JAMAICAN TEAS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

30 SEPTEMBER 2013

JAMAICAN TEAS LIMITED

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I N D E X

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Chartered Accountants
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P.O. Box 351
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INDEPENDENT AUDITORS' REPORT

To the Members of
Jamaican Teas Limited

Report on the Consolidated Financial Statements

We have audited the accompanying financial statements of Jamaican Teas Limited and its subsidiaries and associate ('the Group") set out on pages 3 to 50, which comprise the consolidated statement of financial position as at 30 September 2013 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the accompanying statements of financial position of Jamaican Teas Limited standing alone as at 30 September 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and consistently applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 financial statements.

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To the Members of
Jamaican Teas Limited

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the Group's and the Company's financial position as at 30 September 2013, and of the financial performance, changes in equity and cash flows of the Group and the Company for the year then ended, so far as it concerns the members of the company, 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 financial statements are in agreement therewith, and give the information required by the Act, in the manner so required.

BDO

Chartered Accountants

6 January 2014

JAMAICAN TEAS LIMITED

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 $'000	2012 $'000
REVENUE	6	1,226,435	824,532
COST OF SALES		(1,005,586)	(674,518)
GROSS PROFIT		220,849	150,014
Other income	7	4,706	16,637
		225,555	166,651
ADMINISTRATIVE AND OTHER EXPENSES			
Selling and marketing		24,005	17,950
Administrative expenses		91,709	78,518
		115,714	96,468
Exchange gain		(8,155)	(6,364)
		107,559	90,104
PROFIT FROM OPERATIONS		117,996	76,547
Finance costs	9	(7,643)	(1,289)
Share of results of associated company	16	(11,145)	(8,361)
PROFIT BEFORE TAXATION		99,208	66,897
Taxation	11	(5,615)	7,764
NET PROFIT FOR THE YEAR		93,593	74,661
Net profit attributable to:			
Owners of Jamaican Teas Limited		93,256	74,749
Non-controlling interest		337	(88)
		93,593	74,661
Earnings per stock unit for profit attributable to owners of the company during the period:			
Basic	12	$ 0.55	$ 0.44

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2013

	2013 $'000	2012 $'000
NET PROFIT FOR THE YEAR	93,593	74,661
Other Comprehensive Income:		
Items that will or may be reclassified to profit or loss:		
Unrealised valuation loss on financial instruments	(3,109)	(13,961)
Realised fair value gain transferred to the statement of income	2,002	(7,197)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	92,486	53,503
Total comprehensive income attributable to:		
Owners of Jamaican Teas Limited	92,149	53,591
Non-controlling interest	337	(88)
	92,486	53,503

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2013

	Note	2013 $'000	2012 $'000
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	14	124,109	125,701
Investment properties	15	54,227	30,000
Investment in associate	16	14,700	20,461
Investments	18	150,654	185,165
Deferred tax assets	19	4,678	7,327
		348,368	368,654
CURRENT ASSETS:			
Inventories	20	176,696	191,580
Receivables	21	279,491	100,343
Taxation recoverable		6,897	5,006
Cash and cash equivalents	22	47,069	1,217
		510,153	298,146
		858,521	666,800
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES:			
Share capital	23	141,420	141,420
Capital reserve	24	7,059	7,059
Fair value reserve	25	(7,057)	(5,950)
Retained earnings		445,515	368,874
		586,937	511,403
Non-controlling interest		425	176
		587,362	511,579
NON-CURRENT LIABILITIES:			
Long term liabilities	26	11,283	35,677
CURRENT LIABILITIES:			
Payables	27	67,084	51,913
Short term borrowings	28	192,244	67,631
Taxation payable		548	-
		259,876	119,544
		858,521	666,800

Approved for issue by the Board of Directors on 6 January 2014 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 2013

		Attributable to owners of the company						Non-Controlling Interest	Total Equity
	Note	Share Capital $'000	Share Premium $'000	Capital Reserve $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total $'000	$'000	$'000
Balance as at 1 October 2011		137,643	697	7,059	15,208	310,954	471,561	264	471,825
Issue of shares, net of transaction costs		3,080	-	-	-	-	3,080	-	3,080
Dividends paid	13	-	-	-	-	(16,829)	(16,829)	-	(16,829)
Transfer of share premium		697	(697)	-	-	-	-	-	-
Total comprehensive income		-	-	-	(21,158)	74,749	53,591	(88)	53,503
Balance as at 30 September 2012		141,420	-	7,059	(5,950)	368,874	511,403	176	511,579
Dividends paid	13	-	-	-	-	(8,435)	(8,435)	-	(8,435)
Acquisition of additional shares in a subsidiary		-	-	-	-	(8,180)	(8,180)	(88)	(8,268)
Total comprehensive income		-	-	-	(1,107)	93,256	92,149	337	92,486
Balance as at 30 September 2013		141,420	-	7,059	(7,057)	445,515	586,937	425	587,362

