

JAMAICAN TEAS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2016

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CONSOLIDATED FINANCIAL STATEMENTS
30 SEPTEMBER 2016

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INDEPENDENT AUDITORS' REPORT

To the Members of
Jamaican Teas Limited

Report on the Consolidated and Company Stand Alone Financial Statements

We have audited the accompanying consolidated financial statements of Jamaican Teas Limited and its subsidiaries set out on pages 3 to 58, which comprise the consolidated statement of financial position as at 30 September 2016, consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and the accompanying financial statements of Jamaican Teas Limited standing alone which comprise the statement of financial position as at 30 September 2016 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements

Management is responsible for the preparation of the consolidated and company stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and company stand alone financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and stand alone 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 consolidated and company stand alone financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 consolidated and company stand alone 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 consolidated financial statements of Jamaican Teas Limited and its subsidiaries, and the financial statements of Jamaican Teas Limited standing alone give a true and fair view of the financial position of Jamaican Teas Limited and its subsidiaries and Jamaican Teas Limited standing alone as at 30 September 2016, and of their financial performance and cash flows for the year then ended, so far as it concerns the members of Jamaican Teas Limited 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 accompanying consolidated and stand alone financial statements are in agreement therewith, and give the information required by the Jamaican Companies Act, in the manner so required.

A handwritten signature in black ink, appearing to be 'BSQ', written over a faint, large watermark of the BDO logo.

Chartered Accountants

29 December 2016

JAMAICAN TEAS LIMITED

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME**

YEAR ENDED 30 SEPTEMBER 2016

	<u>Note</u>	<u>2016</u> <u>\$'000</u>	<u>(Restated)</u> <u>2015</u> <u>\$'000</u>
<u>CONTINUING OPERATIONS</u>			
REVENUE	6	1,287,094	1,336,177
Cost of sales		(980,949)	(1,077,048)
GROSS PROFIT		306,145	259,129
Other operating income	7	<u>60,705</u>	<u>28,549</u>
		<u>366,850</u>	<u>287,678</u>
ADMINISTRATIVE AND OTHER EXPENSES			
Selling and marketing		(43,913)	(33,659)
Administrative expenses		<u>(118,993)</u>	<u>(125,147)</u>
		<u>(162,906)</u>	<u>(158,806)</u>
OPERATING PROFIT		203,944	128,872
Finance costs	9	(38,669)	(37,754)
Share of results of associated company	17	<u>-</u>	<u>(12,737)</u>
PROFIT BEFORE TAXATION		165,275	78,381
Taxation expense	11	<u>(18,766)</u>	<u>(6,180)</u>
PROFIT FROM CONTINUING OPERATIONS		146,509	72,201
Loss from discontinued operations	12	<u>(28,574)</u>	<u>-</u>
NET PROFIT		117,935	72,201
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to profit or loss -			
Unrealised gain on available-for-sale investments		<u>34,890</u>	<u>15,968</u>
TOTAL COMPREHENSIVE INCOME		<u>152,825</u>	<u>88,169</u>
Net profit attributable to:			
Owners of Jamaican Teas Limited		<u>117,935</u>	<u>72,201</u>
Total comprehensive income attributable to:			
Owners of Jamaican Teas Limited		<u>152,825</u>	<u>88,169</u>
Earnings per stock unit for profit attributable to owners of the company during the year:			
From continuing operations	13	<u>\$ 0.43</u>	<u>\$ 0.21</u>
Including results of discontinued operation	13	<u>\$ 0.35</u>	<u>\$ 0.21</u>

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2016

	Note	2016 \$'000	(Restated) 2015 \$'000	(Restated) 2014 \$'000
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment	14,31	291,234	268,573	274,054
Investment properties	15,31	89,353	78,763	74,948
Intangible assets	16	2,065	1,594	1,390
Investment in associate	17	22,829	25,095	24,770
Investments	18	157,789	117,571	101,523
Deferred tax assets	19	-	3,790	7,121
		<u>563,270</u>	<u>495,386</u>	<u>483,806</u>
CURRENT ASSETS:				
Inventories	20	446,014	389,280	288,906
Receivables	21	182,946	277,927	219,644
Taxation recoverable		2,143	8,679	9,253
Short term investment		-	-	21,884
Current asset held-for-sale	22	21,100	-	-
Cash and cash equivalents	23	31,320	22,900	14,657
		<u>683,523</u>	<u>698,786</u>	<u>554,344</u>
		<u>1,246,793</u>	<u>1,194,172</u>	<u>1,038,150</u>
EQUITY AND LIABILITIES				
STOCKHOLDERS' EQUITY:				
Share capital	24	141,420	141,420	141,420
Capital reserves	25	7,059	7,059	7,059
Fair value reserves	26	45,117	10,227	(11,913)
Retained earnings		<u>684,507</u>	<u>566,572</u>	<u>498,257</u>
		878,103	725,278	634,823
Non-controlling interest		-	-	(708)
		<u>878,103</u>	<u>725,278</u>	<u>634,115</u>
NON-CURRENT LIABILITIES:				
Long term liabilities	27	188,257	292,504	200,179
Deferred tax liabilities	19	6,168	-	-
		<u>194,425</u>	<u>292,504</u>	<u>200,179</u>
CURRENT LIABILITIES:				
Payables	28	81,160	64,353	100,766
Taxation payable		-	80	-
Short term borrowings	29	77,145	62,777	53,091
Bank overdraft	23	15,960	49,180	49,999
		<u>174,265</u>	<u>176,390</u>	<u>203,856</u>
		<u>1,246,793</u>	<u>1,194,172</u>	<u>1,038,150</u>

Approved for issue by the Board of Directors on 29 December 2016 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 2016

	Attributable to owners of the company			Non-	Total	
	Share Capital \$'000	Capital Reserve \$'000	Fair Value Reserve \$'000	Controlling Interest \$'000	Equity \$'000	
BALANCE AT 30 SEPTEMBER 2014	<u>141,420</u>	<u>7,059</u>	<u>(11,913)</u>	<u>498,257</u>	<u>(708)</u>	<u>634,115</u>
TOTAL COMPREHENSIVE INCOME						
Net profit	-	-	-	71,686	-	71,686
Other comprehensive income	-	-	15,968	-	-	15,968
Fair value gain realized	-	-	<u>6,172</u>	-	-	<u>6,172</u>
	-	-	<u>22,140</u>	<u>71,686</u>	-	<u>93,826</u>
TRANSACTIONS WITH OWNERS						
Acquisition of additional shares in a subsidiary	-	-	-	(5,311)	708	(4,603)
	-	-	-	(5,311)	708	(4,603)
Balance at 30 September 2015 (as previously stated)	<u>141,420</u>	<u>7,059</u>	<u>10,227</u>	<u>564,632</u>	<u>-</u>	<u>723,338</u>
Accumulated amortization reversed	-	-	-	<u>1,940</u>	-	<u>1,940</u>
BALANCE AT 30 SEPTEMBER 2015 (restated)	<u>141,420</u>	<u>7,059</u>	<u>10,227</u>	<u>566,572</u>	<u>-</u>	<u>725,278</u>
TOTAL COMPREHENSIVE INCOME						
Net profit	-	-	-	117,935	-	117,935
Other comprehensive income	-	-	<u>34,890</u>	-	-	<u>34,890</u>
	-	-	<u>34,890</u>	<u>117,935</u>	-	<u>152,825</u>
BALANCE AT 30 SEPTEMBER 2016	<u>141,420</u>	<u>7,059</u>	<u>45,117</u>	<u>684,507</u>	<u>-</u>	<u>878,103</u>

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2016

	<u>2016</u> <u>\$'000</u>	(Restated) <u>2015</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	117,935	72,201
Items not affecting cash resources:		
Gain on revaluation	(6,839)	-
(Gain)/loss on disposal of investments	(34,650)	2,764
Gain on disposal of property, plant and equipment	(7,343)	(715)
Share of loss from associate	-	12,737
Loss on sale of discontinued operation	28,574	-
Exchange gain on foreign balances	(8,535)	(6,853)
Depreciation	17,306	15,926
Amortisation	584	630
Interest expense	36,850	35,574
Interest income	(591)	(10,624)
Taxation	<u>18,766</u>	<u>6,180</u>
	162,057	127,820
Changes in operating assets and liabilities:		
Inventories	(56,734)	(100,374)
Receivables	94,981	(58,283)
Current asset held for sale	(21,100)	-
Payables	<u>16,807</u>	<u>(36,413)</u>
	196,011	(67,250)
Tax paid	<u>(2,353)</u>	<u>(2,195)</u>
Cash provided by/(used in) operating activities	<u>193,658</u>	<u>(69,445)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net decrease in investments	8,366	25,212
Proceeds from disposal of property, plant and equipment	36,864	1,450
Acquisition of investment property	(3,750)	(2,391)
Acquisition of property, plant and equipment	(48,181)	(11,179)
Investment in subsidiaries	-	(4,603)
Sale of discontinued operation	(28,574)	-
Purchase of intangible assets	(1,406)	(834)
Net increase in investment in associate	2,266	(13,062)
Interest received	<u>591</u>	<u>10,624</u>
Cash (used in)/provided by investing activities	<u>(33,824)</u>	<u>5,217</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	3,322	105,928
Loan repayments	(93,201)	(3,917)
Interest paid	<u>(36,850)</u>	<u>(35,574)</u>
Cash (used in)/provided by financing activities	<u>(126,729)</u>	<u>66,437</u>
INCREASE IN CASH AND CASH EQUIVALENTS	33,105	2,209
Cash and cash equivalents at beginning of year	(26,280)	(35,342)
Exchange gain on foreign cash balances	<u>8,535</u>	<u>6,853</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 23)	<u>15,360</u>	<u>(26,280)</u>

