JAMAICAN TEAS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2015

JAMAICAN TEAS LIMITED

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30 SEPTEMBER 2015

I N D E X

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Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
Jamaican Teas Limited

Report on the Consolidated and Company Stand Alone Financial Statements

We have audited the accompanying consolidated financial statements of Jamaican Teas Limited and its subsidiaries set out on pages 3 to 53, which comprise the consolidated statement of financial position as at 30 September 2015, consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the accompanying financial statements of Jamaican Teas Limited standing alone which comprise the statement of financial position as at 30 September 2015 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and stand alone financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated and company stand alone financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

BDO

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Jamaican Teas Limited

Opinion

In our opinion, the consolidated financial statements of Jamaican Teas Limited and its subsidiaries, and the financial statements of Jamaican Teas Limited standing alone give a true and fair view of the financial position of Jamaican Teas Limited and its subsidiaries and Jamaican Teas Limited standing alone as at 30 September 2015, and of their financial performance and cash flows for the year then ended, so far as it concerns the members of Jamaican Teas Limited in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on additional requirements of 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 and the accompanying consolidated and stand alone financial statements are in agreement therewith, and give the information required by the Jamaican Companies Act, in the manner so required.

BDO

Chartered Accountants

29 December 2015

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 $'000	2014 $'000
REVENUE	6	1,333,457	1,142,904
Cost of sales		(1,077,048)	(938,758)
GROSS PROFIT		256,409	204,146
Other operating income	7	31,269	24,669
		287,678	228,815
ADMINISTRATIVE AND OTHER EXPENSES			
Selling and marketing		(33,659)	(35,934)
Administrative expenses		(125,662)	(105,135)
		(159,321)	(141,069)
OPERATING PROFIT		128,357	87,746
Finance costs	9	(37,754)	(25,175)
Share of results of associated company	16	(12,737)	(11,202)
PROFIT BEFORE TAXATION		77,866	51,369
Taxation expense	11	(6,180)	240
NET PROFIT		71,686	51,609
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to profit or loss -			
Unrealised gain/(loss) on available-for-sale investment		15,968	(4,856)
TOTAL COMPREHENSIVE INCOME		87,654	46,753
Net profit attributable to:			
Owners of Jamaican Teas Limited		71,686	52,742
Non-controlling interest		-	(1,133)
		71,686	51,609
Total comprehensive income attributable to:			
Owners of Jamaican Teas Limited		87,654	47,886
Non-controlling interest		-	(1,133)
		87,654	46,753
Earnings per stock unit for profit attributable to owners of the company during the year:			
Basic	12	$ 0.42	$ 0.31

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2015

	Note	2015 $'000	2014 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	287,251	293,248
Investment properties	14	58,145	55,754
Intangible assets	15	1,594	1,390
Investment in associate	16	25,095	24,770
Investments	17	117,571	101,523
Deferred tax assets	18	3,790	7,121
		493,446	483,806
CURRENT ASSETS:			
Inventories	19	389,280	288,906
Receivables	20	277,927	219,644
Taxation recoverable		8,679	9,253
Short term investment	17	-	21,884
Cash and cash equivalents	21	22,900	14,657
		698,786	554,344
		1,192,232	1,038,150
EQUITY AND LIABILITIES			
STOCKHOLDERS' EQUITY:			
Share capital	22	141,420	141,420
Capital reserves	23	7,059	7,059
Fair value reserves	24	10,227	(11,913)
Retained earnings		564,632	498,257
		723,338	634,823
Non-controlling interest		-	(708)
		723,338	634,115
NON-CURRENT LIABILITIES:			
Long term liabilities	25	292,504	200,179
CURRENT LIABILITIES:			
Payables	26	64,353	100,766
Taxation payable		80	-
Short term borrowings	27	62,777	53,091
Bank overdraft	21	49,180	49,999
		176,390	203,856
		1,192,232	1,038,150

Approved for issue by the Board of Directors on 29 December 2015 and signed on its behalf by:

John Mahfood - Chief Executive Officer

John Jackson - Director

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2015

	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
BALANCE AT 30 SEPTEMBER 2013	141,420	7,059	(7,057)	445,515	425	587,362
TOTAL COMPREHENSIVE INCOME						
Net profit	-	-	-	52,742	(1,133)	51,609
Other comprehensive income	-	-	(4,856)	-	-	(4,856)
BALANCE AT 30 SEPTEMBER 2014	141,420	7,059	(11,913)	498,257	(708)	634,115
TOTAL COMPREHENSIVE INCOME						
Net profit	-	-	-	71,686	-	71,686
Other comprehensive income	-	-	15,968	-	-	15,968
Fair value gain realized	-	-	6,172	-	-	6,172
	-	-	22,140	71,686	-	93,826
TRANSACTIONS WITH OWNERS						
Acquisition of additional shares in a subsidiary	-	-	-	(5,311)	708	(4,603)
	-	-	22,140	66,375	708	89,223
BALANCE AT 30 SEPTEMBER 2015	141,420	7,059	10,227	564,632	-	723,338

