeks to build awareness and conduct research that will advance the claim for reparation for native genocide, African enslavement, deceptive Asian indenture, colonialism and its legacies, in support of the CARICOM Reparatory Justice Movement and the Global Reparation Movement.

The keynote address at the launch of the centre was delivered by Samia Nkrumah, and was attended by Dr. Julius Garvey. The ensuing symposium was held under the theme "Post-Independence Cross Roads: Economic Growth, Sustainable Societies and Reparatory Justice" and began with a Plenary Address by Vice Chancellor of the University of the West Indies, Prof. Sir Hilary Beckles, followed by six panels.

Among the questions answered were: Can there be sustainable development without a "Marshall Plan" for the Caribbean? Who should clean up the colonial mess and repair the damage done by natural disasters that have shown up the weak infrastructure left in the region by colonizers at Independence?

We look forward to the work of this historic centre in the coming years as we wholeheartedly believe as a corporate citizen that "Justice Repairs All Crimes."

### AWARDS

Jamaican Teas Limited continues to be trail-blazers in manufacturing and exports. At the Jamaica Exporters' Association (JEA) National Exporters' Month Awards Banquet held on July 8, 2017 under the theme "Exports - The Key to National Growth", the Company copped two awards:

- 1) Runner-Up Champion Manufacturer Category II for performance in FY 2016.



- 2) The 2016 Model Exporter & Pauline Gray Award for efficiencies, productivity, international competitiveness, consistency in product innovation, improvements in exports, and commitment to research & development and technological advancement.

These follow the prestigious awards of the Champion Manufacturer Category II for performance in 2013 and the Governor General's Champion Exporter Cup for 2013.

### CERTIFICATIONS



In July 2017, Jamaican Teas Limited obtained OK Kosher Certification for its Caribbean Dreams line of herbal teas. The OK kosher mark is one of the world's best-known trademarks; it immediately and universally increases Company marketability, accountability, and kosher acceptability.

We are now authorized to print the OK kosher symbol on our approved product labels, which consumers will see on our Caribbean Dreams herbal teas in the 2018 calendar year.

JTL is very excited about this certification as it not only validates our product and systems quality but will open up additional markets, particularly the Jewish market globally.

#### Go Red for Women High Tea

One of the many projects supported by Jamaican Teas, through its premium Caribbean Dreams and Tetley brands.



**Jamaican Teas Limited**  
**Audited Financial Statements**  
YEAR ENDED 30 SEPTEMBER 2017



Audited Financial Statements  
**Consolidated Financial Statements**  
30 September 2017

I N D E X

	<u>PAGE</u>
Independent Auditors' Report to the Members	29-32
<b><u>FINANCIAL STATEMENTS</u></b>	
Consolidated Statement of Profit or Loss and Other Comprehensive Income	33
Consolidated Statement of Financial Position	34
Consolidated Statement of Changes in Equity	35
Consolidated Statement of Cash Flows	36
Company Statement of Profit or Loss and Other Comprehensive Income	37
Company Statement of Financial Position	38
Company Statement of Changes in Equity	39
Company Statement of Cash Flows	40
Notes to the Financial Statements	41-87

## **INDEPENDENT AUDITORS' REPORT**

To the Members of  
Jamaican Teas Limited

### **Report on the Consolidated and Company Stand-alone Financial Statements**

#### **Opinion**

We have audited the financial statements of Jamaican Teas Limited (the company) and its subsidiaries (together the Group) set out on pages 33 to 87, which comprise the Group and company statement of financial position as at 30 September 2017, and the Group and company's 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 Group and company as at 30 September 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Jamaican Companies Act.

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and 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 consolidated and stand-alone financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In relation to the Group and the stand-alone company, we have determined that there are no key audit matters to communicate in our report.

#### **Responsibilities of Management and Those Charged with Governance for the Consolidated and Company Stand-alone Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated and stand-alone financial statements in accordance with IFRSs and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and stand-alone financial statements that are free from material misstatement, whether due to fraud or error.

## INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
Jamaican Teas Limited

### **Responsibilities of Management and Those Charged with Governance for the Consolidated and Company Stand-alone Financial Statements (cont'd)**

In preparing the financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

#### **Other Information**

Management is responsible for the other information. The other information comprises the Annual Report but does not include the consolidated and stand-alone financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' report.

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

In connection with our audit of the consolidated and stand-alone financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated and stand-alone financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report, if we concluded that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

#### **Auditors' Responsibilities for the Audit of the Consolidated and Company Stand-alone Financial Statements**

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

## INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
Jamaican Teas Limited

### Auditors' Responsibilities for the Audit of the Consolidated and Company Stand-alone Financial Statements (cont'd)

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

We communicate with those charged 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 to communicate with them all relationship and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



## INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of  
Jamaican Teas Limited

### **Auditors' Responsibilities for the Audit of the Consolidated and Company Stand-alone Financial Statements (cont'd)**

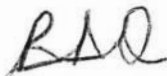
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precluded 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 kept, so far as appears from our examination of those records, and the consolidated and stand-alone financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Kenneth Wilson.



Chartered Accountants

22 December 2017

# Audited Financial Statements

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 September 2017

	<u>Note</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
<b><u>CONTINUING OPERATIONS</u></b>			
<b>REVENUE</b>	7	1,553,572	1,287,094
Cost of sales		(1,223,414)	( 980,949)
<b>GROSS PROFIT</b>		330,158	306,145
Other operating income	8	<u>104,424</u>	<u>60,705</u>
		<u>434,582</u>	<u>366,850</u>
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>			
Selling and marketing		( 36,997)	( 43,913)
Administrative expenses		( 175,143)	( 124,457)
		<u>( 212,140)</u>	<u>( 168,370)</u>
<b>OPERATING PROFIT</b>		222,442	198,480
Finance costs	11	( 24,607)	( 33,205)
Gain on acquisition of subsidiary	9	29,106	-
Share of results of associated company	19	<u>( 7,781)</u>	<u>-</u>
<b>PROFIT BEFORE TAXATION</b>		219,160	165,275
Taxation expense	13	<u>( 23,032)</u>	<u>( 18,766)</u>
<b>PROFIT FROM CONTINUING OPERATIONS</b>		196,128	146,509
Loss from discontinued operations	14	<u>-</u>	<u>( 28,574)</u>
<b>NET PROFIT</b>		196,128	117,935
<b>OTHER COMPREHENSIVE INCOME:</b>			
<b>Items that may be reclassified to profit or loss -</b>			
Unrealised (loss)/gain on available-for-sale investments		<u>( 3,684)</u>	<u>34,890</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>192,444</u>	<u>152,825</u>
<b>Net profit attributable to:</b>			
Owners of Jamaican Teas Limited		194,589	117,935
Non-controlling interest		<u>1,539</u>	<u>-</u>
		<u>196,128</u>	<u>117,935</u>
<b>Total comprehensive income attributable to:</b>			
Owners of Jamaican Teas Limited		194,368	152,825
Non-controlling interest		<u>( 1,924)</u>	<u>-</u>
		<u>192,444</u>	<u>152,825</u>
<b>Earnings per stock unit for profit attributable to owners of the company during the year:</b>			
From continuing operations	15	\$ <u>0.29</u>	\$ <u>0.22</u>
Including results of discontinued operation	15	\$ <u>0.29</u>	\$ <u>0.17</u>

# Audited Financial Statements

## Consolidated Statement of Financial Position

30 September 2017

	<u>Note</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	16	305,237	291,234
Investment properties	17	141,684	89,353
Intangible assets	18	2,155	2,065
Investment in associate	19	29,355	22,829
Investments	20	<u>227,357</u>	<u>157,789</u>
		<u>705,788</u>	<u>563,270</u>
<b>CURRENT ASSETS:</b>			
Inventories	22	391,552	446,014
Receivables	23	383,313	182,946
Taxation recoverable		-	2,143
Current asset held-for-sale	24	-	21,100
Cash and cash equivalents	25	<u>73,222</u>	<u>31,320</u>
		<u>848,087</u>	<u>683,523</u>
		<u>1,553,875</u>	<u>1,246,793</u>
<b>EQUITY AND LIABILITIES</b>			
<b>STOCKHOLDERS' EQUITY:</b>			
Share capital	26	154,020	141,420
Capital reserve	27	7,059	7,059
Fair value reserve	28	43,357	45,117
Retained earnings		<u>858,731</u>	<u>684,507</u>
		1,063,167	878,103
Non-controlling interest		<u>110,966</u>	<u>-</u>
		<u>1,174,133</u>	<u>878,103</u>
<b>NON-CURRENT LIABILITIES:</b>			
Long term liabilities	29	-	188,257
Deferred tax liabilities	21	<u>1,625</u>	<u>6,168</u>
		<u>1,625</u>	<u>194,425</u>
<b>CURRENT LIABILITIES:</b>			
Payables	30	120,105	81,160
Directors' current account		305	-
Taxation payable		16,909	-
Short term borrowings	31	224,110	77,145
Bank overdraft	25	<u>16,688</u>	<u>15,960</u>
		<u>378,117</u>	<u>174,265</u>
		<u>1,553,875</u>	<u>1,246,793</u>

Approved for issue by the Board of Directors on 22 December 2017 and signed on its behalf by:

John Mahfood - Chief Executive Officer

John Jackson - Director

# Audited Financial Statements

## Consolidated Statement of Changes in Equity

Year ended 30 September 2017

	Attributable to owners of the company				Non-Controlling Interest	Total Equity
	Share Capital \$'000	Capital Reserve \$'000	Fair Value Reserve \$'000	Retained Earnings \$'000	\$'000	\$'000
<b>BALANCE AT 30 SEPTEMBER 2015</b> (as previously stated)	141,420	7,059	10,227	564,632	-	723,338
Accumulated amortization reserved	-	-	-	1,940	-	1,940
<b>BALANCE AT 30 SEPTEMBER 2015</b> (restated)	<u>141,420</u>	<u>7,059</u>	<u>10,227</u>	<u>566,572</u>	-	<u>725,278</u>
<b>TOTAL COMPREHENSIVE INCOME</b>						
Net profit	-	-	-	117,935	-	117,935
Other comprehensive income	-	-	34,890	-	-	34,890
	-	-	34,890	117,935	-	152,825
<b>BALANCE AT 30 SEPTEMBER 2016</b>	<u>141,420</u>	<u>7,059</u>	<u>45,117</u>	<u>684,507</u>	-	<u>878,103</u>
<b>TOTAL COMPREHENSIVE INCOME</b>						
Net profit	-	-	-	194,589	1,539	196,128
Other comprehensive income	-	-	(1,760)	-	(1,924)	(3,684)
	-	-	(1,760)	194,589	(385)	192,444
<b>TRANSACTION WITH OWNERS</b>						
Dividends paid	-	-	-	(20,365)	-	(20,365)
Issue of shares	12,600	-	-	-	-	12,600
	12,600	-	-	(20,365)	-	(7,765)
<b>CHANGE IN OWNERSHIP INTEREST</b>						
Acquisition of subsidiary with non-controlling interest	-	-	-	-	111,351	111,351
	12,600	-	(1,760)	174,224	110,966	296,030
<b>BALANCE AT 30 SEPTEMBER 2017</b>	<u>154,020</u>	<u>7,059</u>	<u>43,357</u>	<u>858,731</u>	<u>110,966</u>	<u>1,174,133</u>

# Audited Financial Statements

## Consolidated Statement of Cash Flows

Year ended 30 September 2017

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	194,589	117,935
Items not affecting cash resources:		
Fair value gain on investment property	( 21,674)	( 6,839)
Gain on disposal of investments	( 64,335)	( 34,650)
Gain on disposal of property, plant and equipment	( 1,520)	( 7,343)
Share of loss from associate	7,781	-
Gain on acquisition of subsidiary	( 29,106)	-
Loss on sale of discontinued operation	-	28,574
Exchange gain on foreign balances	( 2,477)	( 8,535)
Depreciation	19,182	17,306
Amortisation	639	584
Interest expense	24,607	36,850
Interest income	( 2,756)	( 591)
Taxation	<u>23,032</u>	<u>18,766</u>
	147,962	162,057
Changes in operating assets and liabilities:		
Inventories	54,462	( 56,734)
Receivables	(196,948)	94,981
Current asset held for sale	21,100	( 21,100)
Directors' current account	305	-
Payables	<u>47,569</u>	<u>16,807</u>
	74,450	196,011
Tax paid	<u>( 7,242)</u>	<u>( 2,353)</u>
Cash provided by operating activities	<u>67,208</u>	<u>193,658</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of subsidiary, net of cash acquired	( 52,818)	-
Net decrease in investments	26,464	8,366
Net proceeds from disposal of investment properties	146,073	-
Proceeds from disposal of property, plant and equipment	4,480	36,864
Acquisition of investment property	( 30,657)	( 3,750)
Acquisition of property, plant and equipment	( 36,108)	( 48,181)
Sale of discontinued operation	-	( 28,574)
Purchase of intangible assets	( 729)	( 1,406)
Net (increase)/decrease in investment in associate	( 14,308)	2,266
Interest received	<u>2,756</u>	<u>591</u>
Cash provided by/(used in) investing activities	<u>45,153</u>	<u>( 33,824)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issue of shares	12,600	-
Loan proceeds	40,000	3,322
Loan repayments	( 81,292)	( 93,201)
Dividends paid	( 20,365)	-
Interest paid	<u>( 24,607)</u>	<u>( 36,850)</u>
Cash used in financing activities	<u>( 73,664)</u>	<u>( 126,729)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>38,697</b>	<b>33,105</b>
Cash and cash equivalents at beginning of year	15,360	( 26,280)
Exchange gain on foreign cash balances	<u>2,477</u>	<u>8,535</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)</b>	<b><u>56,534</u></b>	<b><u>15,360</u></b>

## Audited Financial Statements

# Company Statement of Profit or Loss and Other Comprehensive Income

30 September 2017

	<u>Note</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
<b>REVENUE</b>	7	922,376	800,168
Cost of sales		(621,065)	(547,930)
<b>GROSS PROFIT</b>		301,311	252,238
Other operating income	8	<u>88,042</u>	<u>65,115</u>
		389,353	317,353
Administrative and other expenses		(147,577)	(143,109)
<b>OPERATING PROFIT</b>		241,776	174,244
Finance costs	11	( <u>22,434</u> )	( <u>27,850</u> )
<b>PROFIT BEFORE TAXATION</b>		219,342	146,394
Taxation expense	13	( <u>19,476</u> )	( <u>13,369</u> )
<b>NET PROFIT</b>		199,866	133,025
<b>OTHER COMPREHENSIVE INCOME:</b>			
Items that may be reclassified to profit or loss -			
Unrealised (loss)/gain on available- for- sale			
investments		( <u>333</u> )	<u>34,890</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>199,533</u>	<u>167,915</u>


# Audited Financial Statements

## Company Statement Financial Position

30 September 2017

	<u>Note</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
<b><u>ASSETS</u></b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	16	243,286	231,532
Investment properties	17	44,000	33,910
Intangible assets	18	901	754
Investment in subsidiaries		75,683	18,410
Investment in associate	19	110,021	95,713
Due from subsidiaries	32	423,653	391,450
Investments	20	<u>173,365</u>	<u>157,789</u>
		<u>1,070,909</u>	<u>929,558</u>
<b>CURRENT ASSETS:</b>			
Inventories	22	152,320	160,166
Receivables	23	229,655	164,217
Taxation recoverable		-	950
Cash and cash equivalents	25	<u>56,705</u>	<u>15,763</u>
		<u>438,680</u>	<u>341,096</u>
		<u>1,509,589</u>	<u>1,270,654</u>
<b><u>EQUITY AND LIABILITIES</u></b>			
<b>STOCKHOLDERS' EQUITY:</b>			
Share capital	26	154,020	141,420
Fair value reserve	28	44,784	45,117
Retained earnings		<u>964,447</u>	<u>784,946</u>
		<u>1,163,251</u>	<u>971,483</u>
<b>NON-CURRENT LIABILITIES:</b>			
Long term liabilities	29	-	188,257
Deferred tax liabilities	21	<u>3,180</u>	<u>6,409</u>
		<u>3,180</u>	<u>194,666</u>
<b>CURRENT LIABILITIES:</b>			
Payables	30	61,486	20,007
Short term borrowings	31	224,110	76,717
Due to subsidiary	32	25,383	7,779
Taxation		15,491	-
Bank overdraft	25	<u>16,688</u>	<u>2</u>
		<u>343,158</u>	<u>104,505</u>
		<u>1,509,589</u>	<u>1,270,654</u>

Approved for issue by the Board of Directors on 22 December 2017 and signed on its behalf by:

  
John Mahfood - Chief Executive Officer

  
John Jackson - Director

Audited Financial Statements  
**Company Statement of Changes  
in Equity**  
30 September 2017

	<u>Note</u>	<u>Share Capital \$'000</u>	<u>Fair Value Reserve \$'000</u>	<u>Retained Earnings \$'000</u>	<u>Total \$'000</u>
<b>BALANCE AT 30 SEPTEMBER 2015</b>		<u>141,420</u>	<u>10,227</u>	<u>651,921</u>	<u>803,568</u>
<b>TOTAL COMPREHENSIVE INCOME</b>					
Net profit		-	-	133,025	133,025
Other comprehensive income		<u>-</u>	<u>34,890</u>	<u>-</u>	<u>34,890</u>
		<u>-</u>	<u>34,890</u>	<u>133,025</u>	<u>167,915</u>
<b>BALANCE AT 30 SEPTEMBER 2016</b>		<u>141,420</u>	<u>45,117</u>	<u>784,946</u>	<u>971,483</u>
<b>TOTAL COMPREHENSIVE INCOME</b>					
Net profit		-	-	199,866	199,866
Other comprehensive income		<u>-</u>	<u>( 333)</u>	<u>-</u>	<u>( 333)</u>
		<u>-</u>	<u>( 333)</u>	<u>199,866</u>	<u>199,533</u>
<b>TRANSACTION WITH OWNERS</b>					
Dividend paid	33	-	-	( 20,365)	( 20,365)
Issue of shares	26	<u>12,600</u>	<u>-</u>	<u>-</u>	<u>12,600</u>
		<u>12,600</u>	<u>-</u>	<u>( 20,365)</u>	<u>( 7,765)</u>
<b>BALANCE AT 30 SEPTEMBER 2017</b>		<u>154,020</u>	<u>44,784</u>	<u>964,447</u>	<u>1,163,251</u>