JAMAICAN TEAS LIMITED

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 30 SEPTEMBER 2016

	<u>Note</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
REVENUE	6	800,168	732,467
Cost of sales		<u>(547,930)</u>	<u>(527,658)</u>
GROSS PROFIT		252,238	204,809
Other operating income	7	<u>65,115</u>	<u>40,453</u>
		317,353	245,262
Administrative and other expenses		<u>(139,859)</u>	<u>(115,721)</u>
OPERATING PROFIT		177,494	129,541
Finance costs	9	<u>(31,100)</u>	<u>(31,786)</u>
PROFIT BEFORE TAXATION		146,394	97,755
Taxation expense	11	<u>(13,369)</u>	<u>(4,103)</u>
NET PROFIT		133,025	93,652
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to profit or loss -			
Unrealised gain on available- for- sale investments		<u>34,890</u>	<u>15,968</u>
TOTAL COMPREHENSIVE INCOME		<u>167,915</u>	<u>109,620</u>

JAMAICAN TEAS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

30 SEPTEMBER 2016

	<u>Note</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
ASSETS			
NON-CURRENT ASSETS:			
Property, plant and equipment	14	231,532	200,935
Investment properties	15	33,910	31,353
Intangible assets	16	754	1,020
Investment in subsidiaries		18,410	18,410
Investment in associate	17	95,713	80,115
Due from subsidiaries	30	391,450	375,583
Investments	18	<u>157,789</u>	<u>93,340</u>
		<u>929,558</u>	<u>800,756</u>
CURRENT ASSETS:			
Inventories	20	160,166	117,768
Receivables	21	164,217	206,355
Taxation recoverable		950	7,731
Cash and cash equivalents	23	<u>15,763</u>	<u>15,088</u>
		<u>341,096</u>	<u>346,942</u>
		<u>1,270,654</u>	<u>1,147,698</u>
EQUITY AND LIABILITIES			
STOCKHOLDERS' EQUITY:			
Share capital	24	141,420	141,420
Fair value reserves	26	45,117	10,227
Retained earnings		<u>784,946</u>	<u>651,921</u>
		<u>971,483</u>	<u>803,568</u>
NON-CURRENT LIABILITIES:			
Long term liabilities	27	188,257	201,166
Deferred tax liabilities	19	<u>6,409</u>	<u>1,681</u>
		<u>194,666</u>	<u>202,847</u>
CURRENT LIABILITIES:			
Due to subsidiary	30	7,779	9,415
Payables	28	20,007	28,972
Short term borrowings	29	76,717	62,676
Bank overdraft	23	<u>2</u>	<u>40,220</u>
		<u>104,505</u>	<u>141,283</u>
		<u>1,270,654</u>	<u>1,147,698</u>

Approved for issue by the Board of Directors on 29 December 2016 and signed on its behalf by:



 John Mahfood - Chief Executive Officer



 John Jackson - Director

JAMAICAN TEAS LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 SEPTEMBER 2016

	<u>Share Capital</u> <u>\$'000</u>	<u>Fair Value Reserve</u> <u>\$'000</u>	<u>Retained Earnings</u> <u>\$'000</u>	<u>Total</u> <u>\$'000</u>
BALANCE AT 30 SEPTEMBER 2014	<u>141,420</u>	<u>(11,913)</u>	<u>558,269</u>	<u>687,776</u>
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	93,652	93,652
Other comprehensive income	-	15,968	-	15,968
Fair value gain realised	<u>-</u>	<u>6,172</u>	<u>-</u>	<u>6,172</u>
	<u>-</u>	<u>22,140</u>	<u>93,652</u>	<u>115,792</u>
BALANCE AT 30 SEPTEMBER 2015	<u>141,420</u>	<u>10,227</u>	<u>651,921</u>	<u>803,568</u>
TOTAL COMPREHENSIVE INCOME				
Net profit	-	-	133,025	133,025
Other comprehensive income	<u>-</u>	<u>34,890</u>	<u>-</u>	<u>34,890</u>
	<u>-</u>	<u>34,890</u>	<u>133,025</u>	<u>167,915</u>
BALANCE AT 30 SEPTEMBER 2016	<u>141,420</u>	<u>45,117</u>	<u>784,946</u>	<u>971,483</u>

JAMAICAN TEAS LIMITED

COMPANY STATEMENT OF CASH FLOWS

YEAR ENDED 30 SEPTEMBER 2016

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	133,025	93,652
Items not affecting cash resources:		
(Gain)/loss on disposal of investments	(37,925)	2,764
Gain on disposal of property, plant and equipment	(3,608)	(715)
Exchange gain on foreign balances	(8,372)	(6,250)
Depreciation	12,852	10,608
Amortisation	266	244
Interest expense	31,100	31,786
Interest income	(591)	(22,333)
Taxation	<u>13,369</u>	<u>4,103</u>
	140,116	113,859
Changes in operating assets and liabilities:		
Inventories	(42,398)	10,787
Receivables	42,138	(8,108)
Related companies	(17,503)	(93,803)
Payables	<u>(8,965)</u>	<u>(30,372)</u>
	113,388	(7,637)
Tax paid	<u>(1,860)</u>	<u>(1,417)</u>
Cash provided by/(used in) operating activities	<u>111,528</u>	<u>(9,054)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in associate	(15,598)	(13,061)
Proceeds from disposal of property, plant and equipment	4,848	1,450
Acquisition of property, plant and equipment	(44,689)	(7,859)
Investment in subsidiaries	-	(4,604)
Purchase of intangible assets	-	(460)
Net decrease in investments	8,366	25,212
Interest received	591	22,333
Acquisition of investment property	<u>(2,557)</u>	<u>(353)</u>
Cash (used in)/provided by investing activities	<u>(49,039)</u>	<u>22,658</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan proceeds	2,995	14,590
Loan repayments	(1,863)	(1,797)
Interest paid	<u>(31,100)</u>	<u>(31,786)</u>
Cash used in financing activities	<u>(29,968)</u>	<u>(18,993)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	32,521	(5,389)
Exchange gain on foreign cash balances	8,372	6,250
Cash and cash equivalents at beginning of year	<u>(25,132)</u>	<u>(25,993)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 23)	<u>15,761</u>	<u>(25,132)</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

Jamaican Teas Limited (“the company”) is a company limited by shares incorporated and domiciled in Jamaica. The registered office of the company is 2 Bell Road, Kingston 11.

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

The company’s subsidiaries and associated company referred to as ‘the Group’ are as follows:

	<u>Principal Activities</u>	<u>Percentage Ownership by the Group</u>	
		<u>2016</u>	<u>2015</u>
Subsidiaries:			
JRG Shoppers Delite Enterprise Limited	Retail Distribution	100	100
H Mahfood & Sons Limited	Real Estate	100	100
Associate:			
Bay City Foods Limited	Retail Distribution	50	50

On 30 September 2016, JRG Shoppers Delite Enterprise Limited entered into an agreement for the sale of its equipment, intangibles and inventories at the Savanna-la-mar location (see note 12). Bay City Foods Limited, the Group’s associate, also entered into an agreement on 30 September 2016 for the sale of its equipment, intangibles and inventories (see note 33).

2. SIGNIFICANT ACCOUNTING POLICIES:

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

(a) Basis of preparation -

The consolidated financial statements are presented in Jamaican dollar which is also the company’s functional currency. Amounts are rounded to the nearest thousand, unless otherwise stated. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs), and have been prepared under the historical cost convention as modified by the revaluation of investment properties and financial assets that are measured at fair value.

The preparation of financial statements in conformity with IFRSs 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. Although these estimates are based on management’s best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2016

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

- (a) **Basis of preparation (cont'd) -**
Amendments to published standards effective in the current year that are relevant to the Group's operations

During the reporting period there were no new accounting pronouncements relevant to the Group's financial statements.

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

Amendment to IAS 1, 'Presentation of Financial Statements', (effective for annual periods beginning on or after 1 January 2016). This amendment forms part of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. It clarifies guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies. The amendment also clarifies that the share of the other comprehensive income (OCI) of associates and joint ventures accounted using the equity method must be presented in aggregate as a single line item, classified between those items that will or will not be subsequently reclassified to profit or loss. The Group is currently assessing the impact of future adoption of the amendments on its financial statements.

IAS 16, 'Property, Plant and Equipment' (effective for annual periods beginning on or after 1 January 2016). The amendment explicitly states that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

Amendment to IAS 27, 'Associates', (effective for annual periods beginning 1 January 2016), The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The Group is currently assessing whether to use the equity method in the separate financial statements of the company.