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2015

	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	71,686	51,609
Items not affecting cash resources:		
Loss on disposal of investments	2,764	28
Gain on disposal of property, plant and equipment	(715)	(672)
Interest income	(10,624)	(5,523)
Exchange gain on foreign balances	(6,853)	(178)
Share of loss from associated company	12,737	11,202
Depreciation	16,441	13,984
Amortisation	630	537
Interest expense	35,574	15,931
Taxation	6,180	(240)
	127,820	86,678
Changes in operating assets and liabilities:		
Inventories	(100,374)	(112,210)
Receivables	(58,283)	59,847
Payables	(36,413)	33,682
	(67,250)	67,997
Tax paid	(2,195)	(5,107)
Cash (used in)/provided by operating activities	(69,445)	62,890
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from disposal of property, plant and equipment	1,450	1,100
Acquisition of investment property	(2,391)	(1,527)
Acquisition of property, plant and equipment	(11,179)	(184,608)
Investment is subsidiaries	(4,603)	-
Purchase of intangible assets	(834)	(870)
Net increase in investment in associate	(13,062)	(21,272)
Net decrease in investments	25,212	21,051
Interest received	10,624	6,892
Cash provided by/(used in) investing activities	5,217	(179,234)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	105,928	193,740
Loan repayments	(3,917)	(143,997)
Interest paid	(35,574)	(15,931)
Cash provided by financing activities	66,437	33,812
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	2,209	(82,532)
Cash and cash equivalents at beginning of year	(35,342)	47,069
Exchange gain on foreign cash balances	6,853	121
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 21)	**(26,280)**	(35,342)

JAMAICAN TEAS LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2015

	Note	2015 $'000	2014 $'000
REVENUE	6	732,467	625,533
Cost of sales		(527,658)	(456,974)
GROSS PROFIT		204,809	168,559
Other operating income	7	40,453	31,658
		245,262	200,217
Administrative and other expenses		(115,721)	(103,837)
OPERATING PROFIT		129,541	96,380
Finance costs	9	(31,786)	(21,580)
PROFIT BEFORE TAXATION		97,755	74,800
Taxation expense	11	(4,103)	-
NET PROFIT		93,652	74,800
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to profit or loss -			
Unrealised gain/(loss) on available- for- sale investments		15,968	(4,856)
TOTAL COMPREHENSIVE INCOME		109,620	69,944

JAMAICAN TEAS LIMITED

STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2015

	Note	2015 $'000	2014 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	13	200,935	204,419
Investment properties	14	31,353	31,000
Intangible assets	15	1,020	804
Investment in subsidiaries		18,410	13,806
Investment in associate	16	80,115	67,054
Investments	17	93,340	77,292
Due from subsidiaries	28	375,583	288,043
		800,756	682,418
CURRENT ASSETS:			
Inventories	19	117,768	128,555
Receivables	20	206,355	198,247
Taxation recoverable		7,731	8,736
Short term investment		-	21,884
Cash and cash equivalents	21	15,088	10,842
		346,942	368,264
		1,147,698	1,050,682
EQUITY AND LIABILITIES			
STOCKHOLDERS' EQUITY:			
Share capital	22	141,420	141,420
Fair value reserves	24	10,227	(11,913)
Retained earnings		651,921	558,269
		803,568	687,776
NON-CURRENT LIABILITIES:			
Long term liabilities	25	201,166	200,179
Deferred tax liabilities	18	1,681	-
		202,847	200,179
CURRENT LIABILITIES:			
Due to subsidiary	28	9,415	15,678
Payables	26	28,972	59,344
Short term borrowings	27	62,676	50,870
Bank overdraft	21	40,220	36,835
		141,283	162,727
		1,147,698	1,050,682

Approved for issue by the Board of Directors on 29 December 2015 and signed on its behalf by:

John Mahfood - Chief Executive Officer

John Jackson - Director

JAMAICAN TEAS LIMITED

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2015

	Share Capital $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total $'000
BALANCE AT 30 SEPTEMBER 2013	141,420	(7,057)	483,469	617,832
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	74,800	74,800
Other comprehensive loss	-	(4,856)	-	(4,856)
	-	(4,856)	74,800	69,944
BALANCE AT 30 SEPTEMBER 2014	141,420	(11,913)	558,269	687,776
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	93,652	93,652
Other comprehensive income	-	15,968	-	15,968
Fair value gain realised	-	6,172	-	6,172
	-	22,140	93,652	115,792
BALANCE AT 30 SEPTEMBER 2015	141,420	10,227	651,921	803,568

JAMAICAN TEAS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2015

	2015 $'000	2014 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	93,652	74,800
Items not affecting cash resources:		
Loss on disposal of investments	2,764	28
Gain on disposal of property, plant and equipment	(715)	(672)
Exchange gain on foreign balances	(6,250)	(131)
Depreciation	10,608	8,361
Amortisation	244	66
Interest expense	31,786	21,580
Interest income	(22,333)	(5,523)
Taxation	4,103	-
	113,859	98,509
Changes in operating assets and liabilities:		
Inventories	10,787	(15,459)
Receivables	(8,108)	(41,731)
Related companies	(93,803)	(56,718)
Payables	(30,372)	33,293
	(7,637)	17,894
Tax paid	(1,417)	(2,125)
Cash (used in)/provided by operating activities	(9,054)	15,769
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in associate	(13,061)	(21,272)
Proceeds from disposal of property, plant and equipment	1,450	1,100
Acquisition of property, plant and equipment	(7,859)	(182,349)
Investment in subsidiary	(4,604)	-
Purchase of intangible assets	(460)	(870)
Net decrease in investments	25,212	29,536
Interest received	22,333	6,892
Acquisition of investment property	(353)	-
Cash provided by/(used in) investing activities	22,658	(166,963)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	14,590	193,740
Loan repayment	(1,797)	(101,181)
Interest paid	(31,786)	(21,580)
Cash (used in)/provided by financing activities	(18,993)	70,979
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,389)	(80,215)
Cash and cash equivalents at beginning of year	(25,993)	54,148
Exchange gain on foreign cash balances	6,250	74
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 21)	(25,132)	(25,993)