# Audited Financial Statements

## Company Statement of Cash Flows

30 September 2017

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net profit	199,866	133,025
Items not affecting cash resources:		
Gain on disposal of investments	( 58,225)	( 37,925)
Gain on disposal of property, plant and equipment	( 1,520)	( 3,608)
Exchange gain on foreign balances	( 2,450)	( 8,372)
Increase in provision for bad debt	1,492	-
Revaluation surplus on investment property	( 10,090)	-
Depreciation	15,625	12,852
Amortisation	295	266
Interest expense	22,434	31,100
Interest income	( 2,756)	( 591)
Taxation	<u>19,476</u>	<u>13,369</u>
	184,147	140,116
Changes in operating assets and liabilities:		
Inventories	7,846	( 42,398)
Receivables	( 66,930)	42,138
Related companies	( 14,599)	( 17,503)
Payables	<u>41,479</u>	<u>( 8,965)</u>
	151,943	113,388
Tax paid	( 6,264)	( 1,860)
Cash provided by operating activities	<u>145,679</u>	<u>111,528</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Investment in associate	( 14,308)	( 15,598)
Proceeds from disposal of property, plant and equipment	4,480	4,848
Acquisition of property, plant and equipment	( 30,339)	( 44,689)
Investment in subsidiaries	( 57,273)	-
Purchase of intangible assets	( 442)	-
Net decrease in investments	42,316	8,366
Interest received	2,756	591
Acquisition of investment property	<u>-</u>	<u>( 2,557)</u>
Cash used in investing activities	<u>( 52,810)</u>	<u>( 49,039)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Issue of shares	12,600	-
Loan proceeds	40,000	2,995
Loan repayments	( 80,864)	( 1,863)
Dividend paid	( 20,365)	-
Interest paid	<u>( 22,434)</u>	<u>( 31,100)</u>
Cash used in financing activities	<u>( 71,063)</u>	<u>( 29,968)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	21,806	32,521
Exchange gain on foreign cash balances	2,450	8,372
Cash and cash equivalents at beginning of year	<u>15,761</u>	<u>( 25,132)</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 25)</b>	<u>40,017</u>	<u>15,761</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

- (a) Jamaican Teas Limited (“the company”) is a company limited by shares incorporated and domiciled in Jamaica. The registered office of the company is 2 Bell Road, Kingston 11.
- (b) The company was listed on the Junior Market of the Jamaica Stock Exchange on 3 July 2010.
- (c) During the year the company acquired 42.59% controlling interest in KIW International Limited.
- (d) The company’s subsidiaries and associated company referred to as ‘the Group’ are as follows:

	<u>Principal Activities</u>	<u>Percentage Ownership by the Group</u>	
		<u>2017</u>	<u>2016</u>
Subsidiaries:			
JRG Shoppers Delite Enterprise Limited	Retail Distribution	100	100
H Mahfood & Sons Limited	Real Estate	100	100
KIW International Limited	Rental	42.59	-
Associate:			
Bay City Foods Limited	Retail Distribution	50	50

### 2. REPORTING CURRENCY:

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates (‘the functional currency’). These financial statements are presented in Jamaican dollars, which is considered the Group’s functional and presentation currency.

### 3. SIGNIFICANT ACCOUNTING POLICIES:

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented. Where necessary, prior year comparatives have been restated and reclassified to conform to current year presentation.

#### (a) Basis of preparation

The consolidated financial statements are presented in Jamaican dollar which is also the company’s functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of investment properties and financial assets that are measured at fair value.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

#### (a) Basis of preparation (cont'd)

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

#### **New, revised and amended standards and interpretations that became effective during the year**

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has concluded that there are no new standards, interpretations and amendments which are immediately relevant to its operations.

**Amendment to IAS 1, 'Presentation of Financial Statements: Disclosure Initiative' (effective for accounting periods beginning on or after 1 January 2016).** These amendments clarify the existing requirements of IAS 1 and provide additional assistance to apply judgement when meeting the presentation and disclosure requirements in IFRS. The amendment does not affect recognition and measurement and is not expected to have a significant impact on the financial statements.

**Amendments to IAS 16, 'Property, Plant and Equipment' and IAS 38, 'Intangible Assets' (effective for accounting periods beginning on or after 1 January 2016).** In these amendments, the International Accounting Standards Board (IASB) has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The Group does not expect any impact from the adoption of the amendments on its financial statements as it does not use revenue-based depreciation or amortisation methods.

**Amendments to IAS 27, 'Equity Method in Separate Financial Statements' (effective for accounting periods beginning on or after 1 January 2016).** The amendments allow the use of the equity method in separate financial statements, and apply to the accounting for subsidiaries, associates, and joint ventures.

**IASB Annual Improvements - The IASB annual improvements project for the 2012 - 2014 cycle** resulted in amendments to the following standards which are relevant to the Group's operations. These amendments are effective for the accounting periods beginning on or after 1 January 2016.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd)

**New, revised and amended standards and interpretations that became effective during the year (cont'd)**

**IASB Annual Improvements - The IASB annual improvements project for the 2012 - 2014 cycle (cont'd)**

**IFRS 7, 'Financial Instruments: Disclosures'**. This amendment clarifies the circumstances when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred assets in cases when they are derecognised in their entirety. A servicer is deemed to have continuing involvement if it has an interest in the future performance of the transferred asset -e.g. if the servicing fee is dependent on the amount or timing of the cash flows collected from the transferred financial asset; however, the collection and remittance of cash flows from the transferred asset to the transferee is not, in itself, sufficient to be considered 'continuing involvement'. IFRS 7 has also been amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendment to IFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of IAS 34, *Interim Financial Reporting*, require their inclusion.

**New standards, amendments and interpretation not yet effective and not early adopted**

The following new standards, amendments and interpretations, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

**IFRS 9, 'Financial Instruments' (effective for accounting periods beginning on or after 1 January 2018)**. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the existing guidance in *IAS 39 Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(a) Basis of preparation (cont'd) -

**New standards, amendments and interpretation not yet effective and not early adopted (cont'd)**

**IFRS 15, 'Revenue from Contracts with Customers' (effective for accounting periods beginning on or after 1 January 2018).** The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations.

**IFRS 16, 'Leases', (effective for accounting periods beginning on or after 1 January 2019).** The standard primarily addresses the accounting for leases by lessees. The complete version of IFRS 16 was issued in January 2016. The standard will result in almost all leases being recognised on the statement of financial position, as it removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short term and low-value leases. The accounting by lessors will not significantly change.

**Amendments to IAS 7, 'Statement of Cash Flows'(effective for accounting periods beginning on or after 1 January 2017),** requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash flows.

**Amendment to IAS 12, 'Income Taxes' (effective for accounting periods beginning on or after 1 January 2017).** The amendment clarifies the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. The amendments confirm that a temporary difference exists whenever the carrying amount of an asset is less than its tax base at the end of the reporting period, an entity can assume that it will recover an amount higher than the carrying amount of an asset to estimate its future taxable profit, where the tax law restricts the source of taxable profits against which particular types of deferred tax assets can be recovered, the recoverability of the deferred tax assets can only be assessed in combination with other deferred tax assets of the same type and that tax deductions resulting from the reversal of deferred tax assets are excluded from the estimated future taxable profit that is used to evaluate the recoverability of those assets.

The Group is assessing the impact that these standards and amendments to standards will have on the financial statements when they are adopted.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

#### (b) Basis of consolidation

The consolidated financial statements comprise a consolidation of the accounts of the Group and its subsidiaries. The results of the Group's subsidiaries have been prepared to align with the Group's reporting date.

Subsidiaries are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies in order to obtain benefit from its activities. The Group also assesses existence of control where it does not have more than 50% of the voting rights but it is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies. Subsidiaries are consolidated from the date on which the Group effectively takes control until the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition related costs are expenses as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If the consideration is less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated.

Transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions- that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interest are also recorded in equity.

The subsidiaries consolidated are as follows:

H Mahfood & Sons Limited	- 100% owned
JRG Shoppers Delight Enterprise Limited	- 100% owned
KIW International Limited	- 42.59% owned

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(c) **Associate**

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. The associate is initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method where the Group's share of post-acquisition profits and losses is recognised in the consolidated statement of income and other comprehensive income, (except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associate are recognised only to the extent of unrelated investors' interest in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group's associate company, incorporated in Jamaica is Bay City Foods Limited. The Group has a 50% interest in the company.

(d) **Foreign currency translation**

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date.

Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealized foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognized in profit or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in equity.

(e) **Property, plant and equipment**

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

#### (e) Property, plant and equipment (cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The expected useful lives of the other property, plant and equipment are as follows:

Plant and equipment	10%
Furniture and fixtures	10%
Motor vehicles	20%
Computer	20%
Building	2½%
Leasehold improvements - shorter of lease and useful lives	

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit or loss.

The assets' residual values and useful lives are reviewed and adjusted if appropriate, at each reporting date.

#### (f) Intangible assets

Intangible asset which represents computer software is deemed to have a finite useful life of five years and is measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

#### (g) Investment property

Investment property is initially recognised at cost and subsequently carried at fair value with changes in the carrying value recognised in the statement of comprehensive income.