IFRS 9, Financial Instruments, (effective for annual periods beginning on or after 1 January 2018), replaces the existing guidance in IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, including a new expected credit loss model for calculating impairment of financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. Although the permissible measurement bases for financial assets - amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) - are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different. IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2016

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

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

Standards and amendments to published standards that are not yet effective and have not been early adopted by the Group (cont'd)

IFRS 15, 'Revenue from Contracts with Customers', (effective for annual periods beginning on or after 1 January 2018). It replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter Transactions involving Advertising Services. The new standard applies to contracts with customers. However, it does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other IFRS takes precedence.

The directors anticipate that the adoption of the standards, amendments and interpretations, which are relevant in future periods, is unlikely to have any material impact on the financial statements.

(b) **Basis of consolidation -**

The consolidated financial statements comprise a consolidation of the accounts of the Group and its subsidiaries. The results of the Group's subsidiaries have been prepared to align with the Group's reporting date.

Subsidiaries which are consolidated are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has the power to govern the financial and operating policies in order to obtain benefits from its activities. Subsidiaries are consolidated from the date on which the Group effectively takes control until the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated.

The subsidiaries consolidated are as follows:-

H Mahfood & Sons Limited	- 100% owned
JRG Shoppers Delite Enterprise Limited	- 100% owned

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(c) Associate -

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. The associate is 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 associate 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 associate company, incorporated in Jamaica is Bay City Foods Limited. The Group has a 50% interest in the company.

(d) Foreign currency translation -

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated to Jamaican dollars using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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 recognized in profit or loss. Translation differences on non-monetary financial instruments, such as equities classified as available-for-sale financial assets, are included in equity.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(e) Property, plant and equipment -

Items of property, plant and equipment are recorded at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. Land is not depreciated. The expected useful lives of the other property, plant and equipment are as follows:

Plant and equipment	10%
Furniture and fixtures	10%
Motor vehicles	20%
Computer	20%
Building	2½%
Leasehold improvements - shorter of lease and useful lives	

(f) Intangible assets -

Intangible asset which represents computer software is deemed to have a finite useful life of five years and is measured at cost, less accumulated amortisation and accumulated impairment losses, if any.

(g) Investment property -

Investment property is initially recognised at cost and subsequently carried at fair value with changes in the carrying value recognised in the statement of comprehensive income.

Fair value is determined every three years by an independent registered valuer, and in each of the two intervening years by the directors. Fair value is based on current prices in an active market for similar properties in the same location and condition.

Rent receivable is spread on a straight-line basis over the period of the lease.

(h) Impairment of non-current assets -

Non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(i) Financial instruments -

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity in another entity.

Financial assets

(i) Classification

The Group classifies its financial assets in the following 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 are included in current assets, except for maturities greater than 12 months after the reporting date. These are classified as non-current assets. The Group's loans and receivables comprise trade receivables and cash and cash equivalents.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the reporting date. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale.

(ii) Recognition and Measurement

Regular purchases and sales of financial assets are recognized on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value, with fair value gains or losses being recorded in other comprehensive income. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(i) Financial instruments (cont'd) -

Financial assets (cont'd)

(ii) Recognition and Measurement (cont'd)

Translation differences and changes in the fair value of non-monetary securities classified as available for sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments previously recognized as other comprehensive income are recycled to profit or loss.

Dividend on available-for-sale equity instruments are recognized in profit or loss as part of other operating income when the Group's right to receive payments is established.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss - is removed from other comprehensive income and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss.

Financial liabilities

The Group's financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest method. At the reporting date, the following items were classified as financial liabilities: long term liabilities, short term liabilities, bank overdraft and trade payables.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(j) 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, labour and related factory overheads.
Finished goods (purchased)	- Valued at landed costs.

Housing units completed and development costs are stated at the lower of cost and net realisable value.

Fair value less costs to sell is the estimated selling price in the ordinary course of business, less selling expenses and the costs of completion.

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

(k) Trade 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. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the expected cash flows discounted at the market rate of interest for similar borrowings. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognized in profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

(l) Cash and cash equivalents -

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 and in hand and short term deposits with original maturity of 90 days or less.

(m) Borrowings -

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds, net of transaction costs, and the redemption value is recognized in profit or loss over the period of the borrowings.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(n) Current and deferred income taxes -

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because taxable profits exclude items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at the reporting date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is charged or credited to profit or loss, except where it relates to items charged or credited to other comprehensive income or equity, in which case deferred tax is also dealt with in other comprehensive income or equity.

Deferred income tax liabilities are not recognized for the withholding tax and other taxes that would be payable on the unremitted earnings of subsidiaries as such amounts are permanently reinvested and are not subject to tax.

(o) Employee benefits -

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

(p) 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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D):

(q) **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 Lessee -

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.

(r) **Revenue recognition -**

Revenue is recognized in the statement of comprehensive income 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.

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

Dividend income is recognised when the right to receive payment is established based on the record date of the dividends.

(s) **Segment reporting -**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. Operating segments are reported in a manner consistent with internal reporting to the Group's chief operating decision maker.

(t) **Dividend distribution -**

Dividend distribution to the Group's shareholders are recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the directors in respect of interim dividend and the Group's shareholders in respect of final dividends and are recorded as a deduction from equity.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY:

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the Group's accounting policies -

In the process of applying the Group's accounting policies, management has not made any judgements that it believes would cause a significant impact on the amounts recognized in the financial statements.

(b) Key sources of estimation uncertainty -

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Depreciable assets

Estimates of the useful life and the residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Group applies a variety of methods in an effort to arrive at these estimates from which actual results may vary. Actual variations in estimated useful lives and residual values are reflected in profit or loss through impairment or adjusted depreciation provisions.

(ii) Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

Level 1	Quoted prices in active markets for identical assets or liabilities (unadjusted).
Level 2	Observable direct or indirect inputs other than level 1 inputs.
Level 3	Unobservable inputs (i.e. not derived from market data).

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D):

(b) Key sources of estimation uncertainty (cont'd) -

(ii) Fair value measurement (cont'd)

The classification of an item into the above level is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item.

Transfer of items between levels are recognised in the period they occur.

The Group measures a number of items at fair value:

- Investment properties (note 15)
- Financial instruments (note 18)

For more detailed information in relation to the fair value measurement of the items above, please refer to applicable notes.

(iii) Income taxes

Estimates are required in determining the provision for income tax. There are some transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises 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 determination is made.

4. FINANCIAL RISK MANAGEMENT:

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Fair value or cash flow interest rate risk
- Foreign exchange risk
- Other market price, and
- Liquidity risk

In common with all other businesses, the Group's activities expose it to a variety of risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

4. FINANCIAL RISK MANAGEMENT (CONT'D):

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

(i) Principal financial instruments

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

- Trade receivables
- Cash and cash equivalents
- Investments in quoted and unquoted equity securities
- Trade payables
- Bank overdrafts
- Loans and borrowings

(ii) Financial instruments by category

The Group

Financial assets

	Loans and Receivables		Available-for-sale	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Cash and cash equivalents	31,320	22,900	-	-
Trade receivables	148,712	233,729	-	-
Equities	-	-	<u>157,789</u>	<u>117,571</u>
Total financial assets	<u>180,032</u>	<u>256,629</u>	<u>157,789</u>	<u>117,571</u>

Financial liabilities at amortised cost -

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Bank overdraft	15,960	49,180
Trade payables	65,410	45,404
Loans and borrowings	<u>265,402</u>	<u>355,281</u>
Total financial liabilities	<u>346,772</u>	<u>449,865</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (CONT'D):

(ii) Financial instruments by category (cont'd)

The Company

Financial assets -

	<u>Loans and Receivables</u>		<u>Available-for-sale</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Cash and cash equivalents	15,763	15,088	-	-
Trade receivables	140,289	172,008	-	-
Equities	-	-	<u>157,789</u>	<u>93,340</u>
Total financial assets	<u>156,052</u>	<u>187,096</u>	<u>157,789</u>	<u>93,340</u>

Financial liabilities at amortised cost -

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Bank overdraft	2	40,220
Trade payables	18,347	13,898
Loans and borrowings	<u>264,974</u>	<u>263,842</u>
Total financial liabilities	<u>283,323</u>	<u>317,960</u>

(iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and bank balances, trade receivables, trade payables, bank overdraft and loans and borrowings.

Due to their short-term nature, the carrying value of cash and bank balances, trade receivables, bank overdraft and trade payables approximates their fair value.

The carrying values of loans and borrowings approximate their fair values, as they are carried at amortised cost reflecting their contractual obligations and the interest rates are reflective of current market rates for similar transactions.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (CONT'D):

(iv) Financial instruments measured at fair value

The fair value hierarchy of financial instruments measured at fair value is provided below:

	2016		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale:			
Quoted equities	<u>157,789</u>	<u>-</u>	<u>157,789</u>
	2015		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Available-for-sale:			
Quoted equities	<u>92,341</u>	<u>-</u>	<u>92,341</u>

There were no transfers between levels during the year.

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.

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.

Specific valuation techniques used to value financial instruments include quoted market prices or dealer quotes for similar instruments.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

4. FINANCIAL RISK MANAGEMENT (CONT'D):

(v) Financial risk factors

The Board of Directors 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 frequent 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 Finance and Audit Committee also reviews the risk management policies and processes.

