

*December 2015*  
*Interim Results*

*JAMAICAN TEAS LIMITED*

***UNAUDITED CONSOLIDATED***  
***FINANCIAL STATEMENTS***  
***FIRST QUARTER – DECEMBER 2015***

# *Jamaican Teas Limited*

## *Board of Directors' Commentary*

### *First quarter results to December 2015*

Financial highlights	1st Quarter		
	2015	2014	Change %
	\$'000		
Sales	387,555	318,675	21.6
Gross Profit	79,900	62,159	28.5
Profit before tax	42,504	27,545	54.3
Profit after tax	36,559	27,545	32.7
Total comprehensive income	68,513	29,404	133.0
Earnings per share	\$0.217	\$0.163	33.1
Return on equity (annualised)	19.23%	15.27%	25.9
Shareholders' equity	792,441	659,519	20.2
Working capital & investments	613,403	509,492	20.4

#### **Directors' Report**

Our profit before taxation for the 1<sup>st</sup> Quarter of \$42 million exceeded the performance of the same quarter in the prior period by 54% or \$15 million. Sales of completed units in our real estate company, continued growth in sales in our manufacturing company and the positive performance in our investments were key contributors to the group's exceptional performance.

Gross profit for the quarter was 26.4% up from 24% for the prior period. The increase in gross profit resulted from the \$40 million in residential property sales in this quarter compared to \$nil in 2014. The group's share of result of the associated company in the prior period was reduced by the tax benefit to \$1.4 million, however, the current quarter amount of \$2.9 million is shown gross.

\$211 million of the \$368 million in inventories represents completed units in the Orchid Estate project that are awaiting to be handed over to purchasers. Deposits received from purchases for the units total \$75 million and is included in the accounts receivables balance.

Return on equity ratio in the financial highlights is computed on the overall equity less unrealised gains on available-for-sale investments and the ratio annualized.



### **Manufacturing**

The manufacturing division for the quarter ended saw a 17% or \$13 million increase in domestic sales and a 6% or \$6 million increase in export sales. The overall 10% increase in sales resulted mainly from an increase in the number of units sold in both divisions of the company. Export sales represents 53% or \$109 million of total \$204 million sales for the quarter compared to \$103 million of total \$185 million for the prior period quarter.

The company also experienced positive results in its investments activities including \$31 million in appreciation in investments and earned \$11 million on the sale of investments. The net income earned by the Company is now subject to income tax at 12.5% commencing in the 4<sup>th</sup> Quarter of 2015.

### **Real Estate – Orchid Estate**

We finally received the splinter titles for Phase I in late January. This will allow us to complete a number of sales in the 2<sup>nd</sup> financial quarter. Five units were booked during the 1<sup>st</sup> Quarter.

Construction on Phase II which consists of 580 Square Feet units priced at the \$7 million selling price range started in the quarter. We received quite a number of serious enquiries due to these units being priced lower and the higher loan limit offered by the National Housing Trust of \$5.5 million.

Included in the results of this quarter is a loss of \$3 million on the disposal of the Manor Court apartment.

### **Retail Business and Associated Company**

There were improvements in sales and profit performance for our two supermarkets in Kingston and Sav-la-Mar. Our jointly owned supermarket in Montego Bay continues to struggle with weak sales and operating losses.

### **Outlook for 2016**

We expect to see a continuation of positive performance of all companies for the remainder of the year.