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

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.

The company was listed on the Junior Market of the Jamaica Stock Exchange on 3 July 2010.

The company's subsidiaries and associated company referred to as 'the Group" are as follows:

	Principal Activities	Percentage Ownership by the Group	
		2015	2014
Subsidiaries:			
JRG Shoppers Delite Enterprise Limited	Retail Distribution	100	90
H Mahfood & Sons Limited	Real Estate	100	100
Associate:			
Bay City Foods Limited	Retail Distribution	50	50

The shareholding in JRG Shoppers Delite Enterprise Limited increased from 90% to 100% after the company acquired the remaining shares in November 2014.

2. **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 (IFRSs), 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.

The preparation of financial statements in conformity with IFRSs 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 3.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

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

Amendments to published standards effective in the current year that are relevant to the Group's operations

IAS 32 (Amendments), 'Financial Instruments: Presentation' (effective for annual periods beginning on or after 1 January 2014) clarifies that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all the counterparts. In addition, it clarifies that gross settlement is equivalent to net settlement if, and only if, the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

IAS 36 (Amendments), 'Impairment of Assets', (effective for annual periods beginning on or after 1 January 2014) was amended by the issue of Recoverable Amount Disclosures for Non-financial Assets, which is effective for accounting periods beginning on or after 1 January 2014. The amendments align the disclosures required for the recoverable amount of an asset or Cash Generating Unit (CGU) when this has been determined on the basis of fair value less costs of disposal with those required where the recoverable amount has been determined on the basis of value in use. Certain disclosures are now only required when an impairment loss has been recorded or reversed in respect of an asset or CGU. Other disclosure requirements have been clarified and expanded, for assets or CGUs where the recoverable amount has been determined on the basis of fair value less costs of disposal.

Amendments to IFRS 10, IFRS 12 AND IAS 27 – 'Investment entities', (effective for annual periods beginning 1 January 2014). These amendments introduced a definition of an investment entity as an entity that (i) obtains funds from investors for the purpose of providing them with investment management services, (ii) commits to its investors that its business purpose is to invest funds solely for capital appreciation or investment income and (iii) measures and evaluates its investments on a fair value basis. An investment entity is required to account for its subsidiaries at fair value through profit or loss, and to consolidate only those subsidiaries that provide services that are related to the entity's investment activities. IFRS 12 was amended to introduce new disclosures, including any significant judgements made in determining whether an entity is an investment entity and information about financial or other support to an unconsolidated subsidiary, whether intended or already provided to the subsidiary. There was no impact from adoption of these amendments during the year.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

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

Amendments to published standards effective in the current year that are relevant to the Group's operations (cont'd)

IFRIC 21 'Levies', (effective for annual periods beginning on or after 1 January 2014). IFRIC 21 addresses the accounting for a liability to pay a levy recognised in accordance with IAS 37, 'Provisions', and the liability to pay a levy whose timing and amount is certain. It excludes income taxes within the scope of IAS 12, 'Income Taxes'. IFRIC 21 indicates that the obligating event that gives rise to a liability to pay a levy is the event identified by the legislation that triggers the obligation to pay the levy. It concludes that the fact that an entity is economically compelled to continue operating in a future period, or prepares its financial statements under the going concern principle, does not create an obligation to pay a levy that will arise from operating in the future. Accordingly, a liability to pay a levy is recognised when the obligating event occurs. This might arise at a point in time or progressively over time. The interpretation also requires that an obligation to pay a levy triggered by a minimum threshold is recognised when the threshold is reached. The Group adopted this interpretation effective 1 October 2014. The Group had previously recognised liabilities for asset-based taxes progressively during the year. Following adoptions, the Group recognises these liabilities in full at the trigger dates under the Assets Tax (Specified Bodies) Act in Jamaica.

Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group

Amendment to IAS 1, 'Presentation of Financial Statements', (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of the other comprehensive income (OCI) of associates and joint ventures accounted using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

IAS 16, 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016). The amendment explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group (cont'd)

Amendment to IAS 27, 'Associates', (effective for annual periods beginning 1 January 2016), The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing whether to use the equity method in the separate financial statements of the company.

IFRS 9, Financial Instruments, (effective for annual periods beginning on or after 1 January 2018), 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 though 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 recognized.

IFRS 15, 'Revenue from Contracts with Customers', (effective for annual periods beginning on or after 1 January 2017). It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC–31 Revenue – Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

The directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

2. **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 which are consolidated 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 benefits from its activities. Subsidiaries are consolidated from the date on which the Group effectively takes control until the date that control ceases.

