

March 2017

Interim Results

JAMAICAN TEAS LIMITED

**UNAUDITED CONSOLIDATED
FINANCIAL STATEMENTS
SECOND QUARTER - MARCH 2017**

Jamaican Teas Limited

Board of Directors' Commentary

Second quarter results to March 2017

Financial Highlights						
	March Quarter			6 months to March		
	2017	2016	Change	2017	2016	Change
	\$'000			\$'000		
Sales	386,107	281,296	37%	760,012	625,906	21%
Gross Profit	84,018	74,263	13%	170,111	151,706	12%
Profit before tax	58,596	37,360	57%	112,053	81,330	38%
Profit before tax including Discontinued operations	39,496	26,772	47%	85,334	63,331	35%
Total comprehensive income	35,765	28,711	24%	101,169	97,225	4%
Earnings (EPS) per share from Continuing operations	\$0.13	\$0.10	30%	\$0.26	\$0.21	24%
EPS including results of discontinued operations	\$0.12	\$0.08	50%	\$0.25	\$0.19	32%
Shareholders' equity				\$ 965,907	820,561	18%
Working Capital & Investments				\$ 730,062	605,464	21%

The Jamaican Teas group continues to benefit from the foundation and progress made over the years and in particular in the 2016 fiscal year. For the half year to March the results show continued improvement with profit from normal operations by 57 percent for the quarter and 38 percent for the half year before tax.

Our company scored another major success by our recent listing in a major Supermarket chain in the USA. This will see five (5) of our products being placed in over Four Hundred & Fifty (450) stores and we expect to see increased sales from this new development.

The group continues to experience growth in both sales and profitability in the second quarter, continuing the positive trend from the first quarter. Total sales for the second quarter was \$386 million compared to \$281 million in the second quarter of the prior year, an increase of \$105 million or 37%. Export sales increased by \$40 million, while our residential property sales recorded an increase of \$60 million for the quarter.

Profit before tax grew by 56.7% from \$37.4 million to \$58.6 million. Profits including results from discontinued operations increased by 47% from \$26.8 million in the Quarter ending March 2016 to \$39.5 million for the current Quarter. A loss from discontinued operations of \$3.2 million for the current Quarter and \$5.6 million for the prior year are reflected in the consolidated Statement of Comprehensive Income. The operations from which the losses arose were closed in 2016.

Retail

The results for our Supermarket include a GCT assessment of \$6.6 million for past years which has been fully accounted for in the March quarter. We will see a return to normal operating profits for the remainder of the year.

Real Estate

We completed sales of eight (8) residential units in the current Quarter compared to none in the comparative period of the prior year. This brings the total number of units sold and delivered in the Orchid Estate project to thirty seven (37). We currently have another twenty five (25) units in the scheme under sales contracts. We expect that construction will be completed around the close of the third quarter.

Balance Sheet

We had major changes in a number of our balance sheet items between the financial year end and March 2017. These include investments that increased by \$51 million due primarily to the appreciation in the value of the portfolio. The \$29 million increase in receivables is due primarily to the longer payment terms granted to some of our export customers. Inventories fell by \$53 million due primarily to the completion of sales of residential units in our real estate development.

The corporate bond issued in 2014 matures in November 2017 and has been reclassified in the balance sheet to current liabilities from non-current liabilities. Other long terms loans declined in keeping with ongoing payments and repayments of loans used to finance the real estate project. Bank overdraft for 2017 represents cheques in the course of collection.

Subsequent Events

We completed the purchase of the Governments shares in KIW International Ltd in April 2017 and plans for the development have been discussed with the KIW Board. KIW Shareholders will be updated on this by the next report. We had a stock split of two (2) shares for every one (1) share in April 2017



John Jackson - Director



John Mahfood - CEO

JAMAICAN TEAS LIMITED
Consolidated Profit or Loss and Other Comprehensive Income
Second Quarter Ended 31 March 2017