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2013

	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	93,593	74,661
Adjustments for:		
Loss/(gain) on disposal of investments	5,126	(9,601)
Impairment losses on available-for-sale financial assets	8,450	9,332
Gain on disposal of property, plant and equipment	(568)	(297)
Deferred taxation	2,649	(8,118)
Income tax charge	2,967	355
Net (gain)/loss on investment property	(1,000)	1,411
Depreciation	11,779	9,988
Operating cash flows before movements in working capital	122,996	77,731
Changes in operating assets and liabilities:		
Inventories	14,884	(95,766)
Receivables	(179,148)	(19,510)
Payables	15,171	24,531
Cash generated from operations	(26,097)	(13,014)
Tax paid	(4,310)	(2,179)
Net cash used in operating activities	(30,407)	(15,193)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in investments	19,828	25,058
Net decrease in investment on associate	5,761	1,049
Proceeds from disposal of property, plant and equipment	3,530	1,100
Acquisition of property, plant and equipment	(13,149)	(83,936)
Investment is subsidiaries	(8,268)	-
Acquisition of investment property	(23,227)	-
Net cash used in investing activities	(15,525)	(56,749)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	-	3,080
Dividends paid	(8,435)	(16,829)
Loan proceeds	158,644	76,820
Loan repayment	(58,425)	(13,998)
Net cash provided by financing activities	91,784	49,073
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	45,852	(22,849)
Cash and cash equivalents at beginning of year	1,217	24,066
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 22)	47,069	1,217

JAMAICAN TEAS LIMITED

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2013

	Note	2013 $'000	2012 $'000
TURNOVER	6	576,820	459,180
COST OF SALES		(427,422)	(341,844)
GROSS PROFIT		149,398	117,336
Other income	7	23,507	28,604
		172,905	145,940
Administrative and other expenses		84,679	72,193
Exchange gain		(11,549)	(6,364)
		73,130	65,829
PROFIT FROM OPERATIONS		99,775	80,111
Finance costs	9	(6,603)	(45)
PROFIT BEFORE TAXATION		93,172	80,066
Taxation	11	-	4,546
NET PROFIT FOR THE YEAR		93,172	84,612
Other Comprehensive Income:			
Items that will or may be reclassified to profit or loss:			
Unrealised valuation loss on financial instruments		(3,109)	(13,961)
Realised fair value gain/(loss) transferred to the statement of income		2,002	(7,197)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		92,065	63,454

JAMAICAN TEAS LIMITED

STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2013

	Note	2013 $'000	2012 $'000
ASSETS			
NON-CURRENT ASSETS :			
Property, plant and equipment	14	30,859	29,358
Investment properties	15	31,000	30,000
Investment in subsidiaries		13,806	5,538
Investment in associate	16	45,782	40,398
Investments	18	134,908	169,419
Due from subsidiaries	17	241,906	147,745
		498,261	422,458
CURRENT ASSETS:			
Inventories	20	113,096	95,775
Receivables	21	156,516	94,266
Taxation recoverable		6,611	4,731
Cash and cash equivalents	22	54,148	6,528
		330,371	201,300
		828,632	623,758
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES:			
Share capital	23	141,420	141,420
Fair value reserve	25	(7,057)	(5,950)
Retained earnings		483,469	398,732
		617,832	534,202
NON-CURRENT LIABILITIES:			
Long term liabilities	26	-	11,060
CURRENT LIABILITIES:			
Due to subsidiaries	17	26,259	2,222
Payables	27	26,051	22,460
Short term borrowings	28	158,490	53,814
		210,800	78,496
		828,632	623,758

Approved for issue by the Board of Directors on 6 January 2014 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 2013

	Note	Share Capital $'000	Share Premium $'000	Fair Value Reserve $'000	Retained Earnings $'000	Total $'000
Balance at 1 October 2011		137,643	697	15,208	330,949	484,497
Issue of shares, net of transaction cost		3,080	-	-	-	3,080
Dividends paid	13	-	-	-	(16,829)	(16,829)
Transfer of share premium		697	(697)	-	-	-
Total comprehensive income		-	-	(21,158)	84,612	63,454
Balance at 30 September 2012		141,420	-	(5,950)	398,732	534,202
Dividends paid	13	-	-	-	(8,435)	(8,435)
Total comprehensive income		-	-	(1,107)	93,172	92,065
Balance at 30 September 2013		141,420	-	(7,057)	483,469	617,832

JAMAICAN TEAS LIMITED

STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2013

	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit for the year	93,172	84,612
Adjustments for:		
Loss/(gain) on disposal of investments	5,126	(9,601)
Impairment losses on available-for-sale financial asset	8,450	9,332
Gain on disposal of property, plant and equipment	(568)	(297)
Deferred taxation	-	(4,546)
Net (gain)/loss on investment property	(1,000)	1,411
Depreciation	5,776	5,980
Operating cash flows before movements in working capital	110,956	86,891
Changes in operating assets and liabilities:		
Inventories	(17,321)	(18,592)
Receivables	(62,250)	(16,176)
Related companies	(70,124)	(98,027)
Payables	3,591	10,760
Taxation recoverable	(1,880)	(1,928)
Net cash used in operating activities	(37,028)	(37,072)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in subsidiary	(8,268)	-
Net decrease in investments	19,828	25,414
Investment in associate	(5,384)	(7,313)
Proceeds from disposal of property, plant and equipment	3,530	1,100
Acquisition of property, plant and equipment	(10,239)	(11,505)
Net cash (used in)/provided by investing activities	(533)	7,696
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	95,000	38,713
Loan repayment	1,384	(14,325)
Share Issue	-	3,080
Dividends paid	(8,435)	(16,829)
Net cash provided by financing activities	85,181	10,639
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	47,620	(18,737)
Cash and cash equivalents at beginning of year	6,528	25,265
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 22)	54,148	6,528

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

1. **IDENTIFICATION AND PRINCIPAL ACTIVITIES:**

Jamaican Teas Limited (the company) is incorporated and domiciled in Jamaica. The registered office of the company is Sagicor Complex, Block A2 Units, 7-9 Norman Road, Kingston CSO.