*John Jackson*  
Director



*John Mahfood*  
CEO

**JAMAICAN TEAS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FIRST QUARTER ENDING 31 DECEMBER 2015**

		1st Quarter		Audited
		2015	2014	2015
<b>REVENUE</b>	Note 6	387,554,755	318,674,599	1,333,456,566
Cost of sales		<u>(307,654,613)</u>	<u>(256,515,986)</u>	<u>(1,077,048,486)</u>
<b>GROSS PROFIT</b>		79,900,142	62,158,613	256,408,080
Other operating income	Note 7	<u>14,956,322</u>	<u>5,830,835</u>	<u>31,268,835</u>
		<u>94,856,464</u>	<u>67,989,448</u>	<u>287,676,915</u>
<b>ADMINISTRATIVE AND OTHER EXPENSES</b>				
Selling and marketing		8,616,258	7,297,757	33,658,603
Administrative expenses		29,993,032	25,540,523	126,707,183
Finance costs		<u>10,876,100</u>	<u>6,170,885</u>	<u>36,708,005</u>
		<u>52,760,207</u>	<u>39,009,165</u>	<u>197,073,791</u>
<b>OPERATING PROFIT</b>		45,371,074	28,980,283	90,603,124
Share of results of associated company		<u>(2,866,986)</u>	<u>(1,435,745)</u>	<u>(12,736,125)</u>
<b>PROFIT BEFORE TAXATION</b>		42,504,088	27,544,538	77,865,999
Taxation expense		<u>(5,945,438)</u>	-	<u>(6,180,000)</u>
<b>NET PROFIT AFTER TAX</b>		36,558,650	27,544,538	71,685,999
<b>OTHER COMPREHENSIVE INCOME:</b>				
<b>Items that will be reclassified to profit or loss -</b>				
Unrealised gains/ (losses) on available-for-sale investment		<u>31,953,958</u>	<u>1,859,924</u>	<u>15,967,742</u>
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>\$68,512,608</u>	<u>\$29,404,462</u>	<u>\$87,653,741</u>
Earnings per share (EPS)		<u>\$0.217</u>	<u>\$0.163</u>	<u>\$0.423</u>
EPS after comprehensive income		<u>\$0.406</u>	<u>\$0.174</u>	<u>\$0.518</u>

**JAMAICAN TEAS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**FIRST QUARTER ENDING 31 DECEMBER 2015**

	Unaudited 2015	Unaudited 2014	Audited 2015
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS:</b>			
Property, plant and equipment	291,468,374	293,993,786	288,845,699
Investment properties	68,250,158	56,231,735	58,145,383
Investments	125,359,091	88,046,319	117,570,857
Investment in associate	27,814,740	23,508,897	25,094,616
Deferred tax assets	4,703,515	4,529,273	3,788,880
<b>CURRENT ASSETS:</b>			
Inventories	368,161,510	345,777,226	389,279,716
Receivables	323,432,386	234,310,993	277,927,408
Taxation recoverable	2,642,216	9,094,170	8,678,377
Cash and cash equivalents	42,120,849	24,652,380	22,900,008
Total Current Assets	736,356,961	613,834,769	698,785,509
<b>CURRENT LIABILITIES:</b>			
Payables	91,499,560	100,734,471	64,432,541
Short term borrowings	42,353,297	32,585,114	62,777,680
Bank overdraft	36,634,992	47,069,468	49,179,609
Current portion of long term loans	77,825,464	11,999,880	
Total Current Liabilities	248,313,313	192,388,933	176,389,830
NET CURRENT ASSETS	<u>488,043,648</u>	<u>421,445,836</u>	<u>522,395,679</u>
	<u>\$1,005,639,526</u>	<u>\$887,755,846</u>	<u>\$1,015,841,114</u>
<b>EQUITY &amp; NON-CURRENT LIABILITIES:</b>			
Shareholders' equity	792,441,199	659,519,226	723,337,177
Long term borrowings	213,198,327	228,236,620	292,503,937
	<u>\$1,005,639,526</u>	<u>\$887,755,846</u>	<u>\$1,015,841,114</u>