Fair value is determined every three years by an independent registered valuer, and in each of the two intervening years by the directors. Fair value is based on current prices in an active market for similar properties in the same location and condition.

Rent receivable is spread on a straight-line basis over the period of the lease.



3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(h) **Impairment of non-current assets**

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) **Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

**Financial assets**

(i) **Classification**

The Group classifies its financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) but also incorporate other types of contractual monetary asset.

The Group's loans and receivables comprise trade receivables and cash and cash equivalents. They are included in current assets.

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(i) **Financial instruments (cont'd)**

**Financial assets (cont'd)**

(i) **Classification (cont'd)**

**Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

(ii) **Recognition and Measurement**

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, with fair value gains or losses being recorded in other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method, less provision for impairment.

Translation differences and changes in the fair value of non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized as other comprehensive income are recycled to profit or loss.

Dividend on available-for-sale equity instruments are recognized in profit or loss as part of other operating income when the Group's right to receive payments is established.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(i) **Financial instruments (cont'd)**

**Financial assets (cont'd)**

(ii) **Recognition and Measurement (cont'd)**

For loans and receivables impairment provisions are recognized when there is objective evidence that the Group will not collect all of the amounts due under the terms receivable. The amount of the provision is the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized in profit or loss. On confirmation that the trade receivable is uncollectible, it is written off against the associated allowance. Subsequent recoveries of amounts previously written off are credited to profit or loss.

In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

**Financial liabilities**

The Group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: long term liabilities, short term liabilities, bank overdraft and trade payables.

(j) **Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined as follows:

Raw materials	- Purchase cost on a first-in, first-out basis.
Finished goods (manufactured)	- Cost of direct raw materials, labour and related factory overheads.
Finished goods (purchased)	- Valued at landed costs.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(j) **Inventories (cont'd)**

Housing units completed and development costs are stated at the lower of cost and net realisable value.

Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses and the costs of completion.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

(k) **Borrowings**

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

(l) **Current and deferred income taxes**

Taxation expense in profit or loss comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

#### (l) Current and deferred income taxes (cont'd)

Deferred income tax liabilities are not recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries as such amounts are permanently reinvested and are not subject to tax.

#### (m) Employee benefits

The company participates in a defined contribution plan whereby it pays contributions to an administered fund, the contributions are charged to the statement of comprehensive income in the year to which they relate and are included in staff costs.

#### (n) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (o) Leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized as an expense in the period in which the termination takes place.

Rental income under operating leases is recognised in income on the straight line basis over the term of the relevant lease.

#### (p) Revenue recognition

Revenue is recognized in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs can be estimated reliably and there is no continuing management involvement with the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances and discounts.

Interest income is recognised in the income statement for all interest-bearing instruments on an accrual basis unless collectability is doubtful.

Dividend income is recognised when the right to receive payment is established based on the record date of the dividends.

3. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D):**

(q) **Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with internal reporting to the Group's chief operating decision maker.

(r) **Dividend distribution**

Dividend distribution to the Group's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the directors in respect of interim dividend and the Group's shareholders in respect of final dividends and are recorded as a deduction from equity.

Dividends for the year that are declared after the reporting date are dealt with in the subsequent events note.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES:**

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) **Critical judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) **Key sources of estimation uncertainty**

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) **Fair value measurement**

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of fair value.

4. **CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):**

(b) **Key sources of estimation uncertainty (cont'd)**

(i) **Fair value measurement (cont'd)**

The fair value measurement of the Group's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

Level 1	Quoted prices in active markets for identical assets or liabilities (unadjusted).
Level 2	Observable direct or indirect inputs other than level 1 inputs.
Level 3	Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfer of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties (note 17)
- Financial instruments (note 20)

For more detailed information in relation to the fair value measurement of the items above, please refer to applicable notes.

(ii) **Depreciable assets**

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Group applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D):

##### (b) Key sources of estimation uncertainty (cont'd)

##### (iii) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which determination is made.

#### 5. FINANCIAL RISK MANAGEMENT:

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the Group's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

##### (a) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Investments in quoted and unquoted equity securities
- Trade payables
- Bank overdrafts
- Loans and borrowings



# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (b) Financial instruments by category

##### The Group

##### Financial assets

	<u>Loans and Receivables</u>		<u>Available-for-sale</u>	
	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Cash and cash equivalents	73,222	31,320	-	-
Trade receivables	186,537	148,712	-	-
Equities	-	-	<u>227,357</u>	<u>157,789</u>
<b>Total financial assets</b>	<b><u>259,759</u></b>	<b><u>180,032</u></b>	<b><u>227,357</u></b>	<b><u>157,789</u></b>

##### Financial liabilities at amortised cost

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Bank overdraft	16,688	15,960
Trade payables	76,079	65,410
Loans and borrowings	<u>224,110</u>	<u>265,402</u>
<b>Total financial liabilities</b>	<b><u>316,877</u></b>	<b><u>346,772</u></b>

##### The Company

##### Financial assets

	<u>Loans and Receivables</u>		<u>Available-for-sale</u>	
	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Cash and cash equivalents	56,705	15,763	-	-
Trade receivables	184,160	140,290	-	-
Equities	-	-	<u>173,365</u>	<u>157,789</u>
<b>Total financial assets</b>	<b><u>240,865</u></b>	<b><u>156,053</u></b>	<b><u>173,365</u></b>	<b><u>157,789</u></b>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (b) Financial instruments by category (cont'd)

##### Financial liabilities at amortised cost

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Due to related company	25,383	7,779
Bank overdraft	16,688	2
Trade payables	37,369	18,347
Loans and borrowings	<u>224,110</u>	<u>264,974</u>
<b>Total financial liabilities</b>	<b><u>303,550</u></b>	<b><u>291,102</u></b>

#### (c) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and bank balances, trade receivables, trade payables, bank overdraft and loans and borrowings.

Due to their short-term nature, the carrying value of cash and bank balances, trade receivables, bank overdraft and trade payables approximates their fair value.

The carrying values of loans and borrowings approximate their fair values, as they are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

#### (d) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below:

	<b>2017</b>		
	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Available-for-sale:			
Quoted equities	<u>227,357</u>	<u>-</u>	<u>227,357</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (d) Financial instruments measured at fair value (cont'd)

	2016		
	<u>Level 1</u> <u>\$'000</u>	<u>Level 2</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
Available-for-sale:			
Quoted equities	<u>157,789</u>	<u>-</u>	<u>157,789</u>

There were no transfers between levels during the year.

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represents actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets is the current bid price. These instruments are grouped in Level 1.

The fair value of financial instruments not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

#### (e) Financial risk factors

The Board of Directors has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Chief Executive function. The Board receives frequent reports from the Chief Executive Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Finance and Audit Committee also reviews the risk management policies and processes.

5. **FINANCIAL RISK MANAGEMENT (CONT'D):**

(e) **Financial risk factors (cont'd)**

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

(i) **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from customers and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or Group's of related counterparties.

**Cash and bank balances**

Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

**Trade and other receivables**

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The credit policy states that each customer must be assessed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's assessment includes bank references.

The Board of Directors determines concentrations of credit risk by monitoring the creditworthiness of existing customers and through a regular review of the trade receivables' ageing analysis.

Credit limits for all customers are reviewed at least annually, against the customers' payment history, assessment of customers' credit risk and sales department information.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (e) Financial risk factors (cont'd)

##### (i) Credit risk (cont'd)

The maximum exposure to credit risk is as follows:

#### The Group

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Financial assets -		
Cash and cash equivalents	73,222	31,320
Trade receivables	186,537	148,712
Investments	<u>227,357</u>	<u>157,789</u>
<b>Total financial assets</b>	<b><u>487,116</u></b>	<b><u>337,821</u></b>

#### The Company

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Financial assets -		
Cash and cash equivalents	56,705	15,763
Trade receivables	184,160	140,290
Investments	<u>173,365</u>	<u>157,789</u>
<b>Total financial assets</b>	<b><u>414,230</u></b>	<b><u>313,842</u></b>

The aging of trade receivables is:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
0-30 days	115,926	108,717	115,018	100,787
31-60 days	24,265	8,783	23,929	8,573
61-90 days	15,574	6,831	16,293	6,831
91 days and over	<u>34,550</u>	<u>25,971</u>	<u>31,809</u>	<u>25,496</u>
	<b><u>190,315</u></b>	<b><u>150,302</u></b>	<b><u>187,049</u></b>	<b><u>141,687</u></b>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (e) Financial risk factors (cont'd)

##### (i) Credit risk (cont'd)

###### Trade receivables that are past due but not impaired

As at 30 September 2017, trade receivables of \$70.611 million (2016 - \$39.995 million) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

###### Trade receivables that are past due and impaired

As at 30 September 2017, the Group had trade receivables of \$3.778 million (2016 - \$1.590 million) that were impaired. The amount of the provision was \$3.778 million (2016 - \$1.590 million). These receivables were aged over 90 days.

Movement on the provision for impairment of trade receivables are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
At 1 October	1,590	-	1,397	-
Provision for receivables impairment	2,240	1,590	1,492	1,397
Receivables written off as uncollectible	( 52)	-	-	-
At 30 September	<u>3,778</u>	<u>1,590</u>	<u>2,889</u>	<u>1,397</u>

This creation and release of provision for impaired receivables have been included in expenses in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. Impairment estimates have been adjusted based on actual collection patterns.