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

The subsidiaries consolidated are as follows:-

H Mahfood & Sons Limited	– 100% owned
JRG Shoppers Delite Enterprise Limited	- 100% owned

(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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(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. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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.

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	

(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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(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.

(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 for 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 are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables and cash and cash equivalents.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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2. **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.

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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

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

Financial assets (cont'd)

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

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. 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. Impairment testing of trade receivables is described in note 2(k).

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 and labour.
Finished goods (purchased)	- Valued at landed costs.

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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(k) **Trade receivables -**

Trade receivables are carried at original invoice amounts less provision made for impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

(l) **Cash and cash equivalents -**

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

(m) **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.

(n) **Current and deferred income taxes -**

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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(n) **Current and deferred income taxes (cont'd) -**

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.

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.

(o) **Employee benefits -**

The Group participates in a defined contribution plan whereby it pays contributions to a privately 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.

(p) **Share Capital -**

Financial instruments issued by the Group are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset.

The Groups' ordinary shares are classified as equity instruments.

(q) **Leases -**

Leases of property where the Group has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases.

As Lessor –

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

As Lessee –

Payments under operating leases are charged as an expense in the statement of income on the straight-line basis over the period of the lease.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(r) **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.

(s) **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.

(t) **Dividend distribution -**

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders and is recorded as a deduction from equity.

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:**

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.

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):**

(a) **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) 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.

(ii) 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.

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).

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):**

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

(ii) Fair value measurement (cont'd)

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
- Financial instruments

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

4. **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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(i) **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
- Government of Jamaica bonds
- Loans and borrowings

(ii) **Financial instruments by category**

The Group

Financial assets

	Loans and Receivables		Available-for-sale	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Cash and cash equivalents	22,900	14,657	-	-
Trade receivables	233,729	147,880	-	-
Government of Jamaica bonds	-	-	-	21,884
Equities	-	-	117,571	101,523
Total financial assets	256,629	162,537	117,571	123,407

Financial liabilities at amortised cost -

	2015 $'000	**2014 $'000**
Bank overdraft	49,180	49,999
Trade payables	45,404	84,651
Loans and borrowings	355,281	253,270
Total financial liabilities	449,865	387,920

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(ii) **Financial instruments by category (cont'd)**

The Company

Financial assets -

	Loans and Receivables		Available-for-sale	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	15,088	10,842	-	-
Trade receivables	172,008	145,819	-	-
Government of Jamaica bonds	-	-	-	21,884
Equities	-	-	93,340	77,292
Total financial assets	187,096	156,661	93,340	99,176

Financial liabilities at amortised cost -

	2015	**2014**
	$'000	**$'000**
Bank overdraft	40,220	36,835
Trade payables	13,898	48,613
Loans and borrowings	263,842	251,049
Total financial liabilities	317,960	336,497

(iii) **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.

The fair value of unquoted equity instruments could not be determined and there is no active market for them.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(iv) **Financial instruments measured at fair value**

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

`

	2015		
	Level 1 $'000	**Level 2 $'000**	**Total $'000**
Available-for-sale:			
Quoted equities	92,341	-	92,341

	2014		
	Level 1 $'000	**Level 2 $'000**	**Total $'000**
Available-for-sale:			
Quoted equities	76,293	-	76,293
Government of Jamaica bonds	-	21,884	21,884
	76,293	21,884	98,177

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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(v) **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 monthly 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 Audit Committee also reviews the risk management policies and processes.

The overall objective of the Board is to set polices 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 analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes bank references.

The Board of Directors determines concentrations of credit risk by quarterly monitoring the creditworthiness of existing customers and through a monthly 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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

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

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

The maximum exposure to credit risk is as follows:

The Group

	2015 $'000	2014 $'000
Financial assets -		
Cash and cash equivalents	22,900	14,657
Trade receivables	233,729	147,880
Investments	117,571	123,407
Total financial assets	374,200	285,944

The Company

	2015 $'000	2014 $'000
Financial assets -		
Cash and cash equivalents	15,088	10,842
Trade receivables	172,008	145,819
Investments	93,340	99,176
Total financial assets	280,436	255,837

Trade receivables that are past due but not impaired

As at 30 September 2015, trade receivables of $18,496 (2014 - $22,041) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

(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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(v) **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 2015.

	2015			2014		
	US J$'000	GBP J$'000	CAN J$'000	USD J$'000	GBP J$'000	CAN J$'000
Financial assets:						
Cash and cash equivalents	11,302	2,797	240	6,922	291	2,201
Investment securities	-	-	-	279	-	-
Trade receivables	99,821	489	1,578	87,685	458	1,958
Total financial assets	111,123	3,286	1,818	94,886	749	4,159
Financial liabilities:						
Trade payables	1,626	-	1,577	23,291	10,023	2,178
Net financial assets/ (liabilities)	109,497	3,286	241	71,595	(9,274)	1,981

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(v) **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 8% increase (2014 – 10%) and 1% (2014 – 1%) appreciation of the Jamaican dollar against the various currencies. The changes below would have no impact on other components of equity.