	Note	Unaudited			
		Quarter ended March		Year to date March	
		2017	2016	2017	2016
		<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
<u>CONTINUING OPERATIONS</u>					
REVENUE	7	386,107	281,296	760,012	625,906
Cost of sales		<u>(302,089)</u>	<u>(207,033)</u>	<u>(589,901)</u>	<u>(474,200)</u>
GROSS PROFIT		84,018	74,263	170,111	151,706
Other operating income	8	<u>22,086</u>	<u>14,941</u>	<u>38,981</u>	<u>28,297</u>
		<u>106,104</u>	<u>89,204</u>	<u>209,092</u>	<u>180,003</u>
ADMINISTRATIVE AND OTHER EXPENSES					
Selling and marketing		(9,677)	(10,251)	(17,911)	(18,071)
Administrative		<u>(30,649)</u>	<u>(29,763)</u>	<u>(62,819)</u>	<u>(55,253)</u>
		<u>(40,326)</u>	<u>(40,014)</u>	<u>(80,730)</u>	<u>(73,324)</u>
OPERATING PROFIT		65,778	49,190	128,362	106,679
Finance costs		(7,182)	(9,595)	(16,309)	(20,247)
Share of results of associated company		-	(2,235)	-	(5,102)
PROFIT BEFORE TAXATION		58,596	37,360	112,053	81,330
Taxation expense		<u>(7,262)</u>	<u>(4,952)</u>	<u>(13,560)</u>	<u>(10,897)</u>
PROFIT AFTER TAXATION		51,334	32,408	98,493	70,433
Non-operating expenses		<u>(8,602)</u>	-	<u>(8,602)</u>	-
PROFIT FROM CONTINUING OPERATIONS		42,732	32,408	89,891	70,433
Loss from discontinuing operations		<u>(3,236)</u>	<u>(5,636)</u>	<u>(4,557)</u>	<u>(7,102)</u>
NET PROFIT		39,496	26,772	85,334	63,331
OTHER COMPREHENSIVE INCOME:					
Items that may be reclassified to profit or loss -					
Unrealised (loss)/ gain on available-for-sale investments		<u>(3,731)</u>	<u>1,939</u>	<u>15,835</u>	<u>33,894</u>
TOTAL COMPREHENSIVE INCOME		<u>35,765</u>	<u>28,711</u>	<u>101,169</u>	<u>97,225</u>
Earnings per stock unit from continued operations	9	<u>\$ 0.13</u>	<u>\$ 0.10</u>	<u>\$ 0.26</u>	<u>\$ 0.21</u>
Earnings per stock unit including the results of discontinued operations	9	<u>\$ 0.12</u>	<u>\$ 0.08</u>	<u>\$ 0.25</u>	<u>\$ 0.19</u>

JAMAICAN TEAS LIMITED
Consolidated Statement of Financial Position
Second Quarter Ended 31 March 2017

	<u>Note</u>	<u>Unaudited</u>		<u>Audited</u>
		<u>2017</u>	<u>2016</u>	<u>September 30</u>
		<u>\$'000</u>	<u>\$'000</u>	<u>2016</u>
				<u>\$'000</u>
<u>ASSETS</u>				
NON-CURRENT ASSETS:				
Property, plant and equipment		296,476	297,039	*
Investment properties		90,415	79,619	*
Intangible assets		2,188	1,257	2,065
Investment in associates		42,205	24,950	22,829
Investments	10	209,424	119,448	157,789
Deferred tax assets		-	5,471	-
		<u>640,708</u>	<u>527,784</u>	<u>563,270</u>
CURRENT ASSETS:				
Inventories		393,367	433,899	446,014
Receivables		211,855	274,793	182,946
Taxation recoverable		-	479	2,143
Current asset held for sale		-	-	21,100
Cash and cash equivalents		36,779	34,731	31,320
		<u>642,001</u>	<u>743,902</u>	<u>683,523</u>
		<u>1,282,709</u>	<u>1,271,686</u>	<u>1,246,793</u>
<u>EQUITY AND LIABILITIES</u>				
STOCKHOLDERS' EQUITY:				
Share capital		148,420	141,420	141,420
Capital reserve		7,059	7,059	7,059
Fair value reserve		60,952	44,120	45,117
Retained earnings		749,476	629,903	*
		<u>965,907</u>	<u>822,502</u>	<u>878,103</u>
NON-CURRENT LIABILITIES:				
Long term liabilities	11	70,038	191,298	188,257
Deferred tax liability		6,168	-	6,168
		<u>76,206</u>	<u>191,298</u>	<u>194,425</u>
CURRENT LIABILITIES:				
Payables		71,371	107,148	81,160
Taxation payable		4,785	-	-
Short term borrowings		142,403	128,048	77,145
Bank overdraft		22,037	22,690	15,960
		<u>240,596</u>	<u>257,886</u>	<u>174,265</u>
		<u>1,282,709</u>	<u>1,271,686</u>	<u>1,246,793</u>