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

The principal activities of the company, its subsidiaries and associated company are as follows:

i. The importing of tea in bulk, packaging and the distribution of black and herbal teas. The company also distributes other items such as, bottled water, coconut milk, and coffee.
ii. The operation of supermarkets.
iii. The rental and development of real estate properties.

2. **FUNCTIONAL AND PRESENTATION CURRENCY:**

These financial statements are expressed in Jamaican dollars. The Jamaican dollar is considered the currency of the primary economic environment in which the entities operate ("the functional currency').

3. **SIGNIFICANT ACCOUNTING POLICIES**:

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary prior year comparatives have been reclassified to conform to current years presentation.

(a) Basis of preparation -

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board, and have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investment securities and investment properties. They are also prepared in accordance with provisions of the Jamaican Companies Act.

The preparation of financial statements in conformity with IFRS 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. The area involving a higher degree of judgment or complexity, or area where assumptions and estimates are significant to the financial statements is described below:

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

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

Income taxes

The Group is subject to income taxes in Jamaica except for the parent company, Jamaican Teas Limited. Significant judgement is required in determining the provision for income taxes. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Standards, interpretations and amendments to published standards effective in the reporting period.

During the reporting period, certain new standards, amendments and interpretations became effective. Those considered relevant to the Group are as follows:

IAS 1, Presentation of Items of Other Comprehensive Income – Amendments to IAS 1

The amendment requires that items of other comprehensive income must be grouped together into two sections:

- Those that will or may be reclassified into profit or loss
- Those that will not

As the amendment only affects presentation, there is no effect on the Group's financial position or performance.

IAS 12, Income Taxes

Currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40; "investment property." This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes-recovery of revalued non-depreciable assets" will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which was withdrawn. There was no significant impact on the Group and Company.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

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

Standards, interpretations and amendments to published standards that are not yet effective.

At the date of authorization of these financial statements, there were certain new standards, amendments and interpretations to existing standards which were in issue but which were not yet effective. Those which are considered relevant to the Group's operations are as follows:

IAS 27, *Separate Financial Statements, (*effective for annual periods beginning on or after 1 January 2013). The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27. The Group is assessing the impact that the standard will have on the 2014 financial statements.

IFRS 9, Financial Instruments (effective for annual periods beginning on or after 1 January 2015; previously 1 January 2013). This standard specifies how an entity should classify and measure financial instruments, including some hybrid contracts. It requires all financial assets to be classified on the basis of the entity's business model for managing the financial and the contractual cash flow characteristics of the financial asset; initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs; and subsequently measured at amortised cost or fair value. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of IAS 39. They apply a consistent approach to classifying financial assets and replace the four categories of financial assets in IAS 39, each of which had its classification criteria. They also result in one impairment method, replacing the two impairment methods in IAS 39 that arise from the different classification categories. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to any entity's own credit risk is recorded in other comprehensive income rather that the income statement, unless this creates an accounting mismatch. There has been no significant change in the recognition and measurement of financial liabilities carried at amortised cost from what obtained under IAS 39.

IFRS 10, Consolidated Financial Statements (effective for annual periods beginning on or after 1 January 2013) builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 is not expected to have any impact on the Group's financial statements as there would be no change in the entities that are consolidated under the new standard.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

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

Standards, interpretations and amendments to published standards that are not yet effective (cont'd).

IFRS 11, Joint Arrangements (effective for annual periods beginning on or after 1 January 2013). This standard replaces IAS 31, 'Interests in Joint Ventures' and SIC-13, "Jointly Controlled Entities-Non-Monetary Contributions by Venturers'. The standard requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement.

IFRS 12, 'Disclosures of interests in other entities' (effective for annual periods beginning on or after 1 January 2013) includes the disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles. The standard will likely result in expanded disclosure in the financial statements and the Group intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 October 2013.

IFRS 13, Fair Value Measurement (effective for annual periods beginning on or after 1 January 2013). It replaces the fair value measurement guidance contained in individual IFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. The company will apply the amended standard for accounting periods beginning 1 October 2013.

IAS 28 (revised 2012) (effective for annual periods beginning on or after 1 January 2013) includes the requirements for joint ventures, as well as associates, to be equity accounting following the issue of IFRS 11.

(b) Basis of consolidation -

Where the company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date of which control is obtained. They are deconsolidated from the date control ceases.

The subsidiaries consolidated are as follows:-

H Mahfood & Sons Limited – (100% owned)
JRG Shoppers Delite Limited - (90% owned) (80% owned in 2012)

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

(c) Associates –

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. Associates are 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 associates 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 associated company, incorporated in Jamaica is Bay City Foods Limited. The Group has a 49% interest in the company.

(d) Segment Reporting -

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker who is responsible for allocating resources and assessing performance of the operating segments has been identified as the Finance Committee that makes strategic decisions.

(e) Property, plant and equipment -

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Freehold land is not depreciated.

Depreciation is calculated on the straight-line method to write off the cost of each asset to their residual values over their estimated useful lives. Annual rates are as follows:

Plant and equipment	10%
Furniture and fixtures	10%
Motor vehicles	20%
Computers	20%

Leasehold improvements - shorter of lease and useful lives

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

(e) Property, plant and equipment (cont'd) –

Property, plant and equipment are reviewed periodically for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

(f) 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.

