

JAMAICAN TEAS LIMITED

INTERIM REPORT

(TWELVE MONTHS)  
30 SEPTEMBER 2010

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**JAMAICAN TEAS LIMITED**  
**BOARD OF DIRECTORS STATEMENT**  
**YEAR ENDED 30 SEPTEMBER 2010**

The group was listed on the Junior Market of the Jamaica Stock Exchange on July 12, 2010. New shares totaling 25,165,695 were sold to the public with net proceeds of \$80.5 million. The share capital was increased on June 1, 2010 by 114,130,346 shares by a 5 for 1 stock split. With the public offering, the total number of shares increased to 167,828,575 units.

The profit after tax amounted to \$59.8 million for the year and \$25.3 million for the fourth quarter. In 2009, profits for the year were \$72.4 million and \$22.1 million for the fourth quarter. The tax charge in the fourth quarter of both 2010 and 2009 were negative due to the adjustment in taxes as the company benefits from the Export Incentive Act. The company was not subject to income tax in the fourth quarter of 2010 as a result of the listing on the Junior Market of the Jamaica Stock Exchange.

The sales of our core business, manufacturing, increased by 14.2% compared to the prior twelve months period and 6% for the fourth quarter. The weaker performance in the fourth quarter was due to the poor economic climate in our domestic market. We stepped up our advertising and promotion activities in order to stimulate sales; this resulted in a \$5 million increase in advertising expense.

Sales of our supermarket was \$46.1 million compared to \$39.1 million in the last quarter (a 17.9% increase). The supermarket was profitable during the second quarter and we expect this positive trend to continue.

The full year's result reflect the negative impact of the approximately 4.5% appreciation in the Jamaican dollar versus the United States dollar. This resulted in a loss on exchange of approximately \$6.7 million in the current year versus a gain of \$24.9 million in 2009, a turnaround of \$31.1 million.

The group achieved a 8.2% increase in operating profit for the twelve month period and 1% for the quarter excluding the effect of the foreign currency gains and losses.

Outlook

We are optimistic that business for both the manufacturing and retailing business will continue to improve. However, the primary issue is the state of the domestic economy. Our present plans are based on the current tightness in the local economy which we expect to show moderate improvement over the medium term as government road construction program kicks into full gear thus releasing added funds into the economy and a possible pick up in Christmas spending. We will continue to monitor conditions and will respond as needed in a timely manner. We will elaborate on these and other issues that may affect the company in our upcoming annual report.

  
Adeeb Maffrood  
Chairman

  
John Maffrood  
CEO

## JAMAICAN TEAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## QUARTER ENDED 30 SEPTEMBER 2010

	Notes	3 months ended 30 Sept 2010 ₤	3 months ended 30 Sept 2009 ₤	Year ended 30 Sept 2010 ₤	Year ended 30 Sept 2009 ₤
REVENUE:					
Export Sales - Manufacturing		38,866,665	32,108,075	142,308,952	124,109,256
Domestic Sales - Manufacturing		59,449,668	56,096,370	223,893,664	196,021,866
Retail Sales & Rentals		46,143,091	-	85,300,620	-
		144,459,424	88,204,445	451,503,236	320,131,122
COST OF SALES		108,602,118	58,008,005	324,940,497	222,069,611
GROSS PROFIT		35,857,306	30,196,440	126,562,739	98,061,511
Other income	5	3,276,586	2,209,025	10,044,309	5,575,827
		39,133,892	32,405,465	136,607,048	103,637,338
Administrative & Other Expenses:					
Selling & Marketing - Manufacturing		2,145,050	4,265,764	14,187,050	9,274,862
Admin expenses - Manufacturing		8,983,707	7,556,580	27,919,995	22,955,923
Admin expenses - Retailing		7,667,654	-	17,703,544	-
		18,796,411	11,822,344	59,810,589	32,230,785
OPERATING PROFIT		20,037,481	20,583,121	76,796,459	71,406,553
Finance cost		( 217,327)	( 126,140)	( 867,069)	( 718,007)
(Loss)/gain on exchange		( 2,377,889)	( 542,227)	( 6,223,232)	24,900,063
PROFIT BEFORE TAXATION		17,442,265	19,914,754	69,706,158	95,588,609
Taxation	6	7,185,549	2,195,226	( 10,349,604)	( 23,089,705)
NET PROFIT FOR THE YEAR		24,927,814	22,109,980	59,365,554	72,498,904
Other Comprehensive Income Net of Taxes -					
Realised fair value gain					
transferred to the statement of income		446,385	-	446,385	-
TOTAL COMPREHENSIVE INCOME		25,374,199	22,109,980	59,802,939	72,498,904
Total profit attributable to:					
Owners of Jamaican Teas Limited		25,358,724	22,109,980	59,971,519	72,498,904
Non-Controlling Interest		15,475	-	( 168,580)	-
		25,374,199	22,109,980	59,802,939	72,498,904
Earnings per stock unit for profit					
attributable to owners of the					
company during the period		0.17	0.15	0.40	0.51