* Restated

JAMAICAN TEAS LIMITED
Unaudited Consolidated Statement of Changes in Equity
Second Quarter Ended 31 March 2017

	<u>Attributable to the owners of the company</u>				
	Share	Capital	Fair	Retained	Total
	<u>Capital</u>	<u>Reserve</u>	<u>Value</u>	<u>Earnings</u>	<u>Equity</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>Reserve</u>	<u>\$'000</u>	<u>\$'000</u>
BALANCE AT 30 SEPTEMBER 2015	141,420	7,059	10,227	566,572	725,278
TOTAL COMPREHENSIVE INCOME					
Net profit	-	-	-	63,331	63,331
Other comprehensive income	-	-	33,893	-	33,893
BALANCE AT 31 MARCH 2016	141,420	7,059	44,120	629,903	822,502
TOTAL COMPREHENSIVE INCOME					-
Net profit	-	-	-	54,604	54,604
Other comprehensive income	-	-	997	-	997
BALANCE AT 30 SEPTEMBER 2016	141,420	7,059	45,117	684,507	878,103
TOTAL COMPREHENSIVE INCOME					
Net profit	-	-	-	85,334	85,334
Other comprehensive income	-	-	15,835	-	15,835
	-	-	15,835	85,334	101,169
CONTRIBUTION BY AND ISSUE OF SHARES TO OWNERS					
Dividend paid	-	-	-	(20,365)	(20,365)
Issue of shares	7,000	-	-	-	7,000
	7,000	-	-	(20,365)	(13,365)
BALANCE AT 31 MARCH 2017	<u>148,420</u>	<u>7,059</u>	<u>60,952</u>	<u>749,476</u>	<u>965,907</u>

Note: During the period, two directors exercised their option to acquire shares in the company by way of a share option plan for directors and effectively purchased two million (2,000,000) shares collectively at an exercise price of \$3.50 per share.

JAMAICAN TEAS LIMITED

**Unaudited Consolidated Statement of Cash Flows
Second Quarter Ended 31 March 2017**

	2017	2016
	<u>\$'000</u>	<u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	85,334	63,331
Items not affecting cash resources:		
Change in investment value		
Gain on disposal of investments	(30,405)	(16,127)
Gain on disposal of property, plant & equipment	(800)	(2,137)
Share of loss from associates	-	5,102
Loss from discontinued operations	4,557	-
Depreciation	12,432	7,599
Amortisation	312	-
Interest expense	16,608	17,524
Interest income	(1,248)	(3,621)
Taxation	13,560	10,897
	<hr/>	<hr/>
	100,350	82,568
Changes in operating assets and liabilities:		
Inventories	52,647	(44,620)
Receivables	(28,909)	3,134
Current asset held for sale	21,100	-
Payables	(9,789)	42,717
	<hr/>	<hr/>
	135,399	83,799
Tax paid	(20,488)	(19,269)
	<hr/>	<hr/>
Cash provided by operating activities	114,911	64,530
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net increase in investments	(108,918)	(11,839)
Proceeds from disposal of property, plant and equipment	1,430	2,137
Acquisition of investment properties	(1,062)	(10,205)
Acquisition of property, plant and equipment	(18,304)	(26,378)
Proceeds from disposal of investments	80,336	74,870
Purchase of intangible assets	(435)	-
Net increase in investment in associates	(7,255)	(4,956)
Interest received	1,248	3,621
	<hr/>	<hr/>
Cash (used in)/provided by investing activities	(52,960)	27,250
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	7,000	-
Loan repayments	(52,961)	(35,935)
Interest paid	(16,608)	(17,524)
	<hr/>	<hr/>
Cash used in financing activities	(62,569)	(53,459)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(618)	38,321
Cash and cash equivalents at beginning of year	15,360	(26,280)
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	14,742	12,041
	<hr/>	<hr/>

JAMAICAN TEAS LIMITED
Notes to the Financial Statements
Second Quarter Ended 31 March 2017

1. IDENTIFICATION:

Jamaican Teas Limited (the “Company”) is incorporated and domiciled in Jamaica. Its registered office is situated at 2 Bell Road, Kingston 11, Jamaica, West Indies. The Company is listed on the Junior Market of the Jamaica Stock Exchange. The principal activity of the Company and its subsidiaries are as follows:

- Jamaican Teas Limited processes local teas which is packaged along with imported teas and distributes them to the Jamaican and overseas markets.
- JRG Shoppers Delite Enterprise Limited is in the retail of distribution of consumer and household products, and
- H Mahfood& Sons Limited is in the business of rental and development of residential properties.

