

March 2012 Interim

**JAMAICAN TEAS
LIMITED**

**UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
SECOND QUARTER - MARCH 2012**

Jamaican Teas Limited

Board of Directors' Commentary Second Quarter results to March 2012

Our group of companies recorded a profit of \$43.2 million for the six months versus \$47.3 million in the prior six month period, a reduction of 8.6% and \$22.2 million in the March quarter and \$23.8 million in the comparative period in 2011. The major factor contributing to this was the start-up cost associated with our newest supermarket in Sav-La-Mar which is discussed below.

The group recorded improvement in sales for the first six months of the financial year, increasing by 19.7% to \$366 million. This was due to healthy increases in both export and retail supermarket sales and sales from our newest supermarket in Sav-La-Mar which contributed \$12.6 million for part of the second quarter. For the quarter ending March, sales were \$193 million and in the same period in 2011 \$154 million.

While growth in overall sales has been good, domestic manufacturing sales have been flat for the six months period. We feel that the factors which resulted in a slow-down in the economy in the last half of the calendar year 2011 remained until the end of the March quarter, leading to consumers being more selective in their purchasing. Additionally, the stop-over visitor arrivals have been flat which would have affected sales of our teas to that sector.

Our domestic business contributes proportionately more to profits than either our export or retail sales so the flat domestic sales has impacted negatively on our profits. In addition, increases in raw material cost were not passed on to consumers during the period.

Supermarkets

With the success of our Kingston supermarket and progress being made at our jointly owned Montego Bay supermarket, we took over the operation of a supermarket in Sav-La-Mar previously operated by Hi-Lo and is now being operated under the Shoppers Delite banner. Sales to the end of the quarter are in line with forecast; however, we incurred start-up costs of \$3 million which impacted negatively on our profits.

Our supermarket in Kingston had a 27.5% increase in sales for the six month period and had a satisfactory profit performance.

We continue to see progress in the performance of the supermarket in Montego Bay with ongoing increases in sales and reduced quarterly losses. We experienced a 64% increase in sales in the second quarter and 130% for the six month period. Our share of the loss decreased from \$5.5 million in the comparative six month period to \$3.7 million in the current six month period.

Our share of loss amounted to \$2.4 million in the second quarter while in the comparative period in 2011 it amounted to \$3.0 million. The supermarket did not commence trading until midway into our first quarter in 2010.

Management continues to monitor cost with a view to reducing expenses where possible. In keeping with this we converted the lighting system in our Kingston supermarket to energy saving LED lighting which is expected to use

less energy than the previous bulbs. We will be evaluating the performance of this investment with a view to implementing it in other locations.

FINANCIAL POSITION

Investments

Our investment portfolio of bonds and equities stood at \$199 million at the end of the period. The portfolio generated interest and dividend income together with realized gains on disposal of investments amounting to \$17.6 million. There was a decline in the unrealized gain during the quarter and for the six months. The portfolio continues to be a mix of medium and short term fixed interest securities and quoted shares.

Other assets

The amount reflected as “investment property” is due to the acquisition of the property in Kingston for residential development, while “deposit on property” represents the amount paid on the premises that houses the supermarket in Kingston.

Current Assets

Management is satisfied that receivables are being satisfactory serviced. Inventories are held at the expected levels and are adequate to meet the demand of the market. Inventories increased as a result of the start-up of the new supermarket and managements’ decision to hold buffer stocks of items in short supply.

Dividend

A dividend of \$0.05 per share amounting to \$8.4 million was declared at our Board meeting held in April and is payable on August 31, 2012.

Outlook

As indicated above, we experienced improved sales in the overseas markets and expect that this trend should continue. We, however, continue to institute measures to improve sales in these markets and to expand into new ones.

We took steps to improve our profit margins in the domestic market and are actively examining measures to improve sales where possible.

Some of the initiatives are expected to bear fruit over a longer period.

We are also increasing our spend on marketing activities, modifying some areas to ensure more effectiveness and have been maintaining price competitiveness.

On the retail side we are focusing on customer service and price competitiveness in order to attract new customers.

Our strategies will ensure that we handle the challenges and continue to build the company for long term growth and profitability.

Directorship

Mrs. Nancy Milne resigned as a Director during the period.

Staff Share Purchase

We are pleased to advice that our staff took the opportunity to purchase shares under the staff share plan and purchased 880,000 shares during the March quarter.