##### (ii) Market risk

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

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (e) Financial risk factors (cont'd)

##### (ii) Market risk (cont'd)

#### 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 Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States dollar, Canadian dollar and Pound Sterling. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

#### Concentration of currency risk

The table below summaries the Group and Company exposure to foreign exchange rate risk as at 30 September 2017.

	2017			2016		
	US J\$'000	GBP J\$'000	CAN J\$'000	USD J\$'000	GBP J\$'000	CAN J\$'000
<b>Financial assets:</b>						
Cash and cash equivalents	1,540	269	2,848	7,910	1,335	3,482
Trade receivables	<u>132,409</u>	<u>434</u>	<u>1,395</u>	<u>87,053</u>	<u>-</u>	<u>-</u>
Total financial assets	<u>133,949</u>	<u>703</u>	<u>4,243</u>	<u>94,963</u>	<u>1,335</u>	<u>3,482</u>
<b>Financial liabilities:</b>						
Trade payables	<u>9,519</u>	<u>1,586</u>	<u>-</u>	<u>7,641</u>	<u>118</u>	<u>2,351</u>
Net financial assets	<u>124,430</u>	<u>(883)</u>	<u>4,243</u>	<u>87,322</u>	<u>1,217</u>	<u>1,131</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (e) Financial risk factors (cont'd)

##### (ii) Market risk (cont'd)

#### Foreign currency sensitivity

The following table indicate the currencies to which the Group had significant exposure on its monetary assets and liabilities and its forecast cash flows. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 6% increase (2016 - 6%) and 2% (2016 - 1%) appreciation of the Jamaican dollar against the various currencies. The changes below would have no impact on other components of equity.

	<u>% Change in Currency Rate</u>	<u>Effect on Profit Before Taxation 2017 \$'000</u>	<u>% Change in Currency Rate</u>	<u>Effect on Profit Before Taxation 2016 \$'000</u>
Currency:				
US\$	+2	2,489	+1	873
GPB	+2	( 18)	+1	12
CAN\$	+2	<u>85</u>	+1	11
US\$	-6	(7,466)	-6	(5,239)
GBP	-6	53	-6	( 73)
CAN\$	-6	<u>( 255)</u>	<u>-6</u>	<u>( 68)</u>

#### Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of investments. The Group also analyses its interest exposure arising from borrowings on an ongoing basis taking into consideration the options of refinancing, renewal of existing positions and alternative financing. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial bearing liabilities.



5. FINANCIAL RISK MANAGEMENT (CONT'D):

(e) Financial risk factors (cont'd)

(ii) Market risk (cont'd)

**Interest rate risk (cont'd)**

The Group's interest rate risk arises from deposits, Government of Jamaica bonds, bank overdraft and loans and borrowings.

**Interest rate sensitivity**

There is no significant exposure to interest rate risk on short term deposits as these deposits have a short term to maturity and are constantly reinvested at current market rates. Investments are at fixed rates.

There is no significant exposure to interest rate risk on borrowings as these are at fixed rates and are carried at amortised cost.

**Price risk**

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 Group is exposed to equity price risk because of equity investments held and classified on the statement of financial position as available-for-sale. The Group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact of a 10% change in the quoted prices for these equities would be an increase or decrease in the carrying value of \$38,321,405 (2016 - \$15,778,940) in other comprehensive income.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (e) Financial risk factors (cont'd)

##### (iii) Liquidity risk (cont'd)

##### Liquidity risk management process

The Group's liquidity management process, as carried out within the company and monitored by the Finance Department, includes:

- (i) Monitoring future cash flows and liquidity on an ongoing basis.
- (ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investments.

##### Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

##### The Group

	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
<b>At 30 September 2017:</b>					
Trade payables	76,079	-	-	-	76,079
Bank overdraft	16,688	-	-	-	16,688
Loans and borrowings	<u>231,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,017</u>
<b>Total</b>	<b><u>323,784</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>323,784</u></b>
<b>At 30 September 2016:</b>					
Trade payables	65,410	-	-	-	65,410
Bank overdraft	15,960	-	-	-	15,960
Loans and borrowings	<u>105,714</u>	<u>143,715</u>	<u>92,066</u>	<u>18,366</u>	<u>359,861</u>
<b>Total</b>	<b><u>187,084</u></b>	<b><u>143,715</u></b>	<b><u>92,066</u></b>	<b><u>18,366</u></b>	<b><u>441,231</u></b>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (e) Financial risk factors (cont'd)

##### (iii) Liquidity risk (cont'd)

###### The Company

	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
<b>At 30 September 2017:</b>					
Trade payables	37,369	-	-	-	37,369
Bank overdraft	16,688	-	-	-	16,688
Loans and borrowings	<u>231,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>231,017</u>
Total	<u>285,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>285,074</u>

	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
<b>At 30 September 2016:</b>					
Trade payables	18,347	-	-	-	18,347
Bank overdraft	2	-	-	-	2
Loans and borrowings	<u>195,252</u>	<u>143,715</u>	<u>92,066</u>	<u>18,366</u>	<u>449,399</u>
Total	<u>213,601</u>	<u>143,715</u>	<u>92,066</u>	<u>18,366</u>	<u>467,748</u>

#### (f) Capital Management

The Group objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders and to maintain optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income, excluding non-recurring items, divided by total stockholders' equity. The Board of Directors also monitors the level of dividends paid to stockholders.

The Group monitors capital on the basis of the debt to equity ratio. This ratio is calculated as debt divided by owner's equity. Debt is calculated as total borrowings as shown in the consolidated statement of financial position. Owners' equity is calculated as capital and reserves attributable to the Group's owners as shown in the consolidated statement of financial position.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 5. FINANCIAL RISK MANAGEMENT (CONT'D):

#### (e) Capital Management (cont'd)

The debt to equity ratio at 30 September based on these calculations were as follows:

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Total borrowings	<u>240,798</u>	<u>281,362</u>
Owners' equity	<u>1,063,167</u>	<u>878,103</u>
Debt to equity ratio	<u>22.6%</u>	<u>32.0%</u>

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

### 6. BUSINESS SEGMENTS:

The Group is managed in three main business segments based on business activities. The segments are as follows:

- Manufacturing - this incorporates the packaging and the distribution of teas and other consumable items and accounts for the largest proportion of the Group's business generating 59% of its external revenue.
- Retailing - this segment is involved in the operation of supermarkets and contributed 28% of the Group's external revenue.
- Rental and development - this segment rents and develops properties for resale and contributed 13% of the Group's external revenue.

The share of results of associated company is not included in the measure of segments results and is not reviewed as part of the results of reportable segments. The results of the associated company are reviewed by the Board of Directors.

Deferred tax assets are not included in the measure of segment assets and are not reviewed as part of the result of the reportable segments. Deferred tax assets are however reviewed by the Chief Executive Officer.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 6. BUSINESS SEGMENTS (CONT'D):

	2017			
	Manufacturing \$'000	Retailing \$'000	Rental & Development \$'000	Total \$'000
Revenue				
Total revenue from external customers	<u>922,376</u>	<u>434,986</u>	<u>196,210</u>	<u>1,553,572</u>
Amortisation	<u>296</u>	<u>343</u>	<u>-</u>	<u>639</u>
Depreciation	<u>15,625</u>	<u>2,113</u>	<u>1,444</u>	<u>19,182</u>
Segment profit/(loss)	<u>235,667</u>	<u>8,479</u>	<u>(24,986)</u>	<u>219,160</u>
Additions to non-current assets	<u>101,366</u>	<u>2,161</u>	<u>38,991</u>	<u>142,518</u>
Reportable segments assets	<u>929,587</u>	<u>40,516</u>	<u>554,417</u>	1,524,520
Investments in associate				<u>29,355</u>
Total Group assets				<u>1,553,875</u>
Reportable segment liabilities	<u>317,775</u>	<u>32,664</u>	<u>27,678</u>	<u>378,117</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 6. BUSINESS SEGMENTS (CONT'D):

	2016			
	Manufacturing \$'000	Retailing \$'000	Rental & Development \$'000	Total \$'000
Revenue				
Total revenue from external customers	<u>800,168</u>	<u>394,287</u>	<u>92,639</u>	<u>1,287,094</u>
Amortisation	<u>266</u>	<u>318</u>	<u>-</u>	<u>584</u>
Depreciation	<u>12,852</u>	<u>3,049</u>	<u>1,405</u>	<u>17,306</u>
Segment profit	<u>146,394</u>	<u>14,843</u>	<u>4,038</u>	<u>165,275</u>
(Reductions)/additions (in)/to non-current assets	<u>98,333</u>	<u>(5,110)</u>	<u>(21,559)</u>	<u>71,664</u>
Reportable segments assets	<u>765,081</u>	<u>62,640</u>	<u>396,243</u>	1,223,964
Investments in associate				<u>22,829</u>
Total Group assets				<u>1,246,793</u>
Reportable segment liabilities	<u>291,392</u>	<u>53,168</u>	<u>24,130</u>	<u>368,690</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 7. REVENUE:

