

JAMAICAN TEAS LIMITED

DIRECTORS COMMENTARY ON THIRD QUARTER RESULTS 2016-7

RESULTS

Driven by a 45% increase exports sales, revenues for the third quarter rose to \$421 million, an increase of more than \$100 million over the third quarter of 2015/6 with the group enjoying profits before tax of \$67.8 million up from \$31.6 million in 2016.

Earnings per share from continuing operations ended at 9 cents for the quarter up from 4 cents in 2016. For the nine months to June this year our earnings per share totalled 22 cents (2016- 14 cents). These reported earnings per share take account of the 2 for 1 stock split effected in April 2017.

Profits before tax for the nine months rose 58% over the same period in 2006 from almost \$113m last year to almost \$179.8 m this year.

Group profits for the quarter included a gain of approximately \$30 million from our acquisition of a stake of 43% ownership in KIW International in April 2017.

For the first nine months of the year group sales increased from \$938M to \$1.18 billion, an increase of almost 26%.

Revenues at our supermarket division amounted to \$106 million for the June quarter and \$308m for the year to date and now exclusively reflects the results of our unit in Kingston following the sale of our Savanna La Mar store in 2016; sales at Chancery Street increased from last year by 5% year to date and 10% for the quarter.

At H Mahfood and Sons (HMS) sales increased sharply, reflecting the progressive sell down and delivery of homes at Orchid Estates. Physical completion of the majority of the remaining homes in this project is anticipated for the fourth quarter of which all but two homes are under sales contracts. During the quarter the company experienced hold up in completing the sale of some homes due to delays in the update of the new property tax rates applicable to this development.

BALANCE SHEET

In our June 2017 balance sheet the increase in the group's trade receivables reflects the continued growth of the group's tea export activities while our portfolio of quoted investments has almost doubled since June 2016 mostly from appreciation in the value of the portfolio.

The reduction in inventories primarily reflects completion and sale of units in our real estate development. The increase in our comprehensive profits has pushed the group's shareholders' equity in excess \$1 billion for the first time, reflecting continuing progress in growing the business.

During the June quarter one of the group's distributors in the United States of America purchased over 8.7 million shares in your company. This is a reflection of their strong interest and confidence in the future prospects of your group.

FUTURE DEVELOPMENTS

For the balance of the financial year and the oncoming 2018 fiscal year we expect to build on the gains achieved this year aided by new products and commencement of construction of an apartment complex in Kingston scheduled for completion late 2018. KIW International is expected to transition from a real estate owner to an investment company to take advantage of investment opportunities locally and overseas.

Aug 17 2017



John Jackson - Director



John Mahfood - CEO

JAMAICAN TEAS LIMITED
Consolidated Profit or Loss and Other Comprehensive Income
Third Quarter Ended 30 June 2017

	Note	Unaudited			
		Quarter ended June		Year to date June	
		2017	2016	2017	2016
		\$'000	\$'000	\$'000	\$'000
<u>CONTINUING OPERATIONS</u>					
REVENUE	7	421,005	312,720	1,181,017	938,626
Cost of sales		<u>(338,803)</u>	<u>(245,397)</u>	<u>(928,704)</u>	<u>(719,597)</u>
GROSS PROFIT		82,202	67,323	252,313	219,029
Other operating income	8	8,991	18,421	47,972	46,718
		<u>91,193</u>	<u>85,744</u>	<u>300,285</u>	<u>265,747</u>
ADMINISTRATIVE AND OTHER EXPENSES					
Selling and marketing		(10,511)	(10,712)	(28,422)	(28,783)
Administrative		<u>(37,209)</u>	<u>(28,272)</u>	<u>(100,028)</u>	<u>(83,525)</u>
		<u>(47,720)</u>	<u>(38,984)</u>	<u>(128,450)</u>	<u>(112,308)</u>
OPERATING PROFIT		43,473	46,760	171,835	153,439
Finance costs		(6,319)	(10,398)	(22,628)	(30,645)
Gain on acquisition of subsidiary	9	30,628	-	30,628	-
Share of results of associated company		-	(4,739)	-	(9,841)
PROFIT BEFORE TAXATION		67,782	31,623	179,835	112,953
Taxation expense		<u>(6,809)</u>	<u>(4,890)</u>	<u>(20,369)</u>	<u>(15,787)</u>
PROFIT AFTER TAXATION		60,973	26,733	159,466	97,166
Non-operating expenses		-	-	(8,602)	-
PROFIT FROM CONTINUING OPERATIONS		60,973	26,733	150,864	97,166
Gain/(loss) from discontinuing operations		<u>2,656</u>	<u>(109)</u>	<u>(1,901)</u>	<u>(7,211)</u>
NET PROFIT		63,629	26,624	148,963	89,955
OTHER COMPREHENSIVE INCOME:					
Items that may be reclassified to profit or loss -					
Unrealised gain /(loss) on available-for-sale investments		17,629	(8,914)	33,464	24,979
TOTAL COMPREHENSIVE INCOME		<u>81,258</u>	<u>17,710</u>	<u>182,427</u>	<u>114,934</u>
Net profit attributable to:					
Owners of Jamaican Teas Limited		64,282	26,624	149,616	89,955
Non- controlling interest		<u>(653)</u>	<u>-</u>	<u>(653)</u>	<u>-</u>
		<u>63,629</u>	<u>26,624</u>	<u>148,963</u>	<u>89,955</u>
Total comprehensive income attributable to:					
Owners of Jamaican Teas Limited		80,881	17,710	182,050	114,934
Non- controlling interest		<u>377</u>	<u>-</u>	<u>377</u>	<u>-</u>
		<u>81,258</u>	<u>17,710</u>	<u>182,427</u>	<u>114,934</u>
Earnings per stock unit from continued operations	10	<u>\$ 0.09</u>	<u>\$ 0.04</u>	<u>\$ 0.22</u>	<u>\$ 0.14</u>
Earnings per stock unit including the results of discontinued operations	10	<u>\$ 0.09</u>	<u>\$ 0.04</u>	<u>\$ 0.22</u>	<u>\$ 0.13</u>