The overall objective of the Board is to set policies 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:

(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 Group's of related counterparties.

Cash and bank balances

Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any one financial institution.

Trade and other 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 assessed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's assessment includes bank references.

The Board of Directors determines concentrations of credit risk by quarterly monitoring the creditworthiness of existing customers and through a regular 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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

4. FINANCIAL RISK MANAGEMENT (CONT'D):

(v) Financial risk factors (cont'd)

(i) Credit risk (cont'd)

The maximum exposure to credit risk is as follows:

The Group

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Financial assets -		
Cash and cash equivalents	31,320	22,900
Trade receivables	148,712	233,729
Investments	<u>157,789</u>	<u>117,571</u>
Total financial assets	<u>337,821</u>	<u>374,200</u>

The Company

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Financial assets -		
Cash and cash equivalents	15,763	15,088
Trade receivables	140,289	172,008
Investments	<u>157,789</u>	<u>93,340</u>
Total financial assets	<u>313,841</u>	<u>280,436</u>

Trade receivables that are past due but not impaired

As at 30 September 2016, trade receivables of \$21,855,594 (2015 - \$14,031,247) were past due but not impaired. These relate to independent customers for whom there is no recent history of default.

(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.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

4. FINANCIAL RISK MANAGEMENT (CONT'D):

(v) Financial risk factors (cont'd)

(ii) Market risk (cont'd)

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 States 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.

Concentration of currency risk

The table below summaries the Group and Company exposure to foreign exchange rate risk as at 30 September 2016.

	2016			2015		
	<u>US</u> <u>J\$'000</u>	<u>GBP</u> <u>J\$'000</u>	<u>CAN</u> <u>J\$'000</u>	<u>USD</u> <u>J\$'000</u>	<u>GBP</u> <u>J\$'000</u>	<u>CAN</u> <u>J\$'000</u>
Financial assets:						
Cash and cash equivalents	7,910	1,335	3,482	11,302	2,797	240
Trade receivables	<u>87,053</u>	-	-	<u>99,821</u>	<u>489</u>	<u>1,578</u>
Total financial assets	<u>94,963</u>	<u>1,335</u>	<u>3,482</u>	<u>111,123</u>	<u>3,286</u>	<u>1,818</u>
Financial liabilities:						
Trade payables	<u>7,641</u>	<u>118</u>	<u>2,351</u>	<u>1,626</u>	-	<u>1,577</u>
Net financial assets	<u>87,322</u>	<u>1,217</u>	<u>1,131</u>	<u>109,497</u>	<u>3,286</u>	<u>241</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

4. FINANCIAL RISK MANAGEMENT (CONT'D):

(v) Financial risk factors (cont'd)

(ii) Market risk (cont'd)

Foreign currency sensitivity

The following table indicate the currencies to which the Group 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 6% increase (2015 - 8%) and 1% (2015 - 1%) appreciation of the Jamaican dollar against the various currencies. The changes below would have no impact on other components of equity.

	% Change in Currency Rate	Effect on Profit Before Taxation <u>2016</u> \$'000	% Change in Currency Rate	Effect on Profit Before Taxation <u>2015</u> \$'000
Currency:				
US\$	+1	(873)	+1	(1,095)
GPB	+1	(12)	+1	(33)
CAN\$	+1	(11)	+1	(2)
US\$	-6	5,239	-8	8,760
GBP	-6	73	-8	263
CAN\$	<u>-6</u>	<u>68</u>	<u>-8</u>	<u>19</u>

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 Group also analyses its interest exposure arising from borrowings on an ongoing basis taking into consideration the options of refinancing, renewal of existing positions and alternative financing. The policy also requires it to manage the maturities of interest bearing financial assets and interest bearing financial bearing liabilities.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (CONT'D):

(v) Financial risk factors (cont'd)

(ii) Market risk (cont'd)

Interest rate risk (cont'd)

The Group's interest rate risk arises from deposits, Government of Jamaica bonds, bank overdraft and loans and borrowings.

Interest rate sensitivity

There is no significant exposure to interest rate risk on short term deposits as these deposits have a short term to maturity and are constantly reinvested at current market rates. Investments are at fixed rates.

There is no significant exposure to interest rate risk on borrowings as these are at fixed rates and are carried at amortised cost.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity price risk because of equity investments held and classified on the statement of financial position as available-for-sale. The Group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

The impact of a 10% change in the quoted prices for these equities would be an increase or decrease in the carrying value of \$15,778,940 (2015 - \$9,234,000) in other comprehensive income.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL RISK MANAGEMENT (CONT'D):

(v) Financial risk factors (cont'd)

(iii) Liquidity risk (cont'd)

Liquidity risk management process

The Group's liquidity management process, as carried out within the company and monitored by the Finance Department, includes:

- (i) Monitoring future cash flows and liquidity on an ongoing basis.
- (ii) Maintaining a portfolio of short term deposit balances that can easily be liquidated as protection against any unforeseen interruption to cash flow.
- (iii) Maintaining committed lines of credit.
- (iv) Optimising cash returns on investments.

Cash flows of financial liabilities

The maturity profile of the company's financial liabilities, based on contractual undiscounted payments, is as follows:

The Group

	Within 1 Year <u>\$'000</u>	1 to 2 Years <u>\$'000</u>	2 to 5 Years <u>\$'000</u>	Over 5 Years <u>\$'000</u>	Total <u>\$'000</u>
At 30 September 2016:					
Trade payables	65,410	-	-	-	65,410
Bank overdraft	15,960	-	-	-	15,960
Loans and borrowings	<u>105,714</u>	<u>143,715</u>	<u>92,066</u>	<u>18,366</u>	<u>359,861</u>
Total	<u>187,084</u>	<u>143,715</u>	<u>92,066</u>	<u>18,366</u>	<u>441,231</u>

	Within 1 Year <u>\$'000</u>	1 to 2 Years <u>\$'000</u>	2 to 5 Years <u>\$'000</u>	Over 5 Years <u>\$'000</u>	Total <u>\$'000</u>
At 30 September 2015:					
Trade payables	45,404	-	-	-	45,404
Bank overdraft	49,180	-	-	-	49,180
Loans and borrowings	<u>191,612</u>	<u>51,732</u>	<u>221,484</u>	<u>11,985</u>	<u>476,813</u>
Total	<u>286,196</u>	<u>51,732</u>	<u>221,484</u>	<u>11,985</u>	<u>571,397</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

4. FINANCIAL RISK MANAGEMENT (CONT'D):

(v) Financial risk factors (cont'd)

(iii) Liquidity risk (cont'd)

The Company

	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
At 30 September 2016:					
Trade payables	18,347	-	-	-	18,347
Bank overdraft	2	-	-	-	2
Loans and borrowings	<u>195,252</u>	<u>143,715</u>	<u>92,066</u>	<u>18,366</u>	<u>449,399</u>
Total	<u>213,601</u>	<u>143,715</u>	<u>92,066</u>	<u>18,366</u>	<u>467,748</u>

	Within 1 Year \$'000	1 to 2 Years \$'000	2 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
At 30 September 2015:					
Trade payables	13,898	-	-	-	13,898
Bank overdraft	40,220	-	-	-	40,220
Loans and borrowings	<u>100,173</u>	<u>51,732</u>	<u>221,484</u>	<u>11,985</u>	<u>385,374</u>
Total	<u>154,291</u>	<u>51,732</u>	<u>221,484</u>	<u>11,985</u>	<u>439,492</u>

(vi) Capital Management

The Group 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 paid to stockholders.

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

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2016

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

(vi) **Capital Management (cont'd)**

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

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Total borrowings	<u>281,362</u>	<u>404,461</u>
Owners' equity	<u>878,103</u>	<u>725,278</u>
Debt to equity ratio	<u>32.0%</u>	<u>55.8%</u>

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

5. **BUSINESS SEGMENTS:**

The Group is managed in three main business segments based on business activities. The segments are as follows:

- Manufacturing - 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 62% of its external revenue.
- Retailing - this segment is involved in the operation of supermarkets and contributed 31% of the Group's external revenue.
- Rental and development - this segment rents and develops properties for resale and contributed 7% of the Group's external revenue.

The share of results of associated company is not included in the measure of segments results and is not reviewed as part of the results of reportable segments. The results of the associated company are reviewed by the Board of Directors.

Deferred tax assets are not included in the measure of segment assets and are not reviewed as part of the result of the reportable segments. Deferred tax assets are however reviewed by the Chief Executive Officer.