	% Change in Currency Rate	Effect on Profit Before Taxation 2015 $'000	% Change in Currency Rate	Effect on Profit Before Taxation 2014 $'000
Currency:				
US$	+1	(1,095)	+1	(716)
GPB	+1	(33)	+1	93
CAN$	+1	(2)	+1	(20)
US$	-8	8,760	-10	7,159
GBP	-8	263	-10	(927)
CAN$	-8	19	-10	198

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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(v) **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 $9,234,000 (2014 - $7,629,000) 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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(v) **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 a bi-weekly 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	Total $'000
At 30 September 2015:				
Trade payables	45,404	-	-	45,404
Bank overdraft	49,180	-	-	49,180
Loans and borrowings	50,970	104,159	200,152	355,281
Total	145,554	104,159	200,152	449,865

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
At 30 September 2014:				
Trade payables	84,651	-	-	84,651
Bank overdraft	49,999	-	-	49,999
Loans and borrowings	53,091	11,999	188,180	253,270
Total	187,741	11,999	188,180	387,920

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(v) **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	Total $'000
At 30 September 2015				
Trade payables	13,898	-	-	13,898
Bank overdraft	40,220	-	-	40,220
Loans and borrowings	75,316	12,821	175,705	263,842
Total	129,434	12,821	175,705	317,960

	Within 1 Year $'000	1 to 2 Years $'000	2 to 5 Years $'000	Total $'000
At 30 September 2014				
Trade payables	48,613	-	-	48,613
Bank overdraft	36,835	-	-	36,835
Loans and borrowings	50,870	11,999	188,180	251,049
Total	136,318	11,999	188,180	336,497

(vi) **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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

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

(vi) **Capital Management (cont'd)**

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

	2015 $'000	2014 $'000
Total borrowings	404,461	303,269
Owners' equity	723,338	634,823
Debt to equity ratio	55.9%	47.8%

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

5. **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 55% of its external revenue.

- Retailing – this segment is involved in the operation of supermarkets and contributed 39% of the Group's external revenue.

- Rental and development – this segment rents and develops properties for resale and contributed 6% 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 on a monthly basis.

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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

5. **BUSINESS SEGMENTS (CONT'D):**

	2015			
	Manufacturing $'000	Retailing $'000	Rental & Development $'000	Total $'000
Revenue				
Total revenue from external customers	732,315	519,175	81,967	1,333,457
Amortisation	244	386	-	630
Depreciation	10,608	3,648	2,185	16,441
Segment profit/(loss)	97,755	1,358	(8,510)	90,603
Share of results of associated company				(12,737)
Group profit before tax				77,866
(Reductions)/additions (in)/to non-current assets	118,338	(264)	(4,254)	113,820
Reportable segments assets	673,590	62,262	427,495	1,163,347
Investments in associate				25,095
Deferred tax assets				3,790
Total Group assets				1,192,232
Reportable segment liabilities	333,032	31,276	104,586	468,894

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2015

5. **BUSINESS SEGMENTS (CONT'D):**

	2014			
	Manufacturing $'000	Retailing $'000	Rental & Development $'000	Total $'000
Revenue				
Total revenue from external customers	625,533	491,321	26,050	1,142,904
Depreciation	8,361	3,438	2,185	13,984
Amortisation	66	471	-	537
Segment profit/(loss)	74,800	(13,916)	1,687	62,571
Share of results of associated company				(11,202)
Group profit before tax				51,369
(Reductions)/additions (in)/to non-current assets	140,274	(1,651)	(658)	137,965
Reportable segments assets	681,782	68,316	256,161	1,006,259
Investments in associate				24,770
Deferred tax assets				7,121
Total Group assets				1,038,150
Reportable segment liabilities	347,226	45,303	11,506	404,035

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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6. **REVENUE:**

The Group

	2015 $'000	2014 $'000
Revenue arises from -		
Export sales – manufacturing group	369,850	281,172
Domestic sales – manufacturing group	362,465	344,361
Retail sales	519,175	491,321
Sale of residential properties	79,252	21,750
Rental	2,715	4,300
	1,333,457	1,142,904

The Company

	2015 $'000	2014 $'000
Revenue arises from -		
Export sales	369,850	281,172
Domestic sales	362,617	344,361
	732,467	625,533

7. **OTHER OPERATING INCOME:**

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Interest income	10,624	5,523	22,333	5,523
Rental income	3,613	4,247	3,024	2,887
Dividend income	4,829	4,072	4,829	4,072
Gain on sale of property, plant and equipment	715	672	715	672
Loss on sale of investments	(2,764)	(28)	(2,764)	(28)
Net foreign exchange gain	6,865	8,266	6,251	8,219
Miscellaneous income	7,387	1,917	6,065	10,313
	31,269	24,669	40,453	31,658

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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8. EXPENSES BY NATURE:

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

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Advertising and promotion	33,659	35,934	30,361	33,391
Auditors' remuneration	3,279	2,500	2,040	1,400
Directors' emoluments:				
Remuneration	7,488	8,120	7,488	8,120
Fees	1,630	1,930	1,630	1,930
Cost of inventories recognised as an expense	974,115	843,548	466,307	396,138
Amortisation	630	537	244	66
Depreciation	16,440	13,984	10,608	8,361
Insurance	9,213	7,132	5,501	5,179
Repairs and maintenance	21,407	17,986	15,814	12,907
Staff costs (note 10)	93,136	79,465	59,251	48,532
Utilities	20,643	24,703	7,178	7,429
Rental and security	12,860	10,930	4,844	2,711
Other expenses	41,869	33,058	32,113	34,647
	1,236,369	1,079,827	643,379	560,811