**JAMAICAN TEAS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FIRST QUARTER ENDING DECEMBER 31, 2015**

	<u>Attributable to owners of the company</u>				Non-	Total <u>Equity</u>
	<u>Share Capital</u>	<u>Capital Reserve</u>	<u>Fair Value Reserve</u>	<u>Retained Earnings</u>	<u>Controlling Interest</u>	
Balance at 30 September 2014	141,420,862	7,058,436	(11,913,584)	498,256,374	(707,324)	634,114,764
Acquisition of additional shares in a subsidiary	-	-	-	(4,707,324)	707,324	(4,000,000)
Other comprehensive income	-	-	1,859,924	-	-	1,859,924
Net profit	-	-	-	27,544,538	-	27,544,538
Balance at 31 December 2014	141,420,862	7,058,436	(10,053,660)	521,093,588	-	659,519,226
Acquisition of additional shares in a subsidiary	-	-	-	(603,568)	-	(603,568)
Fair value gain realized	-	-	4,312,316	-	-	4,312,316
Other comprehensive income	-	-	15,967,742	-	-	15,967,742
Net profit	-	-	-	44,141,461	-	44,141,461
Balance at 30 September 2015	141,420,862	7,058,436	10,226,398	564,631,481	-	723,337,177
Fair value gain realised	-	-	591,414	-	-	591,414
Other comprehensive income	-	-	31,953,958	-	-	31,953,958
Net profit	-	-	-	36,558,650	-	36,558,650
Balance at 31 December 2015	<u>141,420,862</u>	<u>7,058,436</u>	<u>42,771,770</u>	<u>601,190,131</u>	-	<u>792,441,199</u>



**JAMAICA TEAS LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FIRST QUARTER ENDING 31 DECEMBER 2015**

	<u>1<sup>st</sup> Quarter to December</u>	
	2015	2014
Comprehensive income for the period	68,512,608	29,404,462
Adjustments for:		
Change in investment value	(31,953,958)	(1,859,924)
Gain on sale of investments	(7,539,476)	-
Gain on sale of property, plant and equipment	(2,137,500)	-
Depreciation	<u>4,065,015</u>	<u>4,497,685</u>
Operating cashflows before movements in working capital	30,946,689	32,042,223
Changes in operating assets and liabilities	<u>(8,716,408)</u>	<u>(20,079,186)</u>
Net cash provided by operating activities	22,230,281	11,963,037
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net cash used in investing activities	<u>(13,131,033)</u>	<u>(15,309,699)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Acquisition of shares in subsidiary	-	(4,000,000)
Financing activities	<u>22,666,210</u>	<u>20,271,202</u>
Net cash provided by financing activities	<u>22,666,210</u>	<u>16,271,202</u>
<b>Decrease in cash and cash equivalent</b>	31,765,458	12,924,540
Cash and cash equivalent at beginning of the period	<u>(26,279,601)</u>	<u>(35,341,628)</u>
Cash and cash equivalent at the end of period	<u>\$5,485,857</u>	<u>(\$22,417,088)</u>
Cash and cash equivalents is made up as follows:		
Cash and bank balances	42,120,849	24,652,380
Bank overdraft	<u>(36,634,992)</u>	<u>(47,069,468)</u>
Cash and cash equivalent at the end of period	<u>\$5,485,857</u>	<u>(\$22,417,088)</u>

**JAMAICAN TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015**

**1. IDENTIFICATION**

JAMAICAN TEAS LIMITED (the "Company") is incorporated and domiciled in Jamaica. Its registered office is situated at 2 Bell Road, Kington 11, Jamaica W I. The Company is listed on the Junior Market of the Jamaica Stock Exchange. The principal activity of the Company and its subsidiaries are as follow:

- Jamaican Teas Limited processes local teas which is packages along with imported teas and distributes them for the Jamaican and overseas markets.
- JRG Shoppers Delite Enterprise Limited is in the retail distribution of consumer and household products; and
- H. Mahfood & Sons Limited is in the business of rental and development of residential properties.

**2. BASIS OF CONSOLIDATION:**

The consolidated financial statements combine the financial position, results of operations and cash flows of the Company and its subsidiaries JRG Shoppers Delite Enterprise Limited and H. Mahfood & Sons Limited.

**3. ACCOUNTING POLICIES:**

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) and their interpretations issued by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act. The principal accounting policies applied in the preparation of these unaudited financial statements are consistent with those used in the audited financial statements for the year ended September 30, 2015 and comply with the requirements of the International Financial Reporting Standards (IAS 34, Interim Financial Reporting).