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2016

5. BUSINESS SEGMENTS (CONT'D):

	2016			
	Manufacturing \$'000	Retailing \$'000	Rental & Development \$'000	Total \$'000
Revenue				
Total revenue from external customers	<u>800,168</u>	<u>394,287</u>	<u>89,919</u>	<u>1,284,374</u>
Amortisation	<u>266</u>	<u>318</u>	<u>-</u>	<u>584</u>
Depreciation	<u>12,852</u>	<u>3,049</u>	<u>1,405</u>	<u>17,306</u>
Segment profit/(loss)	<u>146,394</u>	<u>14,843</u>	<u>(4,038)</u>	<u>165,275</u>
(Reductions)/additions (in)/to non-current assets	<u>128,802</u>	<u>(5,110)</u>	<u>(21,559)</u>	<u>102,133</u>
Reportable segments assets	<u>765,081</u>	<u>62,640</u>	<u>396,243</u>	1,223,964
Investments in associate				<u>22,829</u>
Total Group assets				<u>1,246,793</u>
Reportable segment liabilities	<u>291,392</u>	<u>53,168</u>	<u>24,130</u>	<u>368,690</u>

JAMAICAN TEAS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 SEPTEMBER 2016

5. BUSINESS SEGMENTS (CONT'D):

	2015			
	Manufacturing \$'000	Retailing \$'000	Rental & Development \$'000	Total \$'000
Revenue				
Total revenue from external customers	<u>732,315</u>	<u>519,175</u>	<u>81,967</u>	<u>1,333,457</u>
Amortisation	<u>244</u>	<u>386</u>	<u>-</u>	<u>630</u>
Depreciation	<u>10,608</u>	<u>3,648</u>	<u>1,670</u>	<u>15,926</u>
Segment profit/(loss)	<u>97,755</u>	<u>1,358</u>	<u>(7,995)</u>	91,118
Share of results of associated company				(<u>12,737</u>)
Group profit before tax				<u>78,381</u>
(Reductions)/additions (in)/to non-current assets	<u>118,338</u>	<u>(264)</u>	<u>(4,254)</u>	<u>113,820</u>
Reportable segments assets	<u>673,590</u>	<u>62,262</u>	<u>429,435</u>	1,165,287
Investments in associate				25,095
Deferred tax assets				<u>3,790</u>
Total Group assets				<u>1,194,172</u>
Reportable segment liabilities	<u>333,032</u>	<u>31,276</u>	<u>104,586</u>	<u>468,894</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

6. REVENUE:

The Group

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Revenue arises from -		
Export sales - manufacturing group	400,171	369,850
Domestic sales - manufacturing group	399,997	362,465
Retail sales	394,287	519,175
Sale and rental of properties	<u>92,639</u>	<u>84,687</u>
	<u>1,287,094</u>	<u>1,336,177</u>

The Company

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Revenue arises from -		
Export sales	400,171	369,850
Domestic sales	<u>399,997</u>	<u>362,617</u>
	<u>800,168</u>	<u>732,467</u>

7. OTHER OPERATING INCOME:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Interest income	504	10,624	591	22,333
Rental income	-	-	3,560	3,024
Dividend income	4,746	4,829	4,746	4,829
Gain on sale of property, plant and equipment	3,608	715	3,608	715
Gain/(loss) on sale of investments	34,650	(2,764)	37,925	(2,764)
Net foreign exchange gain	8,417	6,865	8,372	6,251
Revaluation surplus	6,839	-	-	-
Miscellaneous income	<u>1,941</u>	<u>8,280</u>	<u>6,313</u>	<u>6,065</u>
	<u>60,705</u>	<u>28,549</u>	<u>65,115</u>	<u>40,453</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

8. EXPENSES BY NATURE:

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Advertising and promotion	43,913	33,659	41,924	30,361
Auditors' remuneration	3,148	3,279	2,162	2,040
Directors' emoluments:				
Remuneration	7,230	7,488	7,230	7,488
Fees	1,817	1,630	1,816	1,630
Cost of inventories recognised as an expense	882,243	974,115	477,777	466,307
Amortisation	584	630	266	244
Depreciation	17,306	15,926	12,852	10,608
Insurance	7,368	9,213	6,197	5,501
Repairs and maintenance	18,372	21,407	16,000	15,814
Staff costs (note 10)	97,032	93,136	73,043	59,251
Utilities	11,916	20,643	8,098	7,178
Rental and security	6,872	12,860	3,615	4,844
Other expenses	<u>46,054</u>	<u>41,868</u>	<u>36,809</u>	<u>32,113</u>
	<u>1,143,855</u>	<u>1,235,854</u>	<u>687,789</u>	<u>643,379</u>

9. FINANCE COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Loan interest	30,134	28,988	24,779	25,201
Bank charges and overdraft interest	<u>8,535</u>	<u>8,766</u>	<u>6,321</u>	<u>6,585</u>
	<u>38,669</u>	<u>37,754</u>	<u>31,100</u>	<u>31,786</u>

10. STAFF COSTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Wages and salaries	76,130	72,461	56,356	44,746
Pension	1,387	955	1,387	955
Other employment benefits	<u>19,515</u>	<u>19,720</u>	<u>15,300</u>	<u>13,550</u>
	<u>97,032</u>	<u>93,136</u>	<u>73,043</u>	<u>59,251</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

11. TAXATION EXPENSE:

Taxation is computed on the profit for the year, adjusted for taxation purposes and comprises income tax at 25%.

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current taxation	8,748	2,789	8,641	2,422
Deferred income tax (note 19)	9,958	3,331	4,728	1,681
Minimum business tax irrecoverable	<u>60</u>	<u>60</u>	<u>-</u>	<u>-</u>
	<u>18,766</u>	<u>6,180</u>	<u>13,369</u>	<u>4,103</u>

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. Also the company is in its sixth year since being listed on the Jamaican Stock Exchange Junior Market and is now subject to 50% tax remission as of 4 July 2015.

The tax on the profit before taxation differs from the theoretical tax charge that would arise using the applicable tax rate of 25% for the companies within the Group and 12.5% for the company.

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before taxation	<u>165,275</u>	<u>78,381</u>	<u>146,394</u>	<u>97,755</u>
Tax calculated at applicable rate	41,319	19,595	18,299	12,219
Adjusted for the effects of:				
Expenses not deducted for tax purposes	4,032	5,469	2,707	3,070
Net effects of other charges and allowances	<u>(17,969)</u>	<u>(2,900)</u>	<u>979</u>	<u>4,798</u>
	27,382	22,164	21,985	20,087
Adjusted for the effects of tax remission:				
Current tax	<u>(8,616)</u>	<u>(15,984)</u>	<u>(8,616)</u>	<u>(15,984)</u>
Taxation charge in income statement	<u>18,766</u>	<u>6,180</u>	<u>13,369</u>	<u>4,103</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

12. DISCONTINUED OPERATIONS:

(a) Bay City Foods Limited:

On 30 September 2016, the company entered into an agreement for the sale of its equipment, inventories and intangibles for a cash consideration of thirty one million five hundred thousand dollars (\$31,500,000) for the equipment and intangibles, with the price of the inventories to be determined on 31 October 2016 based on the physical inventory count, which was determined as \$17,065,121.

(b) JRG Shoppers Delite Enterprise Limited:

On 30 September 2016, the company entered into an agreement for the sale of its equipment, inventories and intangibles at the Savanna-la-mar location of JRG Shoppers Delite for a cash consideration of ten million dollars (\$10,000,000) for the equipment and intangibles, with the price of the inventories to be determined on 31 October 2016 based on physical inventory, which was determined as \$15,268,109.

	<u>\$'000</u>
Total consideration for equipment and intangibles	10,000
Net book value of equipment and tangibles	<u>(6,265)</u>
Gain on sale of discontinued operation	<u>3,735</u>

The loss on the discontinued operations was determined as follows:

	<u>\$'000</u>
JRG Shoppers Delite Enterprise Limited -	
Revenue	182,888
Cost of sales	(180,539)
Other income	5,985
Admin expense	(22,779)
Gain on sale of discontinued operation	<u>3,735</u>
	(10,710)
Share of Bay City loss on discontinued operations	<u>(17,864)</u>
Results of discontinued operation	<u>(28,574)</u>

The results of the operations for JRG Shoppers Delite Enterprise Limited in the prior year included revenue of \$160.556 million; cost of sales \$129.052 million; other income \$6.530 million; administrative expenses of \$52.526 million and net loss of \$14.492 million. The Group's share of Bay City's loss in prior year was \$12.737 million.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

12. DISCONTINUED OPERATION (CONT'D):

The statement of cash flows included the following amounts relating to the discontinued operation:

	<u>\$'000</u>
Operating activities	28,574
Investing activities	<u>(28,574)</u>
Net cash flow on disposal of discontinued operation	<u>-</u>

13. EARNINGS PER STOCK UNIT ATTRIBUTABLE TO STOCKHOLDERS OF THE GROUP:

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.

	<u>2016</u>	<u>2015</u>
Net profit from continuing operations attributable to stockholders (\$'000)	146,509	72,201
Number of ordinary stock units ('000)	337,417	337,417
Basic earnings per stock unit (\$) from continuing operations	<u>0.43</u>	<u>0.21</u>
	<u>2016</u>	<u>2015</u>
Net profit after inclusion of discontinued operation loss (\$'000)	117,935	72,201
Number of ordinary stock units ('000)	337,417	337,417
Basic earnings per stock unit (\$) including results of discontinued operation	<u>0.35</u>	<u>0.21</u>

The company is to issue 400,000 ordinary shares being directors' options that was exercised by a director during the financial year.