John Jackson
Director



John Mahfood
CEO



JAMAICAN TEAS LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
SIX MONTHS ENDED 31 MARCH 2012

	<u>2nd Quarter</u>		<u>Year to March</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
SALES				
Local - Manufacturing	62,505,389	59,300,754	123,958,934	121,652,516
Foreign - Manufacturing	49,048,196	38,949,948	88,637,338	73,698,304
Retail	<u>81,910,804</u>	<u>55,876,044</u>	<u>153,266,046</u>	<u>110,406,468</u>
TOTAL SALES	193,464,389	154,126,746	365,862,318	305,757,288
COST OF GOODS SOLD	<u>154,619,112</u>	<u>113,636,083</u>	<u>291,083,420</u>	<u>226,100,281</u>
GROSS PROFIT	38,845,277	40,490,663	74,778,898	79,657,007
Other Income note 6	<u>11,553,782</u>	<u>6,472,862</u>	<u>22,097,956</u>	<u>13,633,131</u>
PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES	<u>50,399,059</u>	<u>46,963,525</u>	<u>96,876,854</u>	<u>93,290,138</u>
Sales & Marketing Cost	5,477,404	4,121,963	11,661,815	8,355,461
Administration cost	16,682,436	14,211,271	31,336,767	28,569,481
Depreciation	1,223,995	1,143,727	2,422,629	2,265,742
Finance cost	<u>2,184,694</u>	<u>410,637</u>	<u>3,761,047</u>	<u>769,349</u>
	<u>25,568,529</u>	<u>19,887,598</u>	<u>49,182,258</u>	<u>39,960,033</u>
NET PROFIT BEFORE SHARE OF ASSOCIATED COMPANY LOSS	24,830,530	27,075,927	47,694,596	53,330,105
SHARE OF ASSOCIATED COMPANY LOSS	<u>(2,433,149)</u>	<u>(2,998,134)</u>	<u>(3,718,901)</u>	<u>(5,543,620)</u>
PROFIT BEFORE TAXATION	22,397,381	24,077,793	43,975,695	47,786,485
TAXATION	0	0	0	0
PROFIT AFTER TAX	22,397,381	24,077,793	43,975,695	47,786,485
NON-CONTROLLING INTEREST	<u>194,839</u>	<u>285,219</u>	<u>797,045</u>	<u>525,976</u>
PROFIT AFTER TAX & MINORITY INTEREST	<u>22,202,542</u>	<u>23,792,574</u>	<u>43,178,650</u>	<u>47,260,509</u>
OTHER COMPREHENSIVE INCOME				
FAIR VALUE GAINS/(LOSS)				
Change in investment value	<u>(4,899,729)</u>	<u>2,754,950</u>	<u>(1,954,633)</u>	<u>5,136,518</u>
TOTAL COMPREHENSIVE INCOME	<u>\$17,302,813</u>	<u>\$26,547,524</u>	<u>\$41,224,017</u>	<u>\$52,397,027</u>
Earnings per share (EPS)	\$0.132	0.142	0.256	0.282
EPS after comprehensive income	\$0.103	0.158	0.244	0.312

JAMAICAN TEAS LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
SIX MONTHS ENDED 31 MARCH 2012

	<u>31 Mar. 2012</u>	<u>31 Mar. 2011</u>	Audited <u>30 Sept.</u> <u>2011</u>
FIXED ASSETS	63,475,489	41,371,918	52,556,333
INVESTMENT PROPERTY	65,857,642	31,411,271	31,411,271
INVESTMENTS Note 7	199,418,681	161,641,927	220,681,333
ASSOCIATED COMPANY	20,212,324	24,880,258	21,509,484
DEFERRED TAX ASSETS	3,855,509	4,200,261	3,754,787
CURRENT ASSETS			
Inventories	128,299,867	83,884,209	95,813,594
Receivables	85,253,987	79,298,028	68,452,000
Other Receivables	21,982,886	7,996,926	12,381,000
Deposit on Property	16,020,163	-	-
Loan Receivable	6,450,000	-	-
Taxation Recoverable	3,840,377	3,797,428	2,875,801
Short term Investments	2,141,173	27,772,861	10,787,143
Cash and Bank	8,009,795	16,639,608	26,156,825
Total Current Assets	271,998,248	219,389,060	216,466,363
CURRENT LIABILITIES			
Accounts Payable	46,615,075	34,378,644	27,431,000
Short Term Borrowings	24,970,441	1,444,840	1,107,108
Bank Overdraft	17,687,985	6,058,483	2,091,126
Current portion - Long Term Loan	14,488,468	-	14,320,001
Total Current Liabilities	103,761,970	41,881,968	44,949,235
NET CURRENT ASSETS	168,236,278	175,526,887	171,517,128
	\$ 521,055,923	441,012,726	501,430,337
EQUITY & NON-CURRENT LIABILITIES			
STOCKHOLDERS EQUITY	497,627,121	436,152,957	471,561,404
NON-CONTROLLING INTEREST	1,060,769	458,317	263,724
DEFERRED TAX LIABILITY	4,546,044	4,401,452	4,546,044
LONG-TERM LOAN	17,821,989	0	25,059,165
	\$521,055,923	441,012,726	501,430,337