9. FINANCE COSTS:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Loan interest	28,988	15,932	25,201	14,698
Bank charges and overdraft interest	8,766	9,243	6,585	6,882
	37,754	25,175	31,786	21,580

10. STAFF COSTS:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Wages and salaries	72,461	68,198	44,746	38,706
Pension	955	897	955	897
Other employment benefits	19,720	10,370	13,550	8,929
	93,136	79,465	59,251	48,532

JAMAICAN TEAS LIMITED

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11. **TAXATION EXPENSE:**

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

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current taxation @ 25%	2,789	570	2,422	-
Transfer tax	-	1,633	-	-
Deferred income tax (note 18)	3,331	(2,443)	1,681	-
Minimum business tax irrecoverable	60	-	-	-
	6,180	(240)	4,103	-

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 Jamaican Stock Exchange Junior Market and is now subject to 50% tax remission as of 4 July 2015.

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% (2014 – 33 1/3%) for the company.

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Profit before taxation	77,866	51,369	97,755	74,800
Tax calculated at applicable rate	19,467	12,842	12,219	24,933
Adjusted for the effects of:				
Expenses not deducted for tax purposes	5,597	4,440	3,070	3,821
Net effects of other charges and allowances	(2,900)	3,128	4,798	(8,104)
	22,164	20,410	20,087	20,650
Adjusted for the effects of tax remission:				
Current tax	(15,984)	(20,650)	(15,984)	(20,650)
Taxation charge in income statement	6,180	(240)	4,103	-

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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12. **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.

	2015	2014
Net profit attributable to stockholders ($'000)	71,686	51,609
Weighted average number of ordinary stock units ('000)	168,708	168,708
Basic earnings per stock unit ($)	0.42	0.31

The company has no dilutive potential ordinary shares.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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13. **PROPERTY, PLANT AND EQUIPMENT:**

The Group

	Land & Building $'000	Plant, Equipment Furniture, & Fixtures $'000	Motor Vehicles $'000	Leasehold Improvements $'000	Total $'000
At cost:					
1 October 2013	76,791	71,979	12,935	9,105	170,810
Additions	171,876	12,224	-	508	184,608
Disposal	-	(1,272)	(587)	-	(1,859)
Transfer	-	(2,356)	-	-	(2,356)
At 30 September 2014	248,667	80,575	12,348	9,613	351,203
Additions	2,003	8,391	-	785	11,179
Disposal	-	(205)	(1,575)	-	(1,780)
Transfer	-	(130)	-	-	(130)
At 30 September 2015	250,670	88,631	10,773	10,398	360,472
Depreciation:					
1 October 2013	2,243	32,901	4,677	6,880	46,701
Charge for the year	2,806	6,945	2,188	1,353	13,292
Eliminated on disposal	-	(844)	(587)	-	(1,431)
Adjustments	-	(38)	730	-	692
Transfers	-	(1,299)	-	-	(1,299)
At 30 September 2014	5,049	37,665	7,008	8,233	57,955
Charge for the year	5,484	7,740	1,934	1,283	16,441
Eliminated on disposal	-	(205)	(840)	-	(1,045)
Transfers	-	(130)	-	-	(130)
At 30 September 2015	10,533	45,070	8,102	9,516	73,221
Net Book Value:					
30 September 2015	240,137	43,561	2,671	882	287,251
30 September 2014	243,618	42,910	5,340	1,380	293,248

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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13. **PROPERTY, PLANT AND EQUIPMENT (CONT'D):**

The Company

	Land & Building $'000	Plant, Equipment Furniture, & Fixtures $'000	Motor Vehicles $'000	Leasehold Improvements $'000	Total $'000
At Cost:					
1 October 2013	-	49,408	12,935	2,064	64,407
Additions	171,876	10,473	-	-	182,349
Disposals	-	(1,272)	(587)	-	(1,859)
30 September 2014	171,876	58,609	12,348	2,064	244,897
Additions	2,003	5,856	-	-	7,859
Disposals	-	-	(1,575)	-	(1,575)
30 September 2015	173,879	64,465	10,773	2,064	251,181
Depreciation:					
1 October 2013	-	26,874	4,677	1,997	33,548
Charge for the year	887	4,527	2,188	67	7,669
Disposal	-	(844)	(587)	-	(1,431)
Adjustments	-	(38)	730	-	692
30 September 2014	887	30,519	7,008	2,064	40,478
Charge for the year	3,565	5,109	1,934	-	10,608
Disposal	-	-	(840)	-	(840)
30 September 2015	4,452	35,628	8,102	2,064	50,246
Net Book Value:					
30 September 2015	169,427	28,837	2,671	-	200,935
30 September 2014	170,989	28,090	5,340	-	204,419

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14. **INVESTMENT PROPERTIES:**

	The Group		The Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	55,754	54,227	31,000	31,000
Acquisition	2,391	1,527	353	-
At 30 September	58,145	55,754	31,353	31,000

The investment property as at September 2014 was valued at current market value by K.B. Real Estate Agents, Appraisers, Auctioneers and Consultants. In reviewing the value of the property, management believes that the value has not changed significantly.