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

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

(g) Trade and other 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. Other receivables are stated at amortized cost less impairment losses.

(h) Trade payables -

Trade payables are stated at amortised cost.

(i) Borrowings and borrowing costs -

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings. Borrowing costs are recognised as expense in the period in which they are incurred.

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

(j) 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.

(k) Impairment -

The carrying amounts of the Group's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

(l) Financial assets -

The Group classifies its financial assets in the 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 arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's loans and receivables comprise trade receivables and cash and cash equivalents in the statement of financial position.

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, in hand, deposits and short-term liquid investments with original maturities of three months or less, net of bank overdraft.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(l) Financial assets (cont'd) -

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Changes in the fair value of financial assets classified as available-for-sale are recognised in other comprehensive income. These available-for-sale financial assets are classified as investments in the statement of financial position.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in other comprehensive income.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments previously recognised in other comprehensive income are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

(m) Foreign currency translation -

Transactions in foreign currencies are converted at the exchange rates prevailing at the dates of the transactions. At the year end date, monetary assets and liabilities denominated in foreign currency are translated using the exchange rate ruling at that date. 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 recognised in the statement of comprehensive income.

Exchange differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, exchange differences are either recognized in the statement of comprehensive income (applicable for financial assets fair valued through profit or loss), or within other comprehensive income if the non-monetary financial assets are equity instruments which are designated as fair valued through other comprehensive income.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(n) Investment properties -

The Group's investment properties are revalued annually to open market value, with changes in the carrying value are recognised in the consolidated income statement.

(o) Investments in subsidiaries -

Investments in subsidiaries are stated at cost.

(p) Taxation -

Taxation expense in the income statement comprises current and deferred tax charges.

(i) Current income taxes

Current income tax is the expected taxation payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable and tax losses in respect of previous years.

(ii) Deferred income taxes

Deferred tax is provided in full using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

Deferred tax assets is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Revenue recognition -

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts and after eliminating sales within the Group.

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 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.

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

(q) Revenue recognition (cont'd) -

Provided the amount of revenue can be measured reliably and it is probable that the Group will receive any consideration, revenue for services is recognised in the period in which they are rendered.

Interest income is recognised in the income statement for all interest-bearing instruments on an accrual basis unless collectibility is doubtful.

(r) 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 Leasee –

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.

(s) Pension costs -

The Group participates in a defined contribution plan whereby it pays contributions to a privately administered fund, the contributions are charged to the consolidated income statement in the year to which they relate and are included in staff costs.

(t) Dividends payable -

Dividends are recorded as a deduction from equity in the period in which they are approved.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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4. **FINANCIAL AND CAPITAL RISK MANAGEMENT:**

(a) Financial risk factors –

The Group has exposure to the following risks from its use of financial instruments and its operations: credit risk, liquidity risk, and market risk. This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board 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 regular 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:

Principal financial instruments -

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Trade receivables
- Trade and other payables
- Investments in quoted and unquoted equity securities
- Corporate bonds
- Government bonds

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Financial risk factors (cont'd) –

Principal financial instruments (cont'd) -

A summary of the financial instruments held by category is provided below:

The Group

Financial assets -

	Loans and Receivables		Available-for-sale	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash and cash equivalents	47,069	1,217	-	-
Trade receivables	209,002	71,912	-	-
Government of Jamaica bonds	-	-	59,977	60,012
Corporate bonds	-	-	-	28,422
Equities	-	-	90,677	96,731
	256,071	73,129	150,654	185,165

Financial liabilities at amortised cost –

	2013 $'000	2012 $'000
Trade payables	45,748	35,697
Loans and borrowings	203,527	103,308
Total financial liabilities	249,275	139,005

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Financial risk factors (cont'd) –

The Company

Financial assets -

	Loans and Receivables		Available-for-sale	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash and cash equivalents	54,148	6,528	-	-
Trade receivables	102,885	71,676	-	-
Government of Jamaica bonds	-	-	59,977	60,012
Corporate bonds	-	-	-	28,422
Equities	-	-	74,931	80,985
	157,033	78,204	134,908	169,419

Financial liabilities at amortised cost –

	2013 $'000	2012 $'000
Trade payables	22,649	7,971
Loans and borrowings	158,490	64,874
Total financial liabilities	181,139	72,845

(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 groups of related counterparties.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

(a) Financial risk factors (cont'd) –

(i) Credit risk (cont'd) -

Investments and cash and cash equivalents

The Group limits its exposure to credit risk by maintaining cash resources and investing mainly in liquid securities with counterparties that have high credit quality and Government of Jamaica Securities.

Trade 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.

Further disclosures regarding trade receivables, which are neither past due nor impaired are provided in note 21.

The maximum exposure to credit risk is as follows:

The Group

	2013 $'000	2012 $'000
Financial assets -		
Cash and cash equivalents	47,069	1,217
Trade receivables	209,002	71,912
Available-for-sale investments	150,654	185,165
Total financial assets	406,725	258,294

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

(a) Financial risk factors (cont'd) –

(i) Credit risk (cont'd) -

The Company

	2013 $'000	2012 $'000
Financial assets -		
Cash and cash equivalents	54,148	6,528
Trade receivables	102,885	71,676
Available-for-sale investments	134,908	169,419
Total financial assets	291,941	247,623

(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.