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

14. PROPERTY, PLANT AND EQUIPMENT:

The Group

	<u>Land & Building \$'000</u>	<u>Plant, Equipment Furniture, & Fixtures \$'000</u>	<u>Motor Vehicles \$'000</u>	<u>Leasehold Improvements \$'000</u>	<u>Work-in progress \$'000</u>	<u>Total \$'000</u>
At cost:						
1 October 2014	228,050	80,575	12,348	9,613	-	330,586
Additions	2,003	8,391	-	785	-	11,179
Disposal	-	(205)	(1,575)	-	-	(1,780)
Transfer	-	(130)	-	-	-	(130)
At 30 September 2015	230,053	88,631	10,773	10,398	-	339,855
Additions	540	28,448	13,542	1,260	4,391	48,181
Disposal	-	(12,628)	(7,515)	(3,604)	-	(23,747)
At 30 September 2016	<u>230,593</u>	<u>104,451</u>	<u>16,800</u>	<u>8,054</u>	<u>4,391</u>	<u>364,289</u>
Depreciation:						
1 October 2014	3,625	37,665	7,008	8,233	-	56,531
Charge for the year	4,969	7,740	1,934	1,283	-	15,926
Eliminated on disposal	-	(205)	(840)	-	-	(1,045)
Transfers	-	(130)	-	-	-	(130)
At 30 September 2015	8,594	45,070	8,102	9,516	-	71,282
Charge for the year	5,003	8,983	2,786	534	-	17,306
Eliminated on disposal	-	(5,969)	(6,275)	(3,289)	-	(15,533)
At 30 September 2016	<u>13,597</u>	<u>48,084</u>	<u>4,613</u>	<u>6,761</u>	<u>-</u>	<u>73,055</u>
Net Book Value:						
30 September 2016	<u>216,996</u>	<u>56,367</u>	<u>12,187</u>	<u>1,293</u>	<u>4,391</u>	<u>291,234</u>
30 September 2015	<u>221,459</u>	<u>43,561</u>	<u>2,671</u>	<u>882</u>	<u>-</u>	<u>268,573</u>

JAMAICAN TEAS LIMITED

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

The Company

	<u>Land & Building \$'000</u>	<u>Plant, Equipment Furniture, & Fixtures \$'000</u>	<u>Motor Vehicles \$'000</u>	<u>Leasehold Improvements \$'000</u>	<u>Work-in progress \$'000</u>	<u>Total \$'000</u>
At cost:						
1 October 2014	171,876	58,609	12,348	2,064	-	244,897
Additions	2,003	5,856	-	-	-	7,859
Disposal	<u>-</u>	<u>-</u>	<u>(1,575)</u>	<u>-</u>	<u>-</u>	<u>(1,575)</u>
At 30 September 2015	173,879	64,465	10,773	2,064	-	251,181
Additions	540	26,216	13,542	-	4,391	44,689
Disposal	<u>-</u>	<u>-</u>	<u>(7,515)</u>	<u>-</u>	<u>-</u>	<u>(7,515)</u>
At 30 September 2016	<u>174,419</u>	<u>90,681</u>	<u>16,800</u>	<u>2,064</u>	<u>4,391</u>	<u>288,355</u>
Depreciation:						
1 October 2014	887	30,519	7,008	2,064	-	40,478
Charge for the year	3,565	5,109	1,934	-	-	10,608
Disposal	<u>-</u>	<u>-</u>	<u>(840)</u>	<u>-</u>	<u>-</u>	<u>(840)</u>
At 30 September 2015	4,452	35,628	8,102	2,064	-	50,246
Charge for the year	3,598	6,468	2,786	-	-	12,852
Disposal	<u>-</u>	<u>-</u>	<u>(6,275)</u>	<u>-</u>	<u>-</u>	<u>(6,275)</u>
At 30 September 2016	<u>8,050</u>	<u>42,096</u>	<u>4,613</u>	<u>2,064</u>	<u>-</u>	<u>56,823</u>
Net Book Value:						
30 September 2016	<u>166,369</u>	<u>48,585</u>	<u>12,187</u>	<u>-</u>	<u>4,391</u>	<u>231,532</u>
30 September 2015	<u>169,427</u>	<u>28,837</u>	<u>2,671</u>	<u>-</u>	<u>-</u>	<u>200,935</u>

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15. INVESTMENT PROPERTIES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
At beginning of year	78,763	74,948	31,353	31,000
Acquisition	3,751	3,815	2,557	353
Revaluation surplus	<u>6,839</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September	<u>89,353</u>	<u>78,763</u>	<u>33,910</u>	<u>31,353</u>

During the year the Harbour Street property was revalued by independent valuers, K.B. Real Estate Company Limited of Kingston, Jamaica who has an appropriate recognized professional qualification and experience in the location and category of the property being valued. The increase in fair value of the investment property has been credited to income.

During the year \$5,120,000 (2015 - \$4,898,755) was recognized in the consolidated statement of comprehensive income in relation to rental of investment properties. Direct operating expenses including repairs and maintenance amounted to Nil (2015 - \$842,387).

16. INTANGIBLE ASSETS:

	<u>The Group</u>	<u>The Company</u>
	<u>2016</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>
Cost:		
At 1 October 2015	4,191	1,330
Additions	1,406	-
Disposal	(1,017)	<u>-</u>
At 30 September 2016	<u>4,580</u>	<u>1,330</u>
Amortisation:		
At 1 October 2015	2,597	310
Amortisation for the year	584	266
Disposal	(666)	<u>-</u>
At 30 September 2016	<u>2,515</u>	<u>576</u>
Carrying amounts:		
30 September 2016	<u>2,065</u>	<u>754</u>
30 September 2015	<u>1,594</u>	<u>1,020</u>

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17. INVESTMENT IN ASSOCIATE:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Investment at beginning of year	25,095	24,770	80,115	67,054
Share of results after tax	(17,864)	(12,737)	-	-
Additions	<u>15,598</u>	<u>13,062</u>	<u>15,598</u>	<u>13,061</u>
At end of year	<u>22,829</u>	<u>25,095</u>	<u>95,713</u>	<u>80,115</u>

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

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Assets	109,345	98,514
Liabilities	(245,127)	(209,824)
Revenue	352,341	354,643
Net loss	(35,729)	(25,473)
Net loss - Group share	<u>(17,864)</u>	<u>(12,737)</u>

The associate company disposed of its equipment on 30 September 2016 and its inventory on 31 October 2016 (see note 33). The current year Group share of the net loss is shown as a part of the discontinued operation for the year (see note 12).

18. INVESTMENTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Available-for-sale at market value -				
Quoted equities	157,789	92,341	157,789	92,341
Unquoted equities at cost	<u>-</u>	<u>25,230</u>	<u>-</u>	<u>999</u>
	<u>157,789</u>	<u>117,571</u>	<u>157,789</u>	<u>93,340</u>

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19. DEFERRED INCOME TAXES:

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 25%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Deferred tax (liabilities)/assets	(6,168)	3,790	(6,409)	(1,681)

The movement in deferred taxation is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Balance at start of year	3,790	7,121	(1,681)	-
Charge for the year (note 11)	(9,958)	(3,331)	(4,728)	(1,681)
Balance at end of year	(6,168)	3,790	(6,409)	(1,681)

Deferred taxation is due to the following temporary differences:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Tax losses	4,013	4,070	-	-
Accelerated capital allowances	(10,181)	(280)	(6,409)	(1,681)
	(6,168)	3,790	(6,409)	(1,681)

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19. DEFERRED INCOME TAXES (CONT'D):

Deferred taxation (charged)/credited to profit or loss comprises the following temporary differences:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Tax losses	(57)	1,053	-	-
Accelerated capital allowances	(9,901)	(4,384)	(4,728)	(1,681)
	<u>(9,958)</u>	<u>(3,331)</u>	<u>(4,728)</u>	<u>(1,681)</u>

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable periods is probable. Subject to agreement with the Tax Administration Jamaica, losses of approximately \$16,050,920 (2015 - \$16,278,758) for the company is available for set-off against future profits and may be carried forward indefinitely.

20. INVENTORIES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Manufacturing:				
Machine spares	6,514	5,867	6,514	5,867
Finished goods	45,790	49,363	45,790	49,363
Raw materials	<u>107,862</u>	<u>62,538</u>	<u>107,862</u>	<u>62,538</u>
	160,166	117,768	106,166	117,768
Retail	18,002	37,050	-	-
Development:				
Housing under construction	<u>267,846</u>	<u>234,462</u>	<u>-</u>	<u>-</u>
	<u>446,014</u>	<u>389,280</u>	<u>160,166</u>	<u>117,768</u>

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21. RECEIVABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Trade receivables	150,302	233,781	141,687	172,008
Less: Provision for bad debt	(1,590)	(52)	(1,397)	-
Net receivable	148,712	233,729	140,290	172,008
Deposit	1,972	2,303	1,469	1,153
Prepaid expenses	7,035	17,024	5,939	15,525
Short term loan receivable	16,457	16,009	15,648	15,278
Other receivables	<u>8,770</u>	<u>8,862</u>	<u>871</u>	<u>2,391</u>
	<u>182,946</u>	<u>277,927</u>	<u>164,217</u>	<u>206,355</u>

The aging of trade receivables is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
0-30 days	108,558	120,397	100,499	120,282
31-60 days	9,205	17,874	8,573	17,874
61-90 days	6,458	15,443	6,831	15,356
Over 90 days	<u>26,081</u>	<u>80,067</u>	<u>25,784</u>	<u>18,496</u>
	<u>150,302</u>	<u>233,781</u>	<u>141,687</u>	<u>172,008</u>

22. CURRENT ASSET HELD-FOR-SALE:

The inventory of the Savanna-la-mar location has been classified as held for sale in the statement of financial position. The agreement called for the sale to be completed by the end of October 2016. A deposit of eight million dollars (\$8,000,000) was received prior to the year end and is included in the other payables amount.