On 30 September 2016, JRG Shoppers Delite Enterprise Limited disposed of its operations at the Savanna-la-mar location. Likewise Bay City Foods Limited, the Group’s associate, disposed of its operations in Montego Bay on the same date.

2. BASIS OF CONSOLIDATION:

The consolidated financial statements combine the financial position, results of operations and cash flows of the Company and its subsidiaries; JRG Shoppers Delite Enterprise Limited and H. Mahfood& Sons Limited.

3. ACCOUNTING POLICIES:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act. The principal accounting policies applied in the preparation of these unaudited financial statements are consistent with those used in the audited financial statements for the year ended September 30, 2016 and comply with the requirements of the International Financial Reporting Standards (IAS 34, Interim Financial Reporting).

The computation of Return on Equity is based on unrealized gains deducted from the equity capital and the ratio is then annualized.

4. NEW STANDARDS:

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

IFRS 9, “Financial Instruments” and IFRS 15 ‘Revenue from Contracts with Customers’ both effective for periods beginning on or after 1 January 2018.

JAMAICAN TEAS LIMITED
Notes to the Financial Statements
Second Quarter Ended 31 March 2017

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

(a) **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation.

(b) **Depreciation**

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of the expected useful lives of property, plant and equipment, except for land and investment properties.

(c) **Borrowings**

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

6. **RESTATEMENT OF PRIOR YEAR BALANCES:**

During the period ended 31 March 2016 the financial statements were restated due to the transfer of a commercial property from property, plant and equipment to investment properties. Property, plant and equipment was reduced by \$11,269,000. Investment property increased by \$11,269,000, Retained earnings increased by \$960,000 and profit for the year increased by \$960,000.

7. **REVENUE:**

	<u>Quarter Ended March 31</u>		<u>Year Ended March 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Domestic - Manufacturing	97,267	94,308	203,444	189,827
Foreign - Manufacturing	130,210	90,407	235,581	199,136
Retail	98,078	95,981	200,622	195,588
Residential property sales	59,704	-	117,755	40,155
Rental income	<u>848</u>	<u>600</u>	<u>2,610</u>	<u>1,200</u>
	<u>386,107</u>	<u>281,296</u>	<u>760,012</u>	<u>625,906</u>

JAMAICAN TEAS LIMITED
Notes to the Financial Statements
Second Quarter Ended 31 March 2017

8. **OTHER OPERATING INCOME:**

	<u>Quarter Ended March 31</u>		<u>Year Ended March 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Interest income	937	144	1,248	300
Dividend income	911	647	1,491	3,320
Rental income	970	1,200	970	1,200
Gain on sale of investments	18,081	8,587	30,405	16,127
Gain on foreign exchange	366	3,520	1,902	4,239
Gain on sale of property, plant and equipment	800	-	800	2,138
Miscellaneous income	<u>21</u>	<u>843</u>	<u>165</u>	<u>973</u>
	<u>22,086</u>	<u>14,941</u>	<u>38,981</u>	<u>28,297</u>

9. **EARNINGS PER STOCK UNIT:**

Earnings per stock unit is calculated on issued shares of 339,416,730 (March 2017) and 337,416,730 (March 2016).

10. **INVESTMENTS:**

This represents shares quoted on the Jamaica Stock Exchange at market value. Unrealised gains resulting from movement in fair value are credited to reserve and realised gains are credited to the profit or loss.

11. **LONG TERM LIABILITIES:**

	<u>Year to date</u>	
	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
Bank of Nova Scotia Jamaica Limited	86,093	181,814
Sagicor Bank Jamaica Limited	2,015	2,250
Bond payable (2017)	<u>103,178</u>	<u>103,178</u>
	191,286	287,242
Less: current portion	<u>(121,248)</u>	<u>(95,944)</u>
	<u>70,038</u>	<u>191,298</u>

JAMAICAN TEAS LIMITED
Notes to the Financial Statements
Second Quarter Ended 31 March 2017