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 Sates 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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

(a) Financial risk factors (cont'd) –

(ii) Market risk (cont'd)

As at 30 September the Group had net foreign exposure as follows:

The Group and Company

	J$ Equivalent 2013 $'000	2012 $'000
Net foreign currency financial assets/ (liabilities) –		
United States dollars	(568)	(81,680)
Canadian dollars	(131)	(9,740)
Pound sterling	(747)	(514)

Foreign currency sensitivity

The following table indicate the currencies to which the Group and company 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 1% increase (2012 – 1%) and 10% decrease (2012 – 1%) in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of foreign denominated cash and deposits, instruments and payables. The analysis assumes that all the variables, in particular interest remain constant.

The Group and Company

	% Change in Currency Rate	Effect on Profit Before Taxation 2013 $'000	% Change in Currency Rate	Effect on Profit Before Taxation 2012 $'000
Currency:				
USD	+1%	(6)	+1%	(81.7)
GPB	+1%	(1)	+1%	(97)
CAN	+1%	(7)	+1%	(5)
USD	-10%	57	-1%	81.7
GBP	-10%	13	-1%	97
CAN	-10%	75	-1%	5

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(a) Financial risk factors (cont'd) –

(iii) 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 policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial bearing liabilities.

The Group's interest rate risk arises from deposits and short-term instruments, investments, short term borrowings and long term liabilities.

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonably possible change in basis points in interest rates with all other variables held constant, on the Group's profit. The analysis assumes that all other variables, in particular foreign currency rates remain constant.

Change in Basis Points 2013 $'000	Effect on Profit 2013 $'000	Change in Basis Points 2012 $'000	Effect on Profit 2012 $'000
-100	961	-100	(757)
+400	(3,846)	+100	757

(iv) Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

(a) Financial risk factors (cont'd) –

(iv) Liquidity risk (cont'd)

The following table sets out the contractual maturities of financial liabilities:

The Group

	Up to 3 Months $'000	3 to 12 Months $'000	1 to 2 Years $'000	Total $'000
At 30 September 2013				
Trade payables	37,753	7,995	-	45,748
Loans and borrowings	126,283	65,961	11,283	203,527
Total	164,036	73,956	11,283	249,275

	Up to 3 Months $'000	3 to 12 Months $'000	1 to 2 Years $'000	Total $'000
At 30 September 2012				
Trade payables	35,697	-	-	35,697
Loans and borrowings	43,236	10,578	49,494	103,308
Total	78,933	10,578	49,494	139,005

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

(a) Financial risk factors (cont'd) –

(iv) Liquidity risk (cont'd)

The Company

	Up to 3 Months $'000	3 to 12 Months $'000	1 to 2 Years $'000	Total $'000
At 30 September 2013				
Trade and other payables	20,213	2,436	-	22,649
Loans and borrowings	116,513	41,977	-	158,490
Total	136,726	44,413	-	181,139

	Up to 3 Months $'000	3 to 12 Months $'000	1 to 2 Years $'000	Total $'000
At 30 September 2012				
Trade and other payables	7,971	-	-	7,971
Loans and borrowings	43,236	10,578	11,060	64,874
Total	51,207	10,578	11,060	72,845

(v) Capital Management

The Group's 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 to stockholders.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

(a) Financial risk factors (cont'd) –

(v) Capital Management (cont'd)

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 company's owners as shown in the consolidated statement of financial position.

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

	2013 $'000	2012 $'000
Total borrowing	203,527	103,308
Owners' equity	586,937	511,403
Debt to equity ratio	34.7%	20.2%

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

(b) Financial instruments measured at fair value –

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The following table provides an analysis of the Group's and Company's financial instruments held as at 30 September that, subsequent to initial recognition, are measured at fair value. The financial instruments are grouped into levels 1 to 2 based on the degree to which the fair value is observed, as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical instrument;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the instrument, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Financial instruments measured at fair value (cont'd) –

There were no transfers between the levels during the year.

The Group and Company

	2013		
	Level 1 $'000	**Level 2 $'000**	**Total $'000**
Available-for-sale:			
Quoted equities	73,932	-	74,931
Repurchase agreements	-	-	-
Government of Jamaica bonds	-	59,977	59,977
	73,932	59,977	134,908

	2012		
	Level 1 $'000	**Level 2 $'000**	**Total $'000**
Available-for-sale:			
Quoted equities	80,986	-	80,986
Corporate bonds	-	28,421	28,421
Government of Jamaica bonds	-	60,012	60,012
	80,986	88,433	169,419

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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

(b) Financial instruments measured at fair value (cont'd) –

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.

The fair value of cash and cash equivalents, short-term deposits, accounts receivables, accounts payable, loans and Group companies' balances approximates to their carrying values due to their relatively short-term nature.

The fair value of unquoted equities could not be reliably determined and are carried at cost.

5. **BUSINESS SEGMENTS:**

The Group has three reportable segments:

- Manufacturing company – 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 47% of its external revenue.
- Retailing companies – this segment is involved in the operation of supermarkets and contributed 38% of the Group's external revenue.
- Rental and development – this segment rents and develops properties and contributed 15% of the Group's external revenue.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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

The Group's reportable segments are strategic business units that offer different products and are managed separately.