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Inventory held-for-sale	<u>21,100</u>	<u>-</u>

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23. CASH AND CASH EQUIVALENTS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Cash in hand	1,426	4,588	50	590
Cash at bank	<u>29,894</u>	<u>18,312</u>	<u>15,713</u>	<u>14,498</u>
Bank overdrafts	31,320 <u>(15,960)</u>	22,900 <u>(49,180)</u>	15,763 <u>(2)</u>	15,088 <u>(40,220)</u>
	<u>15,360</u>	<u>(26,280)</u>	<u>15,761</u>	<u>(25,132)</u>

Interest rate exposure -

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

	<u>2016</u>	<u>2015</u>
Cash at bank - US\$	0.10%	0.20%
- CAD\$	0.11%	0.20%
- Sterling £	0.10%	0.25%

The Group has bank overdraft facilities with The Bank of Nova Scotia Jamaica Limited and National Commercial Bank Jamaica Limited. They are secured by unlimited guarantee by a director of the companies.

24. SHARE CAPITAL:

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
Authorised - 500,000,000 (2015 - 250,000,000) ordinary shares of no par value		
Stated capital - Issued and fully paid - 337,416,730 ordinary shares of no par value	<u>141,420</u>	<u>141,420</u>

At the Annual General Meeting held on 16 March 2016 -

- (a) The shareholders passed a resolution for the company to sub-divide its share capital into two (2) shares for each existing shares, resulting in the total number of authorised shares being increased to 500,000,000 ordinary shares at no par value and the total number of issued shares being increased to 337,416,730 of no par value with effect from 16 March 2016.

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24. **SHARE CAPITAL (CONT'D):**

- (b) The shareholders approved a resolution for the second tranche of 8 million shares before the stock split (16 million - post split) be issued to the directors at a price of \$9 or \$4.50 after the effect of the stock split and that the expiry date of tranches 1 and 2 shall be five years from the date each yearly allotment becomes effective.

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 of the company to set aside as part of a stock option plan for directors and a stock purchase plan for employees, to be issued in two tranches of 8 million shares to be issued between June 2011 and June 2021. The shares allocated for the staff are to be priced as a 10 percent discount to the last stock market selling price on the date the offer is taken up. The staff will be given a specific time in each year in which to take up the offer and they can access an interest free loan for a three year term to acquire the shares.

The exercised price of the directors' shares was originally approved at the AGM in 2011 at \$7 each, now \$3.50 per share, adjusted for the split.

25. **CAPITAL RESERVES:**

	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
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	<u>71</u>	<u>71</u>
	<u>7,059</u>	<u>7,059</u>

26. **FAIR VALUE RESERVES:**

This represents unrealised surplus/(deficit) on revaluation of investments.

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27. LONG TERM LIABILITIES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>	<u>2016</u> <u>\$'000</u>	<u>2015</u> <u>\$'000</u>
The Bank of Nova Scotia Jamaica Limited:				
(i) 8.95% loan	85,000	97,000	85,000	97,000
(ii) 9.75% loan	-	91,338	-	-
(iii) 9.95% loan	10,683	13,809	10,683	13,809
Sagicor Bank Jamaica Limited - loan	2,481	-	2,481	-
Bond payable	<u>103,178</u>	<u>103,178</u>	<u>103,178</u>	<u>103,178</u>
	201,342	305,325	201,342	213,987
Less current portion (note 29)	(13,085)	(12,821)	(13,085)	(12,821)
	<u>188,257</u>	<u>292,504</u>	<u>188,257</u>	<u>201,166</u>

The Bank of Nova Scotia Loans -

- (i) This loan is repayable over five years on the amortised basis ending October 2018 at an interest rate of 8.95%. It is secured by 1st legal mortgage over property located at 2 Bell Road, Kingston 11; along with unlimited guarantee provided by related companies and a director of the company.
- (ii) This loan shall not exceed eighteen (18) months at a fixed interest rate of 9.75% per annum. The loan principal is to be repaid from sales proceeds of the housing units being constructed. The loan is secured by the following:
- First Legal Mortgage to be stamped \$109,483,000 over Certificates of Title covering development property located at Poor Man's Corner, Yallahs, St. Thomas, registered at Volume 1092 Folio 615. The mortgage may be held *pari passu* with any charge registered in favour of the Real Estate Board.
 - Assignment of Contractor/Builder's Risk and Public Liability insurance with minimum sum insured of not less than the replacement value of the units being build.
 - The unlimited personal guarantee of a director of the company.
 - General assignment of all agreements for sale of units to end purchases.
 - Subordination of intercompany loans from Jamaican Teas Limited or related/affiliated companies with no repayment of principal or interest until the bank loan is repaid in full.

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27. LONG TERM LIABILITIES (CONT'D):

- (iii) This loan is repayable over five years on the amortised basis ending sixty months after initial disbursement at an interest rate of 9.95%. It is secured by the legal mortgage over the Bell Road property and also the property owned by H Mahfood & Sons Limited, located at 9 Chancery Street, Kingston 19. The loan is also secured by unlimited guarantee provided by related companies and a director of the company.

The corporate bond is a fixed and floating rate note issued in November 2014 and is repayable on 6 November 2017; Jamaican Teas Limited has the right of early redemption after the expiration of two years. It attracts a fixed interest rate of 8.50% per annum for the first two years and thereafter 2.50% per annum above the weighted average yield rate per annum on 90 days Government of Jamaica Treasury Bills. The bond is secured by a debenture creating a first fixed and floating charge over the assets of Jamaican Teas Limited. The company believes that they are compliant with the covenants.

The Sagicor Bank Jamaica Limited loan is repayable over three years at an interest rate of 10% per annum. The loan is secured by a Bill of Sale over a 2016 Toyota Yaris with assignment of comprehensive insurance for the full insurable value with the bank's interest noted.

28. PAYABLES:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade payables	65,410	45,404	18,347	13,898
Other payables	<u>15,750</u>	<u>18,949</u>	<u>1,660</u>	<u>15,074</u>
	<u>81,160</u>	<u>64,353</u>	<u>20,007</u>	<u>28,972</u>

29. SHORT TERM BORROWINGS:

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(i) Mayberry Investments Limited	42,677	47,131	42,677	47,131
(ii) Other loans	21,383	2,825	20,955	2,724
Current portion of long term loans (note 27)	<u>13,085</u>	<u>12,821</u>	<u>13,085</u>	<u>12,821</u>
	<u>77,145</u>	<u>62,777</u>	<u>76,717</u>	<u>62,676</u>

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29. SHORT TERM BORROWINGS (CONT'D):

- (i) The Mayberry Investments Limited loan is at an interest rate of 15%. This loan is secured by quoted equities held by the institution with a market value of \$156.6 million.
- (ii) Other loans and credit card balances are unsecured and have no fixed repayment terms. Interest is charged at the rates of 10% and 39.75%. Interest is chargeable on credit card balances after the due date for payment if a balance exists. The company normally pays off the amounts due in full on or before the due date.

30. RELATED PARTY TRANSACTIONS AND BALANCES:

The following transactions were carried out with related parties.

(a) Key management compensation -

	<u>The Group</u>		<u>The Company</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Salaries and other short-term employees benefits	<u>18,148</u>	<u>21,618</u>	<u>18,148</u>	<u>21,289</u>

(b) Year-end balances with related parties -

	<u>The Company</u>	
	<u>2016</u>	<u>2015</u>
	<u>\$'000</u>	<u>\$'000</u>
Due from related companies -		
Subsidiaries:		
H Mahfood & Sons Limited	391,450	341,391
JRG Shoppers Delite Enterprise Limited	<u>-</u>	<u>34,192</u>
	<u>391,450</u>	<u>375,583</u>
Amalgamated Distributors Limited	<u>38,722</u>	<u>45,749</u>
Due to related companies -		
Subsidiary:		
JRG Shoppers Delite Enterprise Limited	<u>7,779</u>	<u>9,415</u>
Amalgamated Distributors Limited	<u>2,465</u>	<u>3,747</u>

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

(c)	Year-end balances with directors -		
		<u>2016</u>	<u>2015</u>
		<u>\$'000</u>	<u>\$'000</u>
	Amounts included in -		
	Receivables (note 21)	391	13,792
	Payables (note 28)	(13,699)	(161)
	Short term borrowings (note 29)	<u>(13,609)</u>	<u>3,705</u>
(d)	Transactions and balances with related parties -		
	Transactions -	<u>2016</u>	<u>2015</u>
		<u>\$'000</u>	<u>\$'000</u>
	Sale of goods	330,992	357,445
	Management fees	<u>6,000</u>	<u>6,000</u>
	Balances -	<u>2016</u>	<u>2015</u>
		<u>\$'000</u>	<u>\$'000</u>
	Amounts included in receivables (note 21)	391	13,792
	Amounts included in payables (note 28)	(13,699)	(167)
	Amounts included in short term borrowings (note 29)	<u>(6,486)</u>	<u>(2,186)</u>

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31. RESTATEMENT OF PRIOR YEAR BALANCES:

During the year, the following balances as per the 2014 and 2015 financial statements were restated due to the transfer of the Harbour Street property from property, plant and equipment to investment properties.