**4. NEW STANDARDS**

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

Amendments to IAS 1, 'Presentation of Financial Statements' and IAS 16, 'Property, Plant and Equipment', (both effective for annual periods beginning on or after 1 January 2016).

**5. USE OF ESTIMATES AND JUDGEMENTS:**

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

Items of property, plant and equipment are stated at cost less accumulated depreciation.

**(b) Depreciation**

Depreciation is recognized on profit or loss on the straight-line basis, over the estimated useful lives of property, plant, motor vehicles and equipment except for land and investment properties.

**(c) Borrowings**

Borrowings are recognized initially as the proceeds received net of transaction costs incurred. Borrowings are subsequently stated at amortized cost using the effective interest method with any differences between proceeds net of transactions cost and the redemption value recognized in income along with regular interest charges over the period of the borrowings.



**JAMAICA TEAS LIMITED**  
**FIRST QUARTER ENDING DECEMBER 31, 2015**

	1st Quarter	
	2015	2014
<b>6. REVENUE:</b>		
Local - Manufacturing	95,518,544	82,051,613
Foreign - Manufacturing	108,729,762	102,745,134
Retail	141,735,806	132,062,852
Residential property sales	40,155,643	-
Rental	<u>1,415,000</u>	<u>1,815,000</u>
	<u>\$387,554,755</u>	<u>\$318,674,599</u>
<b>7. OTHER OPERATING INCOME:</b>		
Interest income	156,751	436,431
Dividend income	2,673,170	2,820,159
Rental Income	252,000	728,755
Gain on sale of investments	7,539,476	-
Net foreign exchange gain	718,770	171,011
Gain on sale of property, plant and equipment	2,137,500	-
Miscellaneous income	<u>1,478,655</u>	<u>1,674,479</u>
	<u>\$14,956,322</u>	<u>\$5,830,835</u>
<b>8. INVESTMENTS:</b>		
Available-for-sale at market value		
Quoted equities	124,359,782	62,816,398
Unquoted equities (at cost)	<u>999,309</u>	<u>25,229,921</u>
	<u>\$125,359,091</u>	<u>\$88,046,319</u>
<b>9. LONG TERM LOANS</b>		
The Bank of Nova Scotia Jamaica Limited	187,845,211	137,057,920
Corporate Bond (due 2017)	<u>103,178,580</u>	<u>103,178,580</u>
	291,023,791	240,236,500
Less current portion:		
The Bank of Nova Scotia Jamaica Limited	<u>(77,825,464)</u>	<u>(11,999,880)</u>
	<u>\$213,198,327</u>	<u>\$228,236,620</u>

**JAMAICA TEAS LIMITED  
SEGMENT RESULTS  
FIRST QUARTER ENDING DECEMBER 31, 2015**

**SEGMENT RESULTS - 2015**

	<b>Manufacturing</b>	<b>Retailing</b>	<b>Rental &amp; Development</b>	<b>Investment</b>	<b>TOTAL</b>
Revenue	207,052,783	143,501,371	41,587,526	10,369,397	402,511,077
Segment results	24,958,870	5,694,551	1,491,986	10,369,397	42,514,804
Associated company	-	(2,866,986)	-	-	(2,866,986)
Total segment results	<u>\$24,958,870</u>	<u>\$2,827,565</u>	<u>\$1,491,986</u>	<u>\$10,369,397</u>	39,647,818
Gain on sale of property, plant and equipment					2,137,500
Net foreign exchange gain					718,770
Net profit before tax					<u>\$42,504,088</u>
Segment Assets	<u>\$605,734,518</u>	<u>\$78,765,869</u>	<u>\$375,843,203</u>	<u>\$193,609,249</u>	<u>\$1,253,952,839</u>
Segment Liabilities	<u>\$266,810,368</u>	<u>\$44,548,383</u>	<u>\$26,981,592</u>	<u>\$123,171,297</u>	<u>\$461,511,640</u>