	2013			
	Manufacturing $'000	Retailing $'000	Rental & Development $'000	Total $'000
Revenue				
Total revenue from external customers	576,820	464,489	185,126	1,226,435
Depreciation	5,776	4,223	1,780	11,779
Segment profit	86,296	18,968	21,182	126,446
Impairment losses on available-for-resale financial assets				(8,450)
Share of results of associated company				(11,145)
Finance cost				(7,643)
Group profit before tax				99,208
(Reductions)/additions (in)/to non-current assets	(32,009)	(1,313)	21,446	(11,876)
Reportable segments assets	527,138	51,033	260,972	839,143
Investments in associate				14,700
Deferred tax assets				4,678
Total group assets				858,521
Reportable segment liabilities	184,536	30,741	44,599	259,876
Long term liabilities				11,283
Total group liabilities				271,159

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

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

	2012			
	Manufacturing $'000	Retailing $'000	Rental & Development $'000	Total $'000
Revenue				
Total revenue from external customers	459,180	361,976	3,376	824,532
Depreciation	5,980	3,024	984	9,988
Segment profit/(loss)	85,167	(439)	1,151	85,879
Impairment losses on of available-for-sale financial assets				(9,332)
Share of results of associated company				(8,361)
Finance cost				(1,289)
Group profit before tax				66,897
(Reduction)/additions (in)/to non-current assets	(32,205)	12,586	55,837	36,218
Reportable segments assets	430,079	53,676	155,257	639,012
Investments in associates				20,461
Deferred tax assets				7,327
Total group assets				666,800
Reportable segment liabilities	77,496	27,741	14,307	119,544
Long term liabilities				35,677
Total group liabilities				155,221

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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6. **REVENUE:**

The Group

	2013 $'000	2012 $'000
Revenue arises from -		
Export sales – manufacturing company	292,864	200,956
Domestic sales – manufacturing company	283,956	258,224
Retail sales	464,489	361,976
Sale of Apartments	181,475	-
Rental	3,651	3,376
	1,226,435	824,532

The Company

	2013 $'000	2012 $'000
Revenue arises from -		
Export sales	292,864	200,956
Domestic sales	283,956	258,224
	576,820	459,180

7. **OTHER INCOME:**

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Interest income	8,722	11,847	19,798	11,987
Rental Income	4,070	-	2,749	2,348
Dividend income	3,204	2,906	3,204	2,906
Gain on sale of property, plant and equipment	568	297	568	297
(Loss)/gain on sale of investments	(5,126)	9,601	(5,126)	9,601
Impairment losses on available-for-sale financial assets	(8,450)	(9,332)	(8,450)	(9,332)
Miscellaneous income	1,718	1,318	10,764	10,797
	4,706	16,637	23,507	28,604

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

8. **EXPENSES BY NATURE:**

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

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Advertising and promotion	24,005	19,563	22,085	17,950
Auditors' remuneration	1,850	1,290	1,050	720
Prior year over provision	-	(5)	-	-
Directors' emoluments:				
Remuneration	9,877	7,215	9,877	-
Fees	1,007	950	1,007	950
Cost of inventories recognised as an expense	920,930	589,202	384,158	286,201
Depreciation	11,823	9,988	5,820	5,980
Insurance	5,932	4,998	4,320	3,746
Repairs and maintenance	18,732	13,833	13,960	12,088
Staff Costs (Note 10)	74,340	67,437	46,673	48,961
Utilities	21,162	19,147	5,435	5,582
Other expenses	31,642	37,368	17,716	31,859
	1,121,300	770,986	512,101	414,037

9. **FINANCE COSTS:**

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Interest expense	7,643	1,289	6,603	45

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

10. **STAFF COSTS:**

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Wages and salaries	62,846	59,936	41,365	44,155
Pension	914	826	914	826
Other employment benefits	10,580	6,675	4,394	3,980
	74,340	67,437	46,673	48,961

11. **TAXATION:**

Taxation is based on the profit for the year, adjusted for taxation purposes and comprises:-

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current year income tax @ 25%	1,375	-	-	-
Transfer tax	1,591	-	-	-
Prior year under-provision	-	354	-	-
Deferred taxation	2,649	(8,118)	-	(4,546)
	5,615	(7,764)	-	(4,546)

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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2013

11. **TAXATION (CONT'D):**

Reconciliation of theoretical tax charge that would arise on profit before tax using the applicable tax rate to actual tax charge.

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Profit before taxation	99,208	66,897	93,172	80,066
Tax calculated at 25%/33 1/3%	24,802	22,299	31,057	26,687
Adjusted for the effects of:				
Expenses not deducted for tax purposes	14,123	6,234	7,919	4,809
Net effects of other charges and allowances	(7,807)	(12,791)	(13,473)	(12,536)
	31,118	15,742	25,503	18,960
Adjusted for the effects of tax remission:				
Current tax	(25,503)	(23,506)	(25,503)	(23,506)
	5,615	(7,764)	-	(4,546)

12. **EARNINGS PER STOCK UNIT ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY:**

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.

	2013	2012
Net profit attributable to stockholders ($'000)	93,593	74,661
Weighted average number of ordinary stock units ('000)	168,708	168,708
Basic earnings per stock unit ($)	0.55	0.44

The company has no dilutive potential ordinary shares.