#### The Group

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Revenue arises from -		
Export sales - manufacturing group	504,234	400,171
Domestic sales - manufacturing group	418,142	399,997
Retail sales	434,986	394,287
Sale and rental of properties	<u>196,210</u>	<u>92,639</u>
	<u>1,553,572</u>	<u>1,287,094</u>

#### The Company

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Revenue arises from -		
Export sales	504,234	400,171
Domestic sales	<u>418,142</u>	<u>399,997</u>
	<u>922,376</u>	<u>800,168</u>

### 8 OTHER OPERATING INCOME:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Interest income	2,756	504	2,756	591
Rental income	1,857	-	3,710	3,560
Dividend income	4,201	4,746	3,975	4,746
Gain on sale of property, plant and equipment	1,520	3,608	1,520	3,608
Gain on sale of investments	58,225	34,650	58,225	37,925
Net foreign exchange gain	2,477	8,417	2,450	8,372
Fair value gain on investment property	21,674	6,839	10,090	-
Miscellaneous income	5,604	1,941	5,316	6,313
Gain on disposal of investment Property	<u>6,110</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>104,424</u>	<u>60,705</u>	<u>88,042</u>	<u>65,115</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 9. GAIN ON ACQUISITION OF SUBSIDIARY:

On 1 April 2017, Jamaican Teas Limited ('JTL') acquired 42.59% ordinary shareholding in KIW International Limited ("KIW"). KIW is consolidated as a subsidiary due to the level of influence JTL has over the operations of KIW.

The following summaries the fair value of the identifiable assets and liabilities recognised by the Group at the date of acquisition of KIW International Limited.

	<u>2017</u> <u>\$'000</u>
Identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	682
Accounts receivable	3,419
Available for sale investments	62,163
Fair value of investment and property, plant and equipment	140,000
Current liabilities	( 8,807)
Preference shares	( 3,500)
 Total identifiable assets acquired	 193,957
Less: Non-controlling interest	(111,351)
 Group share of net assets acquired	 82,606
Add: Preference shares	3,500
Less: Consideration paid	( 57,000)
 Gain on acquisition of subsidiary	 <u>29,106</u>
 Cash flow on acquisition:	
Consideration	57,000
Cash acquired	( 682)
 Net cash outflow arising on acquisition	 <u>56,318</u>



# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 10. EXPENSES BY NATURE:

Total cost of sales, selling, administration and other operating expenses:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Advertising and promotion	37,074	43,913	33,611	41,924
Auditors' remuneration	3,968	3,148	2,390	2,162
Directors' emoluments:				
Remuneration	9,772	7,230	9,772	7,230
Fees	2,330	1,816	2,000	1,816
Cost of inventories recognised as an expense	1,116,065	882,243	546,792	477,777
Amortisation	640	584	296	266
Depreciation	19,182	17,306	15,625	12,852
Insurance	7,969	7,368	6,444	6,197
Repairs and maintenance	22,489	24,967	20,944	22,595
Staff costs (note 12)	107,727	97,032	81,236	73,043
Utilities	14,281	11,916	5,684	6,098
Rental and security	18,424	6,872	3,580	3,615
Other expenses	<u>75,633</u>	<u>44,924</u>	<u>40,268</u>	<u>35,464</u>
	<u>1,435,554</u>	<u>1,149,319</u>	<u>768,642</u>	<u>691,039</u>

### 11. FINANCE COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Loan interest	22,178	30,134	21,897	24,779
Overdraft interest	<u>2,429</u>	<u>3,071</u>	<u>537</u>	<u>3,071</u>
	<u>24,607</u>	<u>33,205</u>	<u>22,434</u>	<u>27,850</u>

### 12. STAFF COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Wages and salaries	87,886	76,130	62,963	56,356
Pension	1,419	1,387	1,419	1,387
Other employment benefits	<u>18,422</u>	<u>19,515</u>	<u>16,854</u>	<u>15,300</u>
	<u>107,727</u>	<u>97,032</u>	<u>81,236</u>	<u>73,043</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 13. TAXATION EXPENSE:

Taxation is computed on the profit for the year, adjusted for taxation purposes and comprises income tax at 25%.

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Current taxation	19,320	8,748	18,928	8,641
Prior year under provision	7,993	-	3,777	-
Deferred income tax (note 21)	(4,341)	9,958	(3,229)	4,728
Minimum business tax irrecoverable	<u>60</u>	<u>60</u>	<u>-</u>	<u>-</u>
	<u>23,032</u>	<u>18,766</u>	<u>19,476</u>	<u>13,369</u>

The company was listed on the Junior Market of the Jamaica Stock Exchange in July 2010 and under the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2010 100% of income taxes will be remitted by the Minister of Finance during the first five years of listing on Junior Market (Phase one) of the Jamaica Stock Exchange and 50% of income taxes will be remitted by the Minister of Finance during the second five years of listing on the Junior Market (Phase two) of the Jamaica Stock Exchange. Also the company is in its sixth year since being listed on the Jamaica Stock Exchange Junior Market and is now subject to 50% tax remission as of 4 July 2016.

The tax on the profit before taxation differs from the theoretical tax charge that would arise using the applicable tax rate of 25% for the companies within the Group and 12.5% for the company.

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Profit before taxation	<u>219,160</u>	<u>165,275</u>	<u>219,342</u>	<u>146,394</u>
Tax calculated at applicable rate	54,790	41,319	54,836	36,598
Adjusted for the effects of:				
Expenses not deducted for tax purposes	14,762	4,032	5,885	5,414
Prior year under provision	7,993	-	3,777	-
Net effects of other charges and allowances	<u>(35,585)</u>	<u>(17,944)</u>	<u>(26,094)</u>	<u>(20,002)</u>
	41,960	27,407	38,404	22,010
Adjusted for the effects of tax remission:				
Current tax	<u>(18,928)</u>	<u>(8,641)</u>	<u>(18,928)</u>	<u>(8,641)</u>
Taxation charge in income statement	<u>23,032</u>	<u>18,766</u>	<u>19,476</u>	<u>13,369</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 14. DISCONTINUED OPERATIONS:

#### (a) Bay City Foods Limited:

On 30 September 2016, the company entered into an agreement for the sale of its equipment, inventories and intangibles for a cash consideration of thirty one million five hundred thousand dollars (\$31,500,000) for the equipment and intangibles, with the price of the inventories to be determined on 31 October 2016 based on the physical inventory count, which was determined as \$17,065,121.

#### (b) JRG Shoppers Delite Enterprise Limited:

On 30 September 2016, the company entered into an agreement for the sale of its equipment, inventories and intangibles at the Savanna-la-mar location of JRG Shoppers Delite for a cash consideration of ten million dollars (\$10,000,000) for the equipment and intangibles, with the price of the inventories to be determined on 31 October 2016 based on physical inventory, which was determined as \$15,268,109.

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Total consideration for equipment and intangibles	-	10,000
Net book value of equipment and tangibles	-	( 6,265)
Gain on sale of discontinued operation	<u>-</u>	<u>3,735</u>

The loss on the discontinued operations was determined as follows:

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
JRG Shoppers Delite Enterprise Limited -		
Revenue	-	182,888
Cost of sales	-	(180,539)
Other income	-	5,985
Admin expense	-	( 22,779)
Gain on sale of discontinued operation	<u>-</u>	<u>3,735</u>
	-	( 10,710)
Share of Bay City loss on discontinued operations	<u>-</u>	<u>(17,864)</u>
Results of discontinued operation	<u>-</u>	<u>(28,574)</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 14. DISCONTINUED OPERATION (CONT'D):

The statement of cash flows included the following amounts relating to the discontinued operation:

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Operating activities	-	28,574
Investing activities	-	<u>(28,574)</u>
Net cash flow on disposal of discontinued operation	<u>-</u>	<u>-</u>

### 15. EARNINGS PER STOCK UNIT ATTRIBUTABLE TO STOCKHOLDERS OF THE GROUP:

Earning per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue.