## JAMAICAN TEAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

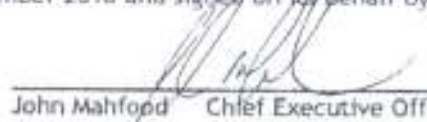
30 SEPTEMBER 2010

	Notes	2010 \$	2009 \$
<b>ASSETS</b>			
Cash and cash equivalents		21,832,323	5,912,708
Accounts receivable		78,029,446	72,642,246
Inventory - Manufacturing		68,001,851	58,958,249
Inventory - Retail		13,922,758	-
Investments		190,540,056	138,655,732
Taxation recoverable		2,986,543	-
Property, plant and equipment		<u>60,754,948</u>	<u>33,615,919</u>
<b>Total assets</b>		<b><u>436,067,925</u></b>	<b><u>309,784,854</u></b>
<b>LIABILITIES:</b>			
Accounts payables - Manufacturing		16,290,171	8,914,861
Accounts payables - Retail		11,445,560	-
Taxation payable		-	12,725,000
Loans payable		15,294,511	19,647,252
Deferred taxation		<u>565,289</u>	<u>830,285</u>
<b>Total liabilities</b>		<b><u>43,595,531</u></b>	<b><u>42,117,398</u></b>
<b>EQUITY:</b>			
Equity Capital and Reserves attributed to company owners:			
Share capital	7	137,643,474	57,065,068
Share premium		697,388	697,388
Capital reserve		7,058,436	7,058,436
Fair value reserve		40,788	487,173
Retained earnings		<u>247,200,888</u>	<u>202,359,391</u>
		392,640,974	267,667,456
Non-Controlling Interest		<u>(168,580)</u>	<u>-</u>
<b>Total Equity</b>		<b><u>392,472,394</u></b>	<b><u>267,667,456</u></b>
<b>Total liabilities and equity</b>		<b><u>436,067,925</u></b>	<b><u>309,784,854</u></b>

Approved for issue by the Board of Directors on 9 November 2010 and signed on its behalf by:



Adeeb Mahfood Chairman



John Mahfood Chief Executive Officer



## JAMAICAN TEAS LIMITED

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTER ENDED 30 SEPTEMBER 2010

	Number of Shares	Share Capital \$	Share Premium \$	Capital Reserve \$	Attributable to owners of the company			Non-Controlling Interest	Total Equity
					Fair Value Reserve \$	Retained Earnings \$	Total \$		
Balance as at 30 September 2008	14,266,267	28,532,534	697,388	7,058,436	2,665,731	158,262,999	197,217,088	-	197,217,088
Total comprehensive income	-	-	-	-	(2,178,558)	72,498,904	70,320,346	-	70,320,346
Issue of shares, net of transaction costs	14,266,267	28,532,534	-	-	-	(28,532,534)	-	-	-
Balance as at 30 September 2009	28,532,534	57,065,068	697,388	7,058,436	487,173	202,229,369	267,537,434	-	267,537,434
Balance as at 1 October 2009	28,532,534	57,065,068	697,388	7,058,436	487,173	202,229,369	267,537,434	-	267,537,434
Dividend paid	-	-	-	-	-	(15,000,000)	(15,000,000)	-	(15,000,000)
Stock split	114,130,346	-	-	-	-	-	-	-	-
Issue of shares, net of transaction costs	25,165,695	80,578,406	-	-	-	-	80,578,406	-	80,578,406
Total comprehensive income	-	-	-	-	(446,385)	59,971,019	59,524,634	(1568,580)	59,356,554
Balance as at 30 September 2010	167,828,573	137,643,474	697,388	7,058,436	40,280	247,200,088	392,640,974	(1568,580)	392,472,394