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13. **DIVIDENDS:**

	2013 $'000	2012 $'000
Ordinary dividends -		
Interim 5 cents per stock unit (2012 – 5 cents)	8,435	8,435
Final nil (2012 – 5 cents)	-	8,394
	8,435	16,829

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

The Group

	Land & Building $'000	Plant, Equipment Furniture, & Fixtures $'000	Motor Vehicles $'000	Leasehold Improvement $'000	Total $'000
At cost:					
1 October 2012	76,791	66,141	12,561	8,568	164,061
Additions	-	5,838	6,774	537	13,149
Disposal	-	-	(6,400)	-	(6,400)
	76,791	71,979	12,935	9,105	170,810
Depreciation:					
1 October 2012	993	26,047	6,478	4,842	38,360
Charge for the year	1,250	6,854	1,637	2,038	11,779
Eliminated on disposal	-	-	(3,438)	-	(3,438)
	2,243	32,901	4,677	6,880	46,701
Net Book Value:					
30 September 2013	74,548	39,078	8,258	2,225	124,109
30 September 2012	75,798	40,094	6,083	3,726	125,701

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

The Company

	Plant, Equipment Furniture, & Fixtures $'000	Motor Vehicles $'000	Leasehold Improvement $'000	Total $'000
At cost:				
1 October 2012	45,943	12,561	2,064	60,568
Additions	3,465	6,774	-	10,239
Disposal	-	(6,400)	-	(6,400)
	49,408	12,935	2,064	64,407
Depreciation:				
1 October 2012	22,932	6,478	1,800	31,210
Charge for the year	3,942	1,637	197	5,776
Eliminated on disposal	-	(3,438)	-	(3,438)
	26,874	4,677	1,997	33,548
Net Book Value:				
30 September 2013	22,534	8,258	67	30,859
30 September 2012	23,011	6,083	264	29,358

15. **INVESTMENT PROPERTIES:**

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At beginning of period	30,000	31,441	30,000	31,441
Change in fair value	1,000	(1,441)	1,000	(1,441)
Acquisition	23,227	-	-	-
At 30 September	54,227	30,000	31,000	30,000

The investment property as at September 2013 was valued at current market value by K.B. Real Estate Agents, Appraisers, Auctioneers and Consultants.

During the year $1,948,520 (2012 - $1,747,698) was recognized in the consolidated income statement in relation to rental of investment properties. Direct operating expenses including repairs and maintenance amounted to $109,757.

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16. **INVESTMENT IN ASSOCIATE:**

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Investment at beginning of year	20,461	21,509	40,398	33,085
Share of results after tax	(11,145)	(8,361)	-	-
Additions	5,384	7,313	5,384	7,313
At end of year	14,700	20,461	45,782	40,398

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

	2013 $'000	2012 $'000
Assets	96,872	93,998
Liabilities	(160,305)	(134,675)
Revenue	394,362	342,724
Net loss	(22,736)	(17,064)

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

The following transactions were carried out with related parties.

(a) Key management compensation –

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Salaries and other short-term employees benefits	16,011	12,969	16,011	11,902

(b) Year-end balances with related companies

	The Company	
	2013 $'000	2012 $'000
Receivable from subsidiaries -		
H. Mahfood and Sons Ltd.	206,393	124,245
JRG Shoppers Delite Enterprise Limited	35,513	23,500
	241,906	147,745
Due to subsidiary –		
JRG Shoppers Delite Enterprise Limited	26,259	2,222

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

(c) Year-end balances with directors

	2013 $'000	2012 $'000
Amounts included in –		
Receivables (note 21)	1,312	604
Other loans (note 28)	4,020	15,216

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

Transactions -

	2013 $'000	2012 $'000
Sale of goods	226,430	211,679
Services rendered	12,092	11,110

Balances –

	2013 $'000	2012 $'000
Amounts included in receivables (note 23)	29,627	25,052
Amounts included in payables (note 27)	(2,420)	(2,413)

18. **INVESTMENTS:**

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Available-for-sale at market value –				
Government of Jamaica bonds	59,977	60,012	59,977	60,012
Corporate bonds	-	28,422	-	28,422
Quoted equities	73,932	80,985	73,932	80,985
Unquoted equities at cost	16,745	15,746	999	-
	150,654	185,165	134,908	169,419

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18. **INVESTMENTS (CONT'D):**

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

	2013	2012
Government of Jamaica Bonds -		
- J$	7%	12.38%
Corporate Bonds -		
- US$	-	8.87%

19. **DEFERRED TAXATION:**

Deferred income taxes are calculated in full on temporary differences under the liability method using the principal tax rate of 25% (2012 – 33 1/3%).

The movement in deferred tax assets and liabilities during the period is as follows:

Deferred tax liabilities –

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Accelerated tax depreciation -				
At beginning of year	-	(4,546)	-	(4,546)
Income statement credit	-	4,546	-	4,546
At end of year	-	-	-	-

Deferred tax assets – The Group

	Accelerated Tax Depreciation	Tax Loss	2013 Total $'000	2012 Total $'000
At beginning of year	1,344	5,983	7,327	3,755
Income statement (charge)/credit	3,334	(5,983)	(2,649)	3,572
At end of year	4,678	-	4,678	7,327

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19. **DEFERRED TAXATION (CONT'D):**

Deferred tax charge in income statement –

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Decrease in deferred tax liabilities	-	(4,546)	-	(4,546)
Decrease in deferred tax assets	(2,649)	(3,572)	-	-
	(2,649)	(8,118)	-	(4,546)