JAMAICAN TEAS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
SECOND QUARTER ENDING 31 MARCH 2012

	Attributable to the company's owners						
	Share Capital	Capital Reserves & Share Premium	Fair Value Reserves	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Balance - September 2010	137,643,474	7,755,824	1,245,573	245,501,878	392,146,749	(67,659)	392,079,090
Dividend paid	-	-	-	(8,390,819)	(8,390,819)	-	(8,390,819)
Comprehensive income	-	-	5,136,518	47,260,509	52,397,027	525,976	52,923,003
Balance - March 2011	<u>\$137,643,474</u>	<u>7,755,824</u>	<u>6,382,091</u>	<u>284,371,568</u>	<u>436,152,957</u>	<u>458,317</u>	<u>436,611,274</u>
30 September 2011	137,643,474	7,755,824	15,208,189	310,953,915	471,561,404	263,724	471,825,128
Realised investment gains	-	-	(9,844,348)		(9,844,348)	-	(9,844,348)
Dividend paid				(8,393,950)	(8,393,950)		(8,393,950)
Issue of Shares	3,080,000	-		-	3,080,000		3,080,000
Comprehensive income	-	-	(1,954,633)	43,178,648	41,224,015	797,045	42,021,060
Balance - March 2012	<u>\$140,723,474</u>	<u>7,755,824</u>	<u>3,409,208</u>	<u>345,738,613</u>	<u>497,627,121</u>	<u>1,060,769</u>	<u>498,687,890</u>

	March 2012	March 2011	September 2011
SHARE CAPITAL:			
Authorised ordinary shares of no par value	<u>250,000,000</u>	<u>250,000,000</u>	<u>250,000,000</u>
Issued and fully paid ordinary shares of no par value			
Beginning of Period	167,828,575	167,828,575	167,828,575
Shares Issued during the period	<u>880,000</u>	<u>-</u>	<u>-</u>
End of period	<u>168,708,575</u>	<u>167,828,575</u>	<u>167,828,575</u>

JAMAICAN TEAS LIMITED
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS TO MARCH 2012

	2012	2011
	\$	\$
Comprehensive income for the period to date	41,224,017	52,397,027
Adjustments for:	-	-
Change in investment value	(1,954,633)	5,136,518
Gain on Sale of Fixed Assets	(296,882)	(747,920)
Depreciation	2,422,629	2,265,742
Deferred tax	<u>(344,752)</u>	<u>100,772</u>
Operating cash flows before movements in working capital	41,050,379	59,152,139
Changes in operating assets and liabilities	<u>(62,990,538)</u>	<u>(39,691,569)</u>
Net cash provided by operating activities	(21,940,159)	19,460,570
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net cash provided by investing activities	<u>(47,837,408)</u>	<u>(12,397,070)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of Shares	3,080,000	-
Dividends Paid	(8,393,950)	(8,390,819)
Net Loan received/(repaid)	<u>54,832,203</u>	<u>(4,101,047)</u>
Net cash used in financing activities	<u>49,518,253</u>	<u>(12,491,866)</u>
Decrease in cash and cash equivalent	(20,259,315)	(5,428,366)
Cash and cash equivalent at beginning of the period	<u>10,581,124</u>	<u>16,009,490</u>
Cash and cash equivalent at the end of period	<u>(9,678,190)</u>	<u>10,581,124</u>
Cash & Cash equiv made up as follows:		
Cash & Bank Balance	8,009,795	16,639,608
Bank overdraft	<u>(17,687,985)</u>	<u>(6,058,483)</u>
Cash and cash equivalent at the end of period	<u>(9,678,190)</u>	<u>10,581,124</u>