JAMAICAN TEAS LIMITED

UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS

YEAR ENDED 30 SEPTEMBER 2010

	<u>2010</u> <u>\$</u>	<u>2009</u> <u>\$</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	59,971,519	72,498,904
Adjustments for items not affecting cash changes in non-cash working capital components	<u>3,082,960</u>	<u>3,888,857</u>
	63,054,479	76,387,761
Cash used in operating activities	(88,573,607)	(68,116,064)
Cash used in investing activities	(24,139,663)	(37,486,269)
Cash provided by financing activities	<u>65,578,406</u>	<u>28,532,534</u>
Increase/(decrease) in cash and cash equivalents	15,919,615	( 682,038)
Cash and cash equivalent at beginning of the year	<u>5,912,708</u>	<u>6,594,746</u>
CASH AND CASH EQUIVALENT AT THE END OF THE YEAR	<u>21,832,323</u>	<u>5,912,708</u>

## JAMAICAN TEAS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2010

## 1. IDENTIFICATION:

Jamaican Teas Limited (the company) is incorporated and domiciled in Jamaica and its registered office is situated at 7 Norman Road, Kingston, Jamaica W.I. The company is listed on the Junior Market of the Jamaica Stock Exchange.

The principal activity of the company and its wholly owned subsidiaries are as follows:

- Jamaican Teas Limited (formerly Tetley Tea Company (Jamaica) Limited) - the importing of tea in bulk, packaging of tea, the manufacturing of tea bags and the distribution of tea.
- JRG Shoppers Delite is in the retail distribution of consumers and household products.
- H Mahfood & Sons Limited is in the business of rental 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 and H Mahfood & Sons Limited.

## 3. REPORTING CURRENCY:

These financial statements are presented using the Jamaican dollars.

## 4. SIGNIFICANT ACCOUNTING POLICIES:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board and have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

The accounting policies followed in these interim financial statements are consistent with those used in the audited financial statements for the year ended 30 September 2009.

## (a) Property, plant and equipment -

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is recognized on the straight-line basis, over the estimated useful lives of property, plant and equipment.

## (b) Deferred taxation -

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.



**JAMAICAN TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2010**

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

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

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, and bank overdraft. Bank overdrafts are included within bank and other loans in liabilities on the balance sheet.

**(d) 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.

Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

**(e) Earnings per shares -**

The group presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year.

**(f) Revenue recognition -**

Revenue is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods 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 collectibility is doubtful.

**JAMAICAN TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 SEPTEMBER 2010**

**5. OTHER INCOME:**

	(Unaudited) 3 months ended 30 Sept 2010 \$	(Unaudited) 3 months ended 30 Sept 2009 \$	(Unaudited) Year ended 30 Sept 2010 \$	(audited) Year ended 30 Sept 2009 \$
Interest Income	2,922,997	2,209,025	9,456,554	5,269,694
Rental Income	320,000	-	500,000	-
Other Income	33,589	-	87,755	306,133
	<u>3,276,586</u>	<u>2,209,025</u>	<u>10,044,309</u>	<u>5,575,827</u>

**6. TAXATION:**

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, 2009 100% of income taxes will be remitted by the Minister of Finance during the first 5 years of listing on junior market (Phase one) of The Jamaica Stock Exchange.

**7. SHARE CAPITAL:**

	<u>2010</u>	<u>2009</u>
Authorised - Ordinary shares	<u>250,000,000</u>	<u>100,000,000</u>
	\$	\$
Issued and fully paid - Ordinary shares - 250,000,000 (2009 - 100,000,000)	<u>137,643,474</u>	<u>57,064,968</u>

- (a) By ordinary resolution of the company dated 1 June 2010, the authorized share capital of the company was increased to 250,000,000 by the creation of 200,000,000 ordinary shares of no par value to rank pari passu with the shares.
- (b) Pursuant to the ordinary resolution stated above, the company issued 114,130,346 shares, in a share split in the ratio 5:1.
- (c) On 1 June 2010, the company passed a resolution pursuant to Section 34 of the Companies Act to be registered as a public company.