20. **INVENTORIES:**

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Manufacturing:				
Machine spares	5,528	4,800	5,528	4,800
Finished goods	35,649	36,145	35,649	36,145
Raw materials	71,919	54,829	71,919	54,830
	113,096	95,774	113,096	95,775
Retail	43,474	35,578	-	-
Development:				
Housing under construction	-	60,228	-	-
Housing units completed	20,126	-	-	-
	176,696	191,580	113,096	95,775

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21. **RECEIVABLES:**

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade receivables	209,002	71,912	102,885	71,696
Deposit	37,712	1,993	23,885	1,489
Receivable - director	1,312	705	1,312	605
Prepaid expenses	15,854	9,771	15,513	6,842
Short term loan receivable	11,665	8,654	10,723	8,027
Other receivables	3,946	7,308	2,198	5,607
	279,491	100,343	156,516	94,266

Trade receivables balance at the end of the year, approximately $65.4 million (2012 - $25.6 million) is due from the company's largest customers and are in the approved credit limit. There are no other customers who represent more than 5% of the total balance of trade receivables. The company does not hold any collateral over trade receivables balances.

The aging of trade receivables is as follows:

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
0-30 days	178,112	52,479	74,768	52,263
31-60 days	5,352	10,773	5,237	10,773
61-90 days	11,350	8,660	11,314	8,660
Over 90 days	14,188	-	11,566	-
	209,002	71,912	102,885	71,696

22. **CASH AND CASH EQUIVALENTS:**

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash in hand	1,802	712	1,117	169
Cash at bank	91,841	6,477	83,822	6,359
	93,643	7,189	84,939	6,528
Bank overdraft (unsecured)	(46,574)	(5,972)	(30,791)	-
	47,069	1,217	54,148	6,528

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

Interest rate exposure -

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

		2013	**2012**
Cash at bank	- US$	0.20%	0.55%
	- CAD$	0.20%	0.30%
	- Sterling £	0.25%	0.50%

23. **SHARE CAPITAL:**

	2013 $'000	**2012 $'000**
Authorised - 250,000,000 (2012 – 250,000,000) ordinary shares of no par value		
Stated capital - Issued and fully paid ordinary shares of no par value 168,708,365 (2012 – 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 2012, 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 2012 in whole or in part. 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 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. At the end of the financial year the following allocations were made:

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24. **CAPITAL RESERVES:**

	2013 $'000	2012 $'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

25. **FAIR VALUE RESERVES:**

This represents unrealised deficit on revaluation of investments.

26. **LONG TERM LIABILITIES:**

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Inter-American Bank	10,738	25,384	10,738	25,384
Vendor's mortgage	28,261	38,435	-	-
	38,999	63,819	10,738	25,385
Less current portion	(27,716)	(28,142)	(10,738)	(14,325)
	11,283	35,677	-	11,060

The Inter-American Bank loan is repayable over three years ending April 2014, at an interest rate of 6.09%. It is secured by Government of Jamaica bonds with a nominal value of $54 million and personal guarantee of a director.

The vendor's mortgage is repayable over three years ending March 2015 at an interest rate of 5%. It is secured by the property located at 9 Chancery Street, St. Andrew.

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27. **PAYABLES:**

	The Group		The Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Trade payables	45,748	35,697	22,649	7,971
Other payables	21,336	16,216	3,402	14,489
	67,084	51,913	26,051	22,460

28. **SHORT TERM BORROWINGS:**

	The Group		The Company	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
National Commercial Bank Jamaica Limited	30,000	-	15,000	-
Bank of Nova Scotia Jamaica Limited	80,000	-	80,000	-
Mayberry Investments Limited	46,308	24,273	46,308	24,273
Other loans	8,220	15,216	6,444	15,216
Current portion of long term loans (note 26)	27,716	28,142	10,738	14,325
	192,244	67,631	158,490	53,814

The National Commercial Bank Jamaica Limited loans are payable within one year at an interest rate of 11% and are secured by a personal guarantee of a director.

The Bank of Nova Scotia Jamaica Limited loan is repayable in three months at an interest rate of 8.5%. It is secured by a fixed deposit. Subsequent to the year end the repayment period of the loan was re-negotiated to five years, and a first legal mortgage over commercial property located at 2 Bell Road, Industrial Estate.

The Mayberry Investments Limited loan is repayable within one year at an interest rate of 13%. This loan is secured by quoted equity investments held by the institution with a market value of $71 million.

The other loans are unsecured, interest free and have no fixed repayment terms.

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29. **COMMITMENTS:**

The total future value of minimum lease payments due is $6,538,310 as follows:

	$
In financial year:	
2014	7,143,559
2015	1,087,751

30. **SUBSEQUENT EVENT:**

In October 2013, the company issued a $200 million corporate bond to be floated for four years with interest paid monthly. During the first two years, interest will be fixed at 8.5% per annum and thereafter, the coupon rate will vary according to the one month treasury bill and a reset margin of 2.5% points. At the time of closure of the issue an amount of $104 million was received.

Jamaican Teas Limited signed an agreement to purchase Orchid Estates in Yallahs for $63 million, the construction has been approved for 71 two-bedroom houses on which work should commence for the first units in 2014.

Jamaican Teas Limited is in the process of purchasing a commercial property located at 2 Bell Road, Industrial Estate at a cost of $87,985,000 and the company will relocate its warehouse and business operation in February 2014.