	<u>2017</u>	<u>2016</u>
Net profit from continuing operations attributable to stockholders (\$'000)	194,589	146,509
Number of ordinary stock units ('000)	679,634	678,834
Basic earnings per stock unit (\$) from continuing operations	<u>0.29</u>	<u>0.22</u>
	<u>2017</u>	<u>2016</u>
Net profit after inclusion of discontinued operation loss (\$'000)	194,589	117,935
Number of ordinary stock units ('000)	679,634	678,834
Basic earnings per stock unit (\$) including results of discontinued operation	<u>0.29</u>	<u>0.17</u>

The company is to issue 400,000 ordinary shares being directors' options that was exercised by a director during the financial year.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 16. PROPERTY, PLANT AND EQUIPMENT:

#### The Group

	<u>Land &amp; Building</u> \$'000	<u>Plant, Equipment Furniture, &amp; Fixtures</u> \$'000	<u>Motor Vehicles</u> \$'000	<u>Leasehold Improvements</u> \$'000	<u>Work-in progress</u> \$'000	<u>Total</u> \$'000
At cost:						
1 October 2015	230,053	88,631	10,773	10,398	-	339,855
Additions	540	28,448	13,542	1,260	4,391	48,181
Disposal	<u>-</u>	<u>(12,628)</u>	<u>(7,515)</u>	<u>(3,604)</u>	<u>-</u>	<u>(23,747)</u>
At 30 September 2016	230,593	104,451	16,800	8,054	4,391	364,289
Acquisition	-	815	-	-	-	815
Additions	5,870	15,195	10,811	4,232	-	36,108
Transfer	-	-	-	-	(2,330)	( 2,330)
Disposal	<u>-</u>	<u>-</u>	<u>(3,258)</u>	<u>-</u>	<u>-</u>	<u>( 3,258)</u>
At 30 September 2017	<u>236,463</u>	<u>120,461</u>	<u>24,353</u>	<u>12,286</u>	<u>2,061</u>	<u>395,624</u>
Depreciation:						
1 October 2015	8,594	45,070	8,102	9,516	-	71,282
Charge for the year	5,003	8,983	2,786	534	-	17,306
Eliminated on disposal	<u>-</u>	<u>( 5,969)</u>	<u>( 6,275)</u>	<u>( 3,289)</u>	<u>-</u>	<u>(15,533)</u>
At 30 September 2016	13,597	48,084	4,613	6,761	-	73,055
Acquisition	-	778	-	-	-	778
Charge for the year	5,122	9,620	3,918	522	-	19,182
Elimination on disposal	<u>-</u>	<u>-</u>	<u>( 2,628)</u>	<u>-</u>	<u>-</u>	<u>( 2,628)</u>
At 30 September 2017	<u>18,719</u>	<u>58,482</u>	<u>5,903</u>	<u>7,283</u>	<u>-</u>	<u>90,387</u>
Net Book Value:						
30 September 2017	<u>217,744</u>	<u>61,979</u>	<u>18,450</u>	<u>5,003</u>	<u>2,061</u>	<u>305,237</u>
30 September 2016	<u>216,996</u>	<u>56,367</u>	<u>12,187</u>	<u>1,293</u>	<u>4,391</u>	<u>291,234</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 16. PROPERTY, PLANT AND EQUIPMENT (CONT'D):

#### The Company

	<u>Land &amp; Building \$'000</u>	<u>Plant, Equipment Furniture, &amp; Fixtures \$'000</u>	<u>Motor Vehicles \$'000</u>	<u>Leasehold Improvements \$'000</u>	<u>Work-in progress \$'000</u>	<u>Total \$'000</u>
At cost:						
1 October 2015	173,879	64,465	10,773	2,064	-	251,181
Additions	540	26,216	13,542	-	4,391	44,689
Disposal	-	-	(7,515)	-	-	(7,515)
At 30 September 2016	174,419	90,681	16,800	2,064	4,391	288,355
Additions	5,870	13,658	10,811	-	-	30,339
Transfer	-	-	-	-	(2,330)	(2,330)
Disposal	-	-	(3,258)	-	-	(3,258)
At 30 September 2017	<u>180,289</u>	<u>104,339</u>	<u>24,353</u>	<u>2,064</u>	<u>2,061</u>	<u>313,106</u>
Depreciation:						
1 October 2015	4,452	35,628	8,102	2,064	-	50,246
Charge for the year	3,598	6,468	2,786	-	-	12,852
Disposal	-	-	(6,275)	-	-	(6,275)
At 30 September 2016	8,050	42,096	4,613	2,064	-	56,823
Disposal	-	-	(2,628)	-	-	(2,628)
Charge for the year	<u>3,717</u>	<u>7,991</u>	<u>3,917</u>	-	-	<u>15,625</u>
At 30 September 2017	<u>11,767</u>	<u>50,087</u>	<u>5,902</u>	<u>2,064</u>	-	<u>69,820</u>
Net Book Value:						
30 September 2017	<u>168,522</u>	<u>54,252</u>	<u>18,451</u>	<u>-</u>	<u>2,061</u>	<u>243,286</u>
30 September 2016	<u>166,369</u>	<u>48,585</u>	<u>12,187</u>	<u>-</u>	<u>4,391</u>	<u>231,532</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 17. INVESTMENT PROPERTIES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
At beginning of year	89,353	78,763	33,910	31,353
Acquisition	30,657	3,751	-	2,557
Fair value gain recognized in profit or loss	<u>21,674</u>	<u>6,839</u>	<u>10,090</u>	<u>-</u>
At 30 September	<u>141,684</u>	<u>89,353</u>	<u>44,000</u>	<u>33,910</u>

During the year the Harbour Street property was revalued by independent valuers, K.B. Real Estate Company Limited of Kingston, Jamaica who has an appropriate recognized professional qualification and experience in the location and category of the property being valued. The increase in fair value of the investment property has been credited to income.

During the year \$5,220,000 (2016 - \$5,120,000) was recognized in the consolidated statement of comprehensive income in relation to rental of investment properties. Direct operating expenses including repairs and maintenance amounted to \$404,123 (2016 - Nil).

### 18. INTANGIBLE ASSETS:

	<u>The Group</u>	<u>The Company</u>
	<u>2017</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>
Cost:		
At 1 October 2016	4,580	1,330
Additions	<u>729</u>	<u>442</u>
At 30 September 2017	<u>5,309</u>	<u>1,772</u>
Amortisation:		
At 1 October 2016	2,515	576
Amortisation for the year	<u>639</u>	<u>295</u>
At 30 September 2017	<u>3,154</u>	<u>871</u>
Carrying amounts:		
30 September 2017	<u>2,155</u>	<u>901</u>
30 September 2016	<u>2,065</u>	<u>754</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 19. INVESTMENT IN ASSOCIATE:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Investment at beginning of year	22,829	25,095	95,713	80,115
Share of results after tax	(7,781)	(17,864)	-	-
Additions	<u>14,307</u>	<u>15,598</u>	<u>14,308</u>	<u>15,598</u>
At end of year	<u>29,355</u>	<u>22,829</u>	<u>110,021</u>	<u>95,713</u>

The assets, liabilities, revenue and net loss of the associate are as follows:

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Assets	109,211	109,345
Liabilities	(257,334)	(245,127)
Revenue	24,809	352,341
Net loss	(15,562)	(35,729)
Net loss - Group share	<u>(7,781)</u>	<u>(17,864)</u>

### 20. INVESTMENTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale at market value - Quoted equities	<u>227,357</u>	<u>157,789</u>	<u>173,365</u>	<u>157,789</u>

### 21. DEFERRED TAX:

Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Deferred tax liabilities	<u>(1,625)</u>	<u>(6,168)</u>	<u>(3,180)</u>	<u>(6,409)</u>



# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 21. DEFERRED TAX (CONT'D):

The movement in deferred taxation is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at start of year	(6,168)	3,790	(6,409)	(1,681)
Arising from acquisition	202	-	-	-
Credited/(charged) for the year (note 13)	<u>4,341</u>	<u>(9,958)</u>	<u>3,229</u>	<u>(4,728)</u>
Balance at end of year	<u>(1,625)</u>	<u>(6,168)</u>	<u>(3,180)</u>	<u>(6,409)</u>

Deferred taxation is due to the following temporary differences:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Tax losses	11,062	4,013	-	-
Accelerated capital allowances	<u>(12,687)</u>	<u>(10,181)</u>	<u>(3,180)</u>	<u>(6,409)</u>
	<u>(1,625)</u>	<u>(6,168)</u>	<u>(3,180)</u>	<u>(6,409)</u>

Deferred taxation (charged)/credited to profit or loss comprises the following temporary differences:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Tax losses	7,049	( 57)	-	-
Decelerated/(accelerated) capital allowances	<u>(2,708)</u>	<u>(9,901)</u>	<u>3,229</u>	<u>(4,728)</u>
	<u>4,341</u>	<u>(9,958)</u>	<u>3,229</u>	<u>(4,728)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable periods is probable. Subject to agreement with the Tax Administration Jamaica, losses of approximately \$44,250,060 (2016 - \$16,050,920) for the Group is available for set-off against future profits and may be carried forward indefinitely.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 22. INVENTORIES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Manufacturing:				
Machine spares	8,386	6,514	8,386	6,514
Finished goods	56,016	45,790	56,016	45,790
Raw materials	<u>87,918</u>	<u>107,862</u>	<u>87,918</u>	<u>107,862</u>
	152,320	160,166	152,320	106,166
Retail	22,143	18,002	-	-
Development:				
Housing under construction	<u>217,089</u>	<u>267,846</u>	-	-
	<u>391,552</u>	<u>446,014</u>	<u>152,320</u>	<u>160,166</u>

### 23. RECEIVABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	190,315	150,302	187,049	141,687
Less: Provision for bad debt	( 3,778)	( 1,590)	( 2,889)	( 1,397)
Net receivable	186,537	148,712	184,160	140,290
Deposit	153,488	1,972	4,553	1,469
Prepaid expenses	25,054	7,035	24,529	5,939
Short term loan receivable	16,930	16,457	16,308	15,648
Other receivables	<u>1,304</u>	<u>8,770</u>	<u>105</u>	<u>871</u>
	<u>383,313</u>	<u>182,946</u>	<u>229,655</u>	<u>164,217</u>

The Group or the company does not hold any collateral over trade receivables.

### 24. CURRENT ASSET HELD-FOR-SALE:

The inventory of the Savanna-la-mar location was classified as held for sale in the statement of financial position in the prior year. The sale was completed at the end of October 2016.