12. **BUSINESS SEGMENTS:**

	<u>2017</u>				<u>Total \$'000</u>
	<u>Manufacturing \$'000</u>	<u>Retailing \$'000</u>	<u>Rental Development \$'000</u>	<u>Investment \$'000</u>	
Revenue	<u>440,435</u>	<u>200,622</u>	<u>118,955</u>	<u>-</u>	<u>760,012</u>
Other operating income	<u>3,466</u>	<u>371</u>	<u>-</u>	<u>35,144</u>	<u>38,981</u>
Segment profit/(loss)	<u>72,448</u>	<u>668</u>	<u>(2,535)</u>	<u>32,870</u>	103,451
Share of results from associated company					<u>-</u>
Group profit before tax					<u>103,451</u>
Reportable segment assets	<u>682,508</u>	<u>45,206</u>	<u>345,571</u>	<u>209,424</u>	<u>1,282,709</u>
Reportable segment liabilities	<u>267,837</u>	<u>34,153</u>	<u>2,796</u>	<u>5,848</u>	<u>310,634</u>
	<u>2016</u>				<u>Total \$'000</u>
	<u>Manufacturing \$'000</u>	<u>Retailing \$'000</u>	<u>Rental Development \$'000</u>	<u>Investment \$'000</u>	
Revenue	<u>388,640</u>	<u>195,910</u>	<u>41,356</u>	<u>-</u>	<u>625,906</u>
Other operating income	<u>8,028</u>	<u>506</u>	<u>16</u>	<u>19,747</u>	<u>28,297</u>
Segment profit/(loss)	<u>62,105</u>	<u>6,407</u>	<u>(1,827)</u>	<u>19,747</u>	86,432
Share of results from associated company					<u>(5,102)</u>
Group profit before tax					<u>81,330</u>
Reportable segment assets	<u>596,379</u>	<u>79,948</u>	<u>402,089</u>	<u>187,799</u>	<u>1,266,215</u>
Reportable segment liabilities	<u>239,973</u>	<u>59,463</u>	<u>36,826</u>	<u>112,922</u>	<u>449,184</u>

JAMAICAN TEAS LIMITED
Notes to the Financial Statements
Second Quarter Ended 31 March 2017

13. **SUBSEQUENT EVENTS:**

The shareholders passed a resolution for the company to sub divide its share capital into two (2) shares for each existing shares with effect from April 19, 2017.

The company acquired 42.59% ordinary shareholdings and all the preference shares in KIW International Limited for a consideration of \$57million on April 1, 2017.

JAMAICAN TEAS

JAMAICAN TEAS LIMITED
Top 10 Shareholdings
As at 31 March 2017

	<u>NAMES</u>	<u>UNITS</u>	<u>PERCENTAGE</u>
1.	Violet Helen Mahfood	118,010,932	34.73
2.	John Mahfood	94,964,178	27.95
3.	Nancy Milne	19,992,520	5.88
4.	JCSD Trustee Services Ltd. A/C 76579-02	9,634,892	2.84
5.	SJIC For Scotia Bridge Retirement Scheme	5,254,660	1.55
6.	Grace Kennedy Limited Pension Scheme	5,139,344	1.51
7.	Bamboo Group Holdings Limited	4,959,700	1.46
8.	Pam-Cable and Wireless JA Pension Plan	3,966,377	1.17
9.	Mayberry Managed Clients Account	3,375,244	1.00
10.	Apex Pharmacy	2,941,232	0.87
	Total Issued Capital	339,816,730	
	Total Units Owned by Top 10 Shareholders	268,239,079	
	Total Percentage Owned by Top 10 shareholders	78.94%	

JAMAICAN TEAS LIMITED

As at 31 March 2017

DIRECTORS AND CONNECTED PARTIES REPORT

<u>NAME</u>	<u>POSITION</u>	<u>RELATIONSHIP</u>	<u>UNITS</u>	<u>PERCENTAGE</u>
John Mahfood	Chief Executive Officer	SELF	94,964,178	27.9457
Duncan Davidson	Director	SELF	1,600,000	0.4708
Marcus Dabdoub	Director	SELF	800,000	0.2354
John Jackson	Director	Combined Holdings	1,037,087	0.3052
Suzette Smellie-Tomlinson	Director	SELF	0.00	0.00
		Key Member Holdings	98,401,265	28.96%
		Connected Party Holdings	1,034,907	0.30%
		Beneficial Holdings	96,801,265	28.49%

SENIOR MANAGERS REPORT

<u>NAME</u>	<u>POSITION</u>	<u>RELATIONSHIP</u>	<u>UNITS</u>	<u>PERCENTAGE</u>
Norman Russell	Senior Manager	SELF	300,000	0.0883
Tanisha Samuels	Senior Manager	SELF	250,000	0.0736
Charles Barrett	Senior Manager	SELF	67,180	0.0198
		TOTAL	617,180	0.18