During the year $2,715,000 (2014 - $4,247,000) 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 $842,387 (2014 - $1,135,082).

15. **INTANGIBLE ASSETS:**

	The Group	The Company
	2015	**2015**
	$'000	**$'000**
Cost:		
At 1 October 2014	3,227	870
Additions	834	460
Transfer	130	-
At 30 September 2015	4,191	1,330
Amortisation:		
At 1 October 2014	1,837	66
Amortisation for the year	630	244
Transfer	130	-
At 30 September 2015	2,597	310
Carrying amounts:		
30 September 2015	1,594	1,020
30 September 2014	1,390	804

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16. **INVESTMENT IN ASSOCIATE:**

	The Group		The Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Investment at beginning of year	24,770	14,700	67,054	45,782
Share of results after tax	(12,737)	(11,202)	-	-
Additions	13,062	21,272	13,061	21,272
At end of year	25,095	24,770	80,115	67,054

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

	2015 $'000	**2014 $'000**
Assets	98,514	105,243
Liabilities	(209,824)	(191,079)
Revenue	354,643	387,044
Net loss	(25,473)	(22,404)
Net loss – Group share	(12,737)	(11,202)

17. **INVESTMENTS:**

	The Group		The Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Available-for-sale at market value –				
Government of Jamaica bonds	-	21,884	-	21,884
Quoted equities	92,341	76,293	92,341	76,293
Unquoted equities at cost	25,230	25,230	999	999
Short term investment	-	(21,884)	-	(21,884)
	117,571	101,523	93,340	77,292

Short term investment represents Government of Jamaica bonds due in 2019 which were sold during the year.

The weighted average effective interest rate at the year end was 12.75%.

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18. **DEFERRED INCOME TAXES:**

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

Deferred income 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:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax assets	3,790	7,121	(1,681)	-

The movement in deferred taxation is as follows:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance at start of year	7,121	4,678	-	-
(Charge)/credit for the year (note 11)	(3,331)	2,443	(1,681)	-
Balance at end of year	3,790	7,121	(1,681)	-

Deferred taxation is due to the following temporary differences:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Tax losses	4,070	3,016	-	-
Decelerated capital allowances	(280)	4,105	(1,681)	-
	3,790	7,121	(1,681)	-

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18. **DEFERRED INCOME TAXES (CONT'D):**

Deferred taxation charged to profit or loss comprises the following temporary differences:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Tax losses	1,053	3,016	-	-
Accelerated capital allowances	(4,384)	(573)	(1,681)	-
	(3,331)	2,443	(1,681)	-

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 $16,278,758 (2014 - $12,062,948) for the company is available for set-off against future profits and may be carried forward indefinitely.

19. **INVENTORIES:**

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Manufacturing:				
Machine spares	5,867	7,175	5,867	7,175
Finished goods	49,363	48,363	49,363	48,363
Raw materials	62,538	73,017	62,538	73,017
	117,768	128,555	117,768	128,555
Retail	37,050	39,064	-	-
Development:				
Housing under construction	2,552	121,287	-	-
Housing units completed	231,910	-	-	-
	389,280	288,906	117,768	128,555

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NOTES TO THE FINANCIAL STATEMENTS

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20. RECEIVABLES:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade receivables	233,729	147,880	172,008	145,819
Deposit	2,303	12,014	1,153	3,222
Receivable – director	-	1,984	-	1,691
Prepaid expenses	17,024	31,988	15,525	31,419
Short term loan receivable	16,009	14,345	15,278	13,709
Other receivables	8,862	11,433	2,391	2,387
	277,927	219,644	206,355	198,247

The aging of trade receivables is as follows:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
0-30 days	120,397	104,115	120,282	103,889
31-60 days	17,874	9,678	17,874	9,676
61-90 days	15,443	10,389	15,356	10,213
Over 90 days	80,015	23,698	18,496	22,041
	233,729	147,880	172,008	145,819

21. CASH AND CASH EQUIVALENTS:

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash in hand	4,588	2,940	590	1,167
Cash at bank	18,312	11,717	14,498	9,675
	22,900	14,657	15,088	10,842
Bank overdrafts	(49,180)	(49,999)	(40,220)	(36,835)
	(26,280)	(35,342)	(25,132)	(25,993)

JAMAICAN TEAS LIMITED

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21. **CASH AND CASH EQUIVALENTS (CONT'D):**

Interest rate exposure -

The weighted average effective interest rate at the year end was as follows:

		2015	2014
Cash at bank	- US$	0.20%	0.20%
	- CAD$	0.15%	0.20%
	- Sterling £	0.15%	0.25%

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.