JAMAICAN TEAS LIMITED
SEGMENT RESULTS FOR SIX MONTHS TO 31 MARCH 2012

SEGMENT RESULTS - 2012

	Manufacture	Retail	Investments	Property	TOTAL
REVENUES	212,596,272	153,266,046	17,986,544	1,797,596	385,646,458
Segment Results	20,495,682	5,936,844	17,986,544	961,710	45,380,780
Associated Company	-	(3,718,901)	-	-	(3,718,901)
Total Segment Results	<u>20,495,682</u>	<u>2,217,943</u>	<u>17,986,544</u>	<u>961,710</u>	41,661,879
Gain on Sale of Fixed Assets					296,882
Gain on Exchange					<u>2,016,934</u>
Net Profit before tax					<u>\$43,975,695</u>
Segment Assets	<u>318,670,760</u>	<u>58,473,469</u>	<u>208,009,854</u>	<u>124,219,438</u>	<u>\$709,373,521</u>
Segment Liabilities	<u>60,782,645</u>	<u>48,738,373</u>	<u>22,521,746</u>	<u>55,437,956</u>	<u>\$187,480,720</u>

SEGMENT RESULTS - 2011

	Manufacture	Retail	Investments	Property	TOTAL
REVENUES	195,350,820	110,406,468	10,760,094	1,490,810	318,008,192
Segment Results	33,545,038	6,242,040	10,725,107	1,435,693	51,947,878
Associated Company	-	(5,543,620)	-	-	(5,543,620)
Total Segment Results	<u>33,545,038</u>	<u>698,420</u>	<u>10,725,107</u>	<u>1,435,693</u>	46,404,258
Gain on Sale of Fixed Assets					747,920
Gain on Exchange					<u>634,307</u>
Net Profit before tax					<u>\$47,786,485</u>
Segment Assets	<u>246,289,922</u>	<u>25,587,313</u>	<u>189,414,788</u>	<u>53,674,570</u>	<u>514,966,593</u>
Segment Liabilities	<u>28,035,537</u>	<u>21,977,392</u>	<u>0</u>	<u>19,058,665</u>	<u>\$69,071,594</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 MARCH 2012

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.

3. 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. 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, 2011 and comply with the requirements of the International Financial Reporting Standards (IAS 34, interim Financial Reporting).

4. NEW STANDARDS:

Revised IAS 1 was considered in preparing these financial statements.

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 and equipment.

(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 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. OTHER INCOME

	2 nd Quarter		Year to March	
	2012	2011	2012	2011
Interest Income	2,747,908	3,598,187	6,407,904	8,477,842
Dividend Income	685,072	293,608	1,343,688	597,559
Rental Income	1,019,096	775,700	1,797,596	1,490,810
Gain on Sale of Investments	5,684,522	526,817	9,844,348	1,649,706
Foreign Exchange Gain	1,326,580	495,643	2,016,934	634,307
Gain on Sale of Fixed Assets	-	747,920	296,882	747,920
Other Income	90,604	34,987	390,604	34,987
	<u>11,553,782</u>	<u>6,472,862</u>	<u>22,097,956</u>	<u>13,633,131</u>

7. INVESTMENTS

At market value	2012	2011
Government Bonds	64,969,224	73,749,000
Corporate Bonds	46,970,673	45,960,629
Quoted Equities	73,873,639	29,193,797
Commercial Paper	0	24,765,043
	<u>185,813,536</u>	<u>173,668,470</u>
Unquoted equities (at cost)	<u>15,746,318</u>	<u>15,746,318</u>
Total Investments	201,559,854	189,414,788
Less Short Term Portion	<u>2,141,173</u>	<u>27,772,861</u>
	<u>\$199,418,681</u>	<u>\$161,641,927</u>

8. MOVEMENT IN FAIR VALUE RESERVES

Balance at beginning of the year	15,208,189	1,245,573
Fair value gains during period	(1,954,633)	5,136,518
Gain on sale of Investment transfer to P & L	<u>(9,844,348)</u>	<u>0</u>
Balance at the end of the period	<u>\$3,409,208</u>	<u>\$6,382,091</u>

9. PRIOR PERIOD ADJUSTMENT

a. Comprehensive Income Statement

The share of the loss for associated company in the December quarter of 2010 has been adjusted for deferred tax asset resulting in an increase in the profit previously reported by the group from \$21.98 million to \$23.17 million before other comprehensive income.

b. Statement of Financial Position

Certain items on the statement of financial position were adjusted to conform with the classification in the 2011 audited financial statements.