

**JAMAICAN TEAS LIMITED**  
**UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**QUARTER ENDED 31 DECEMBER 2010**

# **Jamaican Teas Limited**

## **Board of Directors Statement**

### **First Quarter ended 31 December 2010**

The Group had a positive start to the 2011 financial year with revenues and profits improving appreciably over the same period last year. The results recorded improvement in both the pretax and after-tax levels compared with the 2010 financial year's figures. Profit after tax amounted to \$21.9 million for the quarter, which compares favourably with the \$12.1 million recorded in the similar quarter of the prior year, a satisfactory increase of 80.6 percent. Profit before taxation is up 20.6 percent but 37.6 percent before taking into account the loss from the Group's share of the Associated Company results.

The tax charge is reduced significantly compared to the prior year, as the profit of Jamaican Teas as a listed company is not subject to income tax, having listed on the Junior Market of the Jamaica Stock Exchange in June 2010.

The sales of our core business, manufacturing, increased by 15 percent compared to the first quarter of the prior year. This represents growth in volume, as there was no price adjustment in the period. The sales of our supermarket was \$54.5 million in the quarter and shows continuing improvement since start up bettering the \$46.1 million in the last quarter of the 2010 fiscal year and \$39 million in the July quarter. As the JRG Shoppers Delite supermarket commenced operations in the third quarter of the prior year, there is therefore no comparative data.

The Company in mid November 2010, acquired a 50 percent interest in Bay City Foods Limited which operates a supermarket in Montego Bay. This investment is accounted for on the equity basis, with only the net profit and loss position factored into the Group results, which is the accepted accounting policy. The company invested \$16 million in Bay City Foods Limited..

We recorded a loss of \$3.1 million as our share of the investment in Bay City Foods Limited in the first quarter. While we expect that this investment will yield good returns in the long term, our forecast indicates that this operation is not likely to be profitable in the current fiscal year.

We leased an additional 3,000 square feet of warehouse space in order to be able to expand our production. Expenditure on racking and improvements will be made in the second quarter and is estimated to cost \$3 million.

## **Balance Sheet**

### **Investments**

Our investment portfolio is an increasingly important area for us and is likely to increase in import as the Group generates positive cash flows. At the end of the quarter total investments stood at \$165 million. During the quarter, interest and dividend income grew to \$5,183,608 versus \$1,963,378 in the similar quarter last fiscal year. There was an appreciation in the underlying value of investments amounting to \$2,381,568 during the

quarter which is reflected in comprehensive income. We also realized gains from disposal of investments amounting to \$1,122,889 which is included in profit for the quarter.

The portfolio is a mix of medium and short term fixed interest securities and mainly local stocks.

### **Current Assets & Liabilities**

These continue to be held at satisfactory levels consistent with management's expectations. The quality of receivables remains strong with no bad or doubtful debts on the books. Inventories held are at the expected levels and are adequate to meet the demand of the market place.

Receivables increased resulting from a 19% increase in December sales at Jamaican Teas, while the increased amount in inventory was due entirely to stocking of the supermarket in Kingston. The rise in current liabilities is mainly due to the operations of the Supermarket.

### **Outlook**

We are encouraged by the performance of the Company in the first quarter and expect to see a continuation of this trend in the second quarter. We however, expect to experience an increased loss from our investment in the Montego Bay supermarket. This however, may be partially offset by improvement in performance of our Kingston supermarket



Adeeb Mahfood  
Chairman



John Mahfood  
CEO

**JAMAICAN TEAS LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FIRST QUARTER ENDING 31 DECEMBER 2010**

	2010	2009
<b>SALES</b>		
Sales - Local	62,351,762	52,233,031
Sales - Foreign	34,748,356	29,130,171
Sales - Retail	54,525,767	0
<b>TOTAL SALES</b>	<b>151,625,885</b>	<b>81,363,202</b>
<b>COST OF GOODS SOLD</b>	<b>111,340,983</b>	<b>55,656,828</b>
<b>GROSS PROFIT</b>	<b>40,284,902</b>	<b>25,706,374</b>
Interest Income	5,183,608	1,963,378
Gain on Sale of Investments	1,122,889	0
Gain on Exchange	138,664	1,004,139
Rental Income	715,110	0
<b>PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES</b>	<b>47,445,173</b>	<b>28,673,891</b>
Sales & Marketing Cost	4,020,998	3,938,671
Administration cost	16,594,466	5,310,536
Depreciation	1,212,398	556,836
Finance cost	337,405	491,470
	<b>22,165,266</b>	<b>10,297,513</b>
<b>NET PROFIT BEFORE SHARE OF ASSOCIATED COMPANY LOSS</b>	<b>25,279,907</b>	<b>18,376,378</b>
<b>SHARE OF ASSOCIATED COMPANY LOSS</b>	<b>(3,125,139)</b>	<b>0</b>
<b>PROFIT BEFORE TAXATION</b>	<b>22,154,768</b>	<b>18,376,378</b>
<b>TAXATION</b>	<b>0</b>	<b>6,259,852</b>
Profit after tax	22,154,768	12,116,526
<b>MINORITY INTEREST</b>	<b>262,588</b>	<b>0</b>
<b>PROFIT AFTER TAX &amp; MINORITY INTEREST</b>	<b>21,892,180</b>	<b>12,116,526</b>
<b>FAIR VALUE GAINS</b>		
Appreciation In Investments	2,381,568	0
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>\$24,273,748</b>	<b>12,116,526</b>
Earnings per share	<b>\$0.13</b>	<b>\$0.08</b>
Earnings per share after comprehensive income	<b>\$0.14</b>	<b>\$0.08</b>