**SEGMENT RESULTS - 2014**

	<b>Manufacturing</b>	<b>Retailing</b>	<b>Rental &amp; Development</b>	<b>Investment</b>	<b>TOTAL</b>
REVENUES	184,796,747	132,062,852	1,815,000	5,830,835	324,505,434
Segment results	19,492,418	3,253,288	232,731	5,830,835	28,809,272
Associated company	-	(1,435,745)	-	-	(11,201,927)
Total segment results	<u>\$19,492,418</u>	<u>\$1,817,543</u>	<u>\$232,731</u>	<u>\$5,830,835</u>	27,373,527
Net foreign exchange gain					171,011
Net profit before tax					<u>\$27,544,538</u>
Segment Assets	<u>\$306,459,025</u>	<u>\$78,742,249</u>	<u>\$120,638,721</u>	<u>\$104,649,910</u>	<u>\$610,489,905</u>
Segment Liabilities	<u>\$191,961,683</u>	<u>\$57,955,397</u>	<u>\$36,472,114</u>	<u>\$134,236,359</u>	<u>\$420,625,553</u>

**JAMAICA TEAS LIMITED  
TOP 10 SHAREHOLDINGS  
AS AT DECEMBER 31, 2015**

<b><u>NAME</u></b>	<b><u>UNITS</u></b>	<b><u>PERCENTAGE</u></b>
VIOLET HELEN MANFOOD	60,814,915.00	36.04
JOHN MAHFOOD	50,562,407.00	29.97
NANCY MILNE	9,996,260.00	5.93
JCSD TRUSTEE SERVICES LTD. A/C 76579	4,550,076.00	2.70
GRACE KENNEDY LIMITED PENSION SCHEME	2,569,672.00	1.52
BAMBOO GROUP HOLDINGS LIMITED	2,479,850.00	1.47
SJLIC FOR SCOTIABRIDGE RETIRMENT SCHEME	2,103,406.00	1.25
PAM-CABLE AND WIRELESS JA PENSION PLAN	1,984,266.00	1.17
MAYBERRY MANAGED CLIENTS ACCOUNT	1,654,190.00	0.98



**JAMAICA TEAS LIMITED  
DIRECTORS AND CONNECTED PARTIES REPORT  
AS AT DECEMBER 31, 2015**

<u>NAME</u>	<u>POSITION</u>	<u>RELATIONSHIP</u>	<u>UNITS</u>	<u>PERCENTAGE</u>
John Mahfood	Chief Executive Officer	SELF	50,562,407.00	29.9702
Duncan Davidson	Director	SELF	10,000.00	0.0010
Marcus Dabdoub	Director	SELF	200,000.00	0.1200
John Jackson	Director	SELF	1,090.00	0.0006
		Connected party holdings	527,295.00	0.3125
		<b>Total</b>	<b>528,385.00</b>	<b>0.3131</b>
Suzette Smellie-Tomlinson	Director	SELF	0.00	0.00
		<b>Key Member Holdings</b>	<b>50,773,497.00</b>	<b>30.0954</b>
		<b>Connected Party Holdings</b>	<b>527,295.00</b>	<b>0.3125</b>
		<b>Combined Holdings</b>	<b>51,300,792.00</b>	<b>30.4079</b>

**JAMAICA TEAS LIMITED  
SENIOR MANAGERS REPORT  
AS AT DECEMBER 31, 2015**

<u>NAME</u>	<u>POSITION</u>	<u>RELATIONSHIP</u>	<u>UNITS</u>	<u>PERCENTAGE</u>
Norman Russell	Senior Manager	SEFL	150,000.00	0.0900
Oliver Goldsmith	Senior Manager	SELF	65,637.00	0.0389
Tanisha Samuels	Senior Manager	SELF	125,000.00	0.0700
Charles Barrett	Senior Manager	SELF	33,590.00	0.0200
		<b>Total</b>	<b>374,227.00</b>	<b>0.2200</b>