The restatement has no effect on the statements of profit or loss and other comprehensive income and cash flows for the year ending 30 September 2014.

Effect on the Group's statement of financial position as at 30 September 2014:

	As previously reported \$'000	Effect of restatement \$'000	As restated \$'000
<u>ASSETS</u>			
NON-CURRENT ASSETS:			
Property, plant and equipment	293,248	(19,194)	274,054
Investment properties	55,754	19,194	74,948
Intangible assets	1,390	-	1,390
Investment in associate	24,770	-	24,770
Investment	101,523	-	101,523
Deferred tax asset	7,121	-	7,121
	<u>483,806</u>	<u>-</u>	<u>483,806</u>
CURRENT ASSETS:			
Inventories	288,906	-	288,906
Receivables	219,644	-	219,644
Taxation recoverable	9,253	-	9,253
Short term investment	21,884	-	21,884
Cash and cash equivalents	14,657	-	14,657
	<u>554,344</u>	<u>-</u>	<u>554,344</u>
	<u>1,038,150</u>	<u>-</u>	<u>1,038,150</u>
<u>EQUITY AND LIABILITIES:</u>			
SHAREHOLDERS' EQUITY			
Share capital	141,420	-	141,420
Capital reserve	7,059	-	7,059
Fair value reserves	(11,913)	-	(11,913)
Retained earnings	498,257	-	498,257
	634,823	-	634,823
Non-controlling interest	(708)	-	(708)
	<u>634,115</u>	<u>-</u>	<u>634,115</u>
NON-CURRENT LIABILITIES:			
Long term liabilities	200,179	-	200,179
CURRENT LIABILITIES:			
Payables	100,766	-	100,766
Short term borrowings	53,091	-	53,091
Bank overdraft	49,999	-	49,999
	<u>203,856</u>	<u>-</u>	<u>203,856</u>
	<u>1,038,150</u>	<u>-</u>	<u>1,038,150</u>

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31. RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):

Effect on the Group's statement of financial position as at 30 September 2015:

	As previously reported \$'000	Effect of restatement \$'000	As restated \$'000
<u>ASSETS</u>			
NON-CURRENT ASSETS:			
Property, plant and equipment	287,251	(18,678)	268,573
Investment properties	58,145	20,618	78,763
Intangible assets	1,594	-	1,594
Investment in associate	25,095	-	25,095
Investment	117,571	-	117,571
Deferred tax asset	<u>3,790</u>	<u>-</u>	<u>3,790</u>
	<u>493,446</u>	<u>1,940</u>	<u>495,386</u>
CURRENT ASSETS:			
Inventories	389,280	-	389,280
Receivables	277,927	-	277,927
Taxation recoverable	8,679	-	8,679
Cash and cash equivalents	<u>22,900</u>	<u>-</u>	<u>22,900</u>
	<u>698,786</u>	<u>-</u>	<u>698,786</u>
	<u>1,192,232</u>	<u>1,940</u>	<u>1,194,172</u>
<u>EQUITY AND LIABILITIES:</u>			
SHAREHOLDERS' EQUITY			
Share capital	141,420	-	141,420
Capital reserve	7,059	-	7,059
Fair value reserves	10,227	-	10,227
Retained earnings	<u>564,632</u>	<u>1,940</u>	<u>566,572</u>
	<u>723,338</u>	<u>1,940</u>	<u>725,278</u>
NON-CURRENT LIABILITIES:			
Long term liabilities	<u>292,504</u>	<u>-</u>	<u>292,504</u>
CURRENT LIABILITIES:			
Payables	64,353	-	64,353
Taxation payables	80	-	80
Short term borrowings	62,777	-	62,777
Bank overdraft	<u>49,180</u>	<u>-</u>	<u>49,180</u>
	<u>176,390</u>	<u>-</u>	<u>176,390</u>
	<u>1,192,232</u>	<u>1,940</u>	<u>1,194,172</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

31. RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):

Effect on the Group's statement of profit or loss and other comprehensive income at 30 September 2015:

	As previously reported \$'000	Effect of restatement \$'000	As restated \$'000
REVENUE	1,333,457	2,720	1,336,177
Cost of sales	(1,077,048)	-	(1,077,048)
GROSS PROFIT	256,409	2,720	259,129
Other operating income	31,269	(2,720)	28,549
	<u>287,678</u>	<u>-</u>	<u>287,678</u>
ADMINISTRATIVE AND OTHER EXPENSES			
Selling and marketing	(33,659)	-	(33,659)
Administrative expenses	(125,662)	515	(125,147)
	<u>(159,321)</u>	<u>515</u>	<u>(158,806)</u>
OPERATING PROFIT	128,357	-	128,872
Finance costs	(37,754)	-	(37,754)
Share of results of associated company	(12,737)	-	(12,737)
PROFIT BEFORE TAXATION	77,866	515	78,381
Taxation expense	(6,180)	-	(6,180)
NET PROFIT	71,686	515	72,201
OTHER COMPREHENSIVE INCOME:			
Items that may be reclassified to profit or loss -			
Unrealised gain on financial investments	15,968	-	15,968
TOTAL COMPREHENSIVE INCOME	<u>87,654</u>	<u>515</u>	<u>88,169</u>
Net profit attributable to:			
Owners of Jamaican Teas Limited	<u>71,686</u>	<u>515</u>	<u>72,201</u>
Total comprehensive income attributable to:			
Owners of Jamaican Teas Limited	<u>87,654</u>	<u>515</u>	<u>88,169</u>
Earnings per stock unit for profit attributable to owners of the company during the year:			
Basic	<u>\$ 0.42</u>		<u>\$ 0.21</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

31. RESTATEMENT OF PRIOR YEAR BALANCES (CONT'D):

Effect on the Group's statement of cash flows at 30 September 2015:

	As previously reported \$'000	Effect of restatement \$'000	As restated \$'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net profit	71,686	515	72,201
Items not affecting cash resources:			
Gain on disposal of investments	2,764	-	2,764
Gain on disposal of property, plant and equipment	(715)	-	(715)
Share of loss from associate	12,737	-	12,737
Exchange gain on foreign balances	(6,853)	-	(6,853)
Depreciation	16,441	(515)	15,926
Amortisation	630	-	630
Interest expense	35,574	-	35,574
Interest income	(10,624)	-	(10,624)
Taxation	<u>6,180</u>	<u>-</u>	<u>6,180</u>
	127,820	-	127,820
Changes in operating assets and liabilities:			
Inventories	(100,374)	-	(100,374)
Receivables	(58,283)	-	(58,283)
Payables	<u>(36,413)</u>	<u>-</u>	<u>(36,413)</u>
	(67,250)	-	(67,250)
Tax paid	<u>(2,195)</u>	<u>-</u>	<u>(2,195)</u>
Cash used in operating activities	<u>(69,445)</u>	<u>-</u>	<u>(69,445)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net decrease in investments	25,212	-	25,212
Proceeds from disposal of property, plant and equipment	1,450	-	1,450
Acquisition of investment property	(2,391)	-	(2,391)
Acquisition of property, plant and equipment	(11,179)	-	(11,179)
Investment in subsidiaries	(4,603)	-	(4,603)
Purchase of intangible assets	(834)	-	(834)
Net increase in investment in associate	(13,062)	-	(13,062)
Interest received	<u>10,624</u>	<u>-</u>	<u>10,624</u>
Cash provided by investing activities	<u>5,217</u>	<u>-</u>	<u>5,217</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Loan proceeds	105,928	-	105,928
Loan repayments	(3,917)	-	(3,917)
Interest paid	<u>(35,574)</u>	<u>-</u>	<u>(35,574)</u>
Cash provided by financing activities	<u>66,437</u>	<u>-</u>	<u>66,437</u>
INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year	2,209	-	2,209
Exchange gain on foreign cash balances	(35,342)	-	(35,342)
	<u>6,853</u>	<u>-</u>	<u>6,853</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>(26,280)</u>	<u>-</u>	<u>(26,280)</u>

JAMAICAN TEAS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

30 SEPTEMBER 2016

32. COMMITMENTS:

The total future value of minimum lease payments due is Nil (2015 - \$3,276,774).

For the residential property development at Orchid Estate in Yallahs, St. Thomas, the estimated additional costs to complete the next batch of residential units to which the Group is contractually committed is \$104 million (2015 - \$42 million).

33. SUBSEQUENT EVENT:

The Directors of Bay City Foods Limited entered into an agreement on 30 September 2016 to dispose of the company's equipment and its inventory on 31 October 2016. The company is in discussion with the joint venture shareholder with a view to acquiring majority shares in the company.

During the year the company made a bid to purchase the Government of Jamaica 42.95% ordinary shareholdings and all the preference shares in KIW International Limited for a consideration of \$57 million. The company was advised that they were selected as the preferred bidder for the shares. Further to the advisory, the agent for the seller provided the company with a draft agreement. Both parties have agreed on the major terms of the agreement. At the date of signing this report the company has not received the final agreement.