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Inventory held-for-sale	<u>-</u>	<u>21,100</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 25. CASH AND CASH EQUIVALENTS:

For the purpose of the cash flow statement, cash and cash equivalents comprised cash at bank and cash in hand as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Cash at bank and in hand	73,222	31,320	56,705	15,763
Bank overdraft	(16,688)	(15,960)	(16,688)	( 2)
	<u>56,534</u>	<u>15,360</u>	<u>40,017</u>	<u>15,761</u>

The Group has bank overdraft facilities with The Bank of Nova Scotia Jamaica Limited and National Commercial Bank Jamaica Limited. They are secured by unlimited guarantee by a director of the companies.

### 26. SHARE CAPITAL:

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Authorised - 1,000,000,000 (2016 - 500,000,000) ordinary shares of no par value		
Stated capital - Issued and fully paid - 682,033,460 (2016 - 337,416,730) ordinary shares of no par value	<u>154,020</u>	<u>141,420</u>

During the year, five directors exercised options to acquire shares in the company pursuant of their share option plans to purchased Seven Million Two Hundred Thousand Dollars (\$7,200,000) shares at an exercise price of \$1.75 per share amounting to \$12,600,000.

At the Annual General Meeting held on 12 April 2017 -

The shareholders passed a resolution for the company to sub-divide its share capital into two (2) shares for each existing shares, resulting in the total number of authorised shares being increased to 1,000,000,000 ordinary shares at no par value and the total number of issued shares being increased to 674,833,460 of no par value with effect from 19 April 2017.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 26. SHARE CAPITAL (CONT'D):

At the Annual General Meeting held on 16 March 2016 -

The shareholders approved a resolution for the second tranche of 8 million shares before the stock split (16 million - post split) be issued to the directors at a price of \$9 or \$4.50 after the effect of the stock split and that the expiry date of tranches 1 and 2 shall be five years from the date each yearly allotment becomes effective.

At the Annual General Meeting held on 2 March 2011, the stockholders passed a resolution for -

16,000,000 of the authorised but unissued shares of the company to set aside as part of a stock option plan for directors and a stock purchase plan for employees, to be issued in two tranches of 8 million shares to be issued between June 2011 and June 2021. The shares allocated for the staff are to be priced as a 10 percent discount to the last stock market selling price on the date the offer is taken up. The staff will be given a specific time in each year in which to take up the offer and they can access an interest free loan for a three year term to acquire the shares.

The exercised price of the directors' shares was originally approved at the AGM in 2011 at \$7 each, now \$1.75 per share, adjusted for the split.

### 27. CAPITAL RESERVES:

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
This represents realized surplus arising on -		
Disposal of property, plant and equipment	6,759	6,759
Waiver of directors' loans	229	229
Disposal of investments	<u>71</u>	<u>71</u>
	<u>7,059</u>	<u>7,059</u>

### 28. FAIR VALUE RESERVE:

This represents unrealised surplus on revaluation of investments.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 29. LONG TERM LIABILITIES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
The Bank of Nova Scotia Jamaica Limited:				
(i) 8.25% loan	73,000	85,000	73,000	85,000
(ii) 9.75% loan	40,000	-	40,000	-
(iii) 9.95% loan	-	10,683	-	10,683
Sagicor Bank Jamaica Limited - loan	-	2,481	-	2,481
Bond payable	<u>103,178</u>	<u>103,178</u>	<u>103,178</u>	<u>103,178</u>
	216,178	201,342	216,178	201,342
Less current portion (note 31)	<u>(216,178)</u>	<u>(13,085)</u>	<u>(216,178)</u>	<u>(13,085)</u>
	<u>-</u>	<u>188,257</u>	<u>-</u>	<u>188,257</u>

#### The Bank of Nova Scotia Loans -

- (i) This loan is repayable over five years on the amortised basis ending October 2018 at an interest rate of 8.25%. It is secured by 1<sup>st</sup> legal mortgage over property located at 2 Bell Road, Kingston11; along with an unlimited guarantee provided by related companies and a director of the company. The loan was repaid after the year end.
- (ii) This loan is repayable in April 2018 at an interest rate of 9.75%. The loan is secured by legal mortgage over property located at 2 Bell Road, Kingston 11 and Kingston Industrial Estate, St. Andres. The loan was repaid after the year end.
- (iii) This loan is repayable at an interest rate of 8.95%. It is secured by the legal mortgage over the Bell Road property and also the property owned by H Mahfood & Sons Limited, located at 9 Chancery Street, Kingston 19. The loan was also secured by unlimited guarantee provided by related companies and a director of the company. It was repaid during the year.

The Sagicor Bank Jamaica Limited loan was repayable over three years at an interest rate of 10% per annum. The loan was secured by a Bill of Sale over a 2016 Toyota Yaris with assignment of comprehensive insurance for the full insurable value with the bank's interest noted. The loan was repaid during the year.

The corporate bond is a fixed and floating rate note issued in November 2013 and is repayable on 6 November 2017; Jamaican Teas Limited has the right of early redemption after the expiration of two years. It attracts a fixed interest rate of 8.50% per annum for the first two years and thereafter 2.50% per annum above the weighted average yield rate per annum on 90 days Government of Jamaica Treasury Bills. The bond is secured by a debenture creating a first fixed and floating charge over the assets of Jamaican Teas Limited. The company believes that they are compliant with the covenants.

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 30. PAYABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade payables	76,079	65,410	37,369	18,347
Other payables	<u>44,026</u>	<u>15,750</u>	<u>24,117</u>	<u>1,660</u>
	<u>120,105</u>	<u>81,160</u>	<u>61,486</u>	<u>20,007</u>

### 31. SHORT TERM BORROWINGS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(i) Mayberry Investments Limited	-	42,677	-	42,677
(ii) Other loans	7,932	21,383	7,932	20,955
Current portion of long term loans (note 29)	<u>216,178</u>	<u>13,085</u>	<u>216,178</u>	<u>13,085</u>
	<u>224,110</u>	<u>77,145</u>	<u>224,110</u>	<u>76,717</u>

(i) The Mayberry Investments Limited loan is at an interest rate of 15%. This loan is secured by quoted equities held by the institution with a market value of \$156.6 million. The loan was repaid during the year.

(ii) Other loans and credit card balances are unsecured and have no fixed repayment terms. Interest is charged at the rates of 10% and 39.75%. Interest is chargeable on credit card balances after the due date for payment if a balance exists. The company normally pays off the amounts due in full on or before the due date.

### 32. RELATED PARTY TRANSACTIONS AND BALANCES:

The following transactions were carried out with related parties.

#### (a) Key management compensation -

	<u>The Group</u>		<u>The Company</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries and other short-term employees benefits	<u>16,486</u>	<u>18,148</u>	<u>16,486</u>	<u>18,148</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

### 32. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):

#### (b) Year-end balances with related parties -

	<u>The Company</u>	
	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Due from related companies -		
Subsidiaries:		
H Mahfood & Sons Limited	401,787	391,450
JRG Shoppers Delite Enterprise Limited	18,977	-
KIW International Limited	<u>2,889</u>	<u>-</u>
	<u>423,653</u>	<u>391,450</u>
Amalgamated Distributors Limited (included In receivables balance)	<u>29,263</u>	<u>38,722</u>
Due to related companies -		
Subsidiary:		
JRG Shoppers Delite Enterprise Limited	<u>25,383</u>	<u>7,779</u>
Amalgamated Distributors Limited (included in payables balance)	<u>388</u>	<u>2,465</u>
Iberia Food Company of New York Inc. (included in payables balance)	<u>32,919</u>	<u>-</u>

#### (c) Year-end balances with directors -

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Amounts included in -		
Receivables (note 23)	-	391
Payables (note 30)	-	(13,699)
Short term borrowings (note 31)	<u>(2,527)</u>	<u>(13,609)</u>

#### (d) Transactions and balances with related parties -

	<u>2017</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Transactions -		
Sale of goods	421,128	330,992
Advertising and publishing services	2,163	-
Management fees	<u>5,850</u>	<u>6,000</u>

# Audited Financial Statements

## Notes to the Financial Statements

30 September 2017

33. **DIVIDENDS:**

Dividends of \$0.06 per ordinary shares was proposed and paid during the year amounting to \$20,365,000.

34. **COMMITMENTS:**

For the residential property development at Orchid Estate in Yallahs, St. Thomas, the estimated additional costs to complete the next batch of residential units to which the Group is contractually committed is \$5 million (2016 - \$104 million).

35. **PENSION PLAN:**

The company has in operation a defined contribution pension scheme and its' liability is restricted to its contributions. In the year ended 30 September 2017 the company's contributions amounted to \$1,418,516 (2016 - \$1,386,584).

36. **SUBSEQUENT EVENT:**

On 15 November 2017, the Directors passed a resolution to pay a capital distribution to the shareholders from sums standing to the credit of the company's reserves in the amount of \$0.03 per ordinary shares or \$20,461,004 from the 30 September 2017 results.



# Notes

# Jamaican Teas LTD.

A small graphic of three green tea leaves with visible veins and small buds, positioned to the right of the word 'Teas' in the company name.

2 Bell Road, Kingston 11  
T: 656.9491-2 | F: 764.8015

[info@jamaicanteas.com](mailto:info@jamaicanteas.com)  
[www.jamaicanteas.com](http://www.jamaicanteas.com)