22. **SHARE CAPITAL:**

	2015 $'000	2014 $'000
Authorised -		
250,000,000 ordinary shares of no par value		
Stated capital -		
Issued and fully paid ordinary shares of no par value		
168,708,365	141,420	141,420

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 to be set aside as part of a stock option plan for directors and a stock purchase plan for employees in two tranches of 8 million shares between 30 June 2011, and 30 June 2021 subject to certain conditions. The directors' options are exercisable in amounts of 200,000 shares per annum in whole or in part within five years of June 2011 in whole or in part. During the financial year ended 2012, the company issued 880,000 shares to its directors and employees. The price to be paid for the first tranche when exercised is $7 per share payable in full at the time the option is exercised. The first tranche option expires June 2016.

The second tranche will come into effect immediately after the first option period ends. The pricing for the second tranche will be determined at the annual general meeting preceding the start date. Staff members will be allowed to purchase shares set aside for them at a 10 percent discount to the last stock market selling price and the date the offer is taken up. They will be given a specific time in each year in which to take up the offer, and interest free loans for a three year term to acquire the shares.

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23. **CAPITAL RESERVES:**

	2015 $'000	2014 $'000
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	71	71
	7,059	7,059

24. **FAIR VALUE RESERVES:**

This represents unrealised surplus/(deficit) on revaluation of investments.

25. **LONG TERM LIABILITIES:**

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
The Bank of Nova Scotia Jamaica Limited:				
Mortgage	97,000	109,000	97,000	109,000
Orchid Estate loan	91,338	-	-	-
Solar loan	13,809	-	13,809	-
Bond payable	103,178	103,178	103,178	103,178
	305,325	212,178	213,987	212,178
Less current portion	(12,821)	(11,999)	(12,821)	(11,999)
	292,504	200,179	201,166	200,179

The Bank of Nova Scotia mortgage is repayable over five years on the amortised basis ending October 2018 at an interest rate of 8.95%. It is secured by 1st legal mortgage over property located at 2 Bell Road, Kingston; along with unlimited guarantee provided by related companies and directors.

The Bank of Nova Scotia Jamaica Limited Orchid Estate loan shall not exceed eighteen (18) months at a fixed interest rate of 9.75% per annum. The loan principal is to be repaid from sales proceeds of the housing units being constructed. The loan is secured by the following:

(i) First Legal Mortgage to be stamped $109,483,000 over Certificates of Title covering development property located at Poor Man's Corner, Yallahs, St. Thomas, registered at Volume 1092 Folio 615. The mortgage may be held pari passu with any charge registered in favour of the Real Estate Board.

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25. **LONG TERM LIABILITIES (CONT'D):**

(ii) Assignment of Contractor/Builder's Risk and Public Liability insurance with minimum sum insured of not less than the replacement value of the units being build.

(iii) The unlimited personal guarantee of John Mahfood.

(iv) General assignment of all agreements for sale of units to end purchases.

(v) Subordination of intercompany loans from Jamaican Teas Limited or related/affiliated companies with no repayment of principal or interest until the bank loan is repaid in full.

The Bank of Nova Scotia Solar loan is repayable over five years on the amortised basis ending sixty months after initial disbursement at an interest rate of 9.95%. 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 is also secured by unlimited guarantee provided by related companies and directors.

The corporate bond is a fixed and floating rate note issued in November 2014 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.

26. **PAYABLES:**

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables	45,404	84,651	13,898	48,613
Other payables	18,949	16,115	15,074	10,731
	64,353	100,766	28,972	59,344

27. **SHORT TERM BORROWINGS:**

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
(i) Mayberry Investments Limited	47,131	31,458	47,131	31,458
(ii) Other loans	2,825	9,634	2,724	7,413
Current portion of long term loans (note 25)	12,821	11,999	12,821	11,999
	62,777	53,091	62,676	50,870

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27. **SHORT TERM BORROWINGS (CONT'D):**

(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 $90.6 million.

(ii) Other loans are unsecured and have no fixed repayment terms. Interest is charged at the rates of 10% and 39.75%.

28. **RELATED PARTY TRANSACTIONS AND BALANCES:**

The following transactions were carried out with related parties.

(a) **Key management compensation -**

	The Group		The Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Salaries and other short-term employees benefits	21,618	24,292	21,289	20,503

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

	The Company	
	2015 $'000	2014 $'000
Due from subsidiaries -		
H Mahfood & Sons Limited	341,391	250,375
JRG Shoppers Delite Enterprise Limited	34,192	37,668
	375,583	288,043
Due to subsidiary –		
JRG Shoppers Delite Enterprise Limited	9,415	15,678

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

	2015 $'000	2014 $'000
Amounts included in –		
Receivables (note 20)	-	1,984
Other loans (note 27)	1,519	881

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28. **RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D):**

(d) **Transactions and balances with companies controlled by directors -**

Transactions -

	2015 $'000	2014 $'000
Sale of goods	357,445	283,484
Services rendered	6,000	10,352

Balances -

	2015 $'000	2014 $'000
Amounts included in receivables (note 20)	13,792	12,577
Amounts included in payables (note 26)	(167)	(1,286)

(e) **Transactions between the company and its related parties -**

During the year, the company earned management fees of $6,000,000 from JRG Shoppers Delite Enterprise Limited and interest of $11,709,265 from H Mahfood & Sons Limited.

29. **COMMITMENTS:**

The total future value of minimum lease payments due is $3,276,774 (2014 - $1,323,828).

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 $42 million (2014 - $67 million).