**JAMAICAN TEAS LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 DECEMBER 2010**

	<u>2010</u>	<u>2009</u>
FIXED ASSETS	62,025,248	56,328,004
INVESTMENT PROPERTY	31,411,000	10,088,837
INVESTMENTS	165,332,762	112,170,148
ASSOCIATED COMPANY	13,090,525	0
DEFERRED TAXATION	3,834,163	0
<b>CURRENT ASSETS</b>		
Inventories	77,791,477	61,098,322
Receivables	71,319,203	52,228,785
Other Debtors	9,848,570	5,583,318
Taxation Recoverable	2,974,422	0
Cash and Bank	19,908,486	16,009,489
 Total Current Assets	 181,842,159	 134,919,914
<b>CURRENT LIABILITIES</b>		
Accounts Payable	30,350,674	6,503,263
Demand Loan	1,355,025	1,520,724
Bank Overdraft	4,966,262	0
Taxation	0	20,015,110
 Total Current Liabilities	 36,671,961	 28,039,097
 NET CURRENT ASSETS	 145,170,197	 106,880,817
	<b>\$420,863,896</b>	<b>285,467,806</b>
 <b>CAPITAL &amp; RESERVES</b>		
STOCKHOLDERS EQUITY	408,162,000	277,450,535
DEFERRED TAX LIABILITY	4,401,452	0
MINORITY INTEREST	195,588	0
LONG-TERM LOAN	8,104,856	8,017,271
	<b>\$420,863,896</b>	<b>285,467,806</b>

**JAMAICAN TEAS LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FIRST QUARTER ENDING 31 DECEMBER 2010**

	Number of of shares	Share capital S'000	Share Premium S'000	Capital Reserves S'000	Attributable to Shareholders of the Company			Minority Interest S'000	Total Equity S'000
					Fair value Reserves S'000	Retained Earnings S'000	Total S'000		
Balance as at 30 September 2009	28,532,534	57,065	697	7,059	446	202,400	267,667	0	267,667
Comprehensive income	0	0	0	0	0	11,598	11,598	0	11,598
Balance as at 31 December 2009	28,532,534	57,065	697	7,059	446	213,998	279,265	0	279,265
30 September 2010	167,828,575	137,643	697	7,059	1,245	245,636	392,280	(67)	392,347
Dividend paid	0	0	0	0	0	(8,391)	(8,391)	0	(8,391)
Comprehensive income	0	0	0	0	0	21,892	24,274	263	24,537
Balance as at 31 December 2010	167,828,575	137,643	697	7,059	3,627	259,137	408,162	196	408,492

The number of shares issued was increased in June 2010 by a split of existing shares in the ratio 5:1 resulting in 142,662,670 units. The earning per share for 2009 is computed based on the increased figure.

**JAMAICAN TEAS LIMITED**  
**CONSOLIDATED STATEMENT OF CASHFLOWS**  
**QUARTER ENDED 31 DECEMBER 2010**

	2010	2009
FLOWS FROM PROJECTED ACTIVITIES:		
Profit for the period to date	21,892,180	12,116,526
Non cash items	2,259,345	556,836
Cash used in operating activities	0	(4,878,373)
Cash provided by operating activities	<u>4,154,514</u>	<u>17,517,495</u>
Net cash provided by operating activities	28,306,039	25,312,483
Net cash used in investing activities	<u>(20,982,485)</u>	<u>(15,215,994)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	<u>(8,390,819)</u>	<u>0</u>
Net cash used in financing activities	(8,390,819)	0
Increase in cash and cash equivalents	(1,067,265)	10,096,489
Cash and cash equivalent at beginning of the period	<u>16,009,489</u>	<u>5,913,000</u>
Cash and cash equivalent at the end of the period	<u>\$14,942,224</u>	<u>16,009,489</u>
Comprised of:		
Cash and cash equivalents	19,908,486	16,009,489
Bank Overdraft	<u>(4,966,262)</u>	<u>0</u>
	<u>\$14,942,224</u>	<u>16,009,489</u>

**JAMAICAN TEAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 DECEMBER 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 subsidiaries are as follows:

- JAMAICAN TEAS LIMITED processes local teas which it packages along with imported teas and distributes them for the Jamaican and overseas markets.
- 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 Limited and H Mahfood & Sons Limited and its 50% ownership in Bay City Foods Ltd.

**3. 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 comply with the provisions of the Jamaican Companies Act.

**4. NEW STANDARDS:**

Revised IAS 1 was considered in preparing these financial statements.

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

- (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 and equipment.

(c) Borrowings -

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

6. **SHARE CAPITAL:**

	<u>2010</u> \$	<u>2009</u> \$
Authorised – Ordinary shares	<u>250,000,000</u>	<u>50,000,000</u>
Issued and fully paid - Ordinary shares	<u>139,012,148</u>	<u>28,532,534</u>

- (a) By ordinary resolution of the company dated in 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 then existing 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) The company passed a resolution pursuant to Section 34 of the Companies Act to be registered as a public company in June 2010

7. **SEGMENT RESULTS**

	<b>Manufacturing</b>		<b>Rental</b>		<b>Retail</b>		<b>Investments</b>		<b>TOTAL</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
REVENUES	97,100,118	81,363,202	715,110	0	54,525,767	0	6,571,394	1,963,378	158,912,389	83,326,580
Segment Results	16,147,695	15,408,861	462,539	0	1,959,615	0	6,571,394	1,963,378	25,141,243	17,372,239
Gain on Exchange									138,664	1,004,139
Net Profit before tax									<u>\$25,279,907</u>	<u>18,376,378</u>