JAMAICAN TEAS LIMITED
Consolidated Statement of Financial Position
Third Quarter Ended 30 June 2017

	Note	Unaudited		Audited
		2017 \$'000	2016 \$'000	September 30 2016 \$'000
ASSETS				
NON-CURRENT ASSETS:				
Property, plant and equipment		306,953	289,992 *	291,234
Investment properties		90,326	166,257 *	89,353
Intangible assets		2,068	1,661	2,065
Investment in associates		31,557	27,831	22,829
Investments	11	261,361	133,541	157,789
Deferred tax assets		-	5,471	-
		<u>692,265</u>	<u>624,753</u>	<u>563,270</u>
CURRENT ASSETS:				
Inventories		383,936	413,266	446,014
Receivables		249,180	184,626	182,946
Taxation recoverable		2,412	9,391	2,143
Current asset held for sale		146,865	-	21,100
Cash and cash equivalents		79,587	28,483	31,320
		<u>861,980</u>	<u>635,766</u>	<u>683,523</u>
		<u>1,554,245</u>	<u>1,260,519</u>	<u>1,246,793</u>
EQUITY AND LIABILITIES				
STOCKHOLDERS' EQUITY:				
Share capital		154,020	141,420	141,420
Capital reserve		7,059	7,059	7,059
Fair value reserve		77,551	35,206	45,117
Retained earnings		813,758	656,527 *	684,507
		<u>1,052,388</u>	<u>840,212</u>	<u>878,103</u>
Non-controlling interest		119,432	-	-
		<u>1,171,820</u>	<u>840,212</u>	<u>878,103</u>
NON-CURRENT LIABILITIES:				
Long term liabilities	12	113,729	189,277	188,257
Deferred tax liability		6,168	-	6,168
		<u>119,897</u>	<u>189,277</u>	<u>194,425</u>
CURRENT LIABILITIES:				
Payables		111,642	108,040	81,160
Taxation payable		17,748	-	-
Short term borrowings	13	123,574	65,035	77,145
Bank overdraft		9,564	57,955	15,960
		<u>262,528</u>	<u>231,030</u>	<u>174,265</u>
		<u>1,554,245</u>	<u>1,260,519</u>	<u>1,246,793</u>

* Restated

JAMAICAN TEAS LIMITED
Unaudited Consolidated Statement of Changes in Equity
Third Quarter Ended 30 June 2017

	Attributable to the owners of the company				Non- Controlling Interest	Total Equity
	Share Capital	Capital Reserve	Fair Value Reserve	Retained Earnings		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
BALANCE AT 30 SEPTEMBER 2015	141,420	7,059	10,227	566,572	-	725,278
TOTAL COMPREHENSIVE INCOME						
Net profit	-	-	-	89,955	-	89,955
Other comprehensive income	-	-	24,979	-	-	24,979
BALANCE AT 30 JUNE 2016	141,420	7,059	35,206	656,527	-	840,212
TOTAL COMPREHENSIVE INCOME						
Net profit	-	-	-	27,980	-	27,980
Other comprehensive income	-	-	9,911	-	-	9,911
BALANCE AT 30 SEPTEMBER 2016	141,420	7,059	45,117	684,507	-	878,103
TOTAL COMPREHENSIVE INCOME						
Net profit	-	-	-	149,616	(653)	148,963
Other comprehensive income	-	-	32,434	-	1,030	33,464
	-	-	32,434	149,616	377	182,427
TRANSACTION WITH OWNERS						
Dividend paid	-	-	-	(20,365)	-	(20,365)
Issue of shares	12,600	-	-	-	-	12,600
	12,600	-	-	(20,365)	-	(7,765)
CHANGE IN OWNERSHIP INTEREST						
Acquisition of subsidiary with non-controlling interest	-	-	-	-	119,055	119,055
BALANCE AT 30 JUNE 2017	154,020	7,059	77,551	813,758	119,432	1,171,820

Note: During the period, five directors exercised options to acquire shares in the company pursuant of their share option plans to purchased seven million two hundred thousand (7,200,000) shares at an exercise price of \$1.50 per share. All amounts have been adjusted to reflect the 2 for 1 stock split in April 2017.

JAMAICAN TEAS LIMITED
Unaudited Consolidated Statement of Cash Flows
Third Quarter Ended 30 June 2017

	<u>2017</u>	<u>2016</u>
	<u>\$'000</u>	<u>\$'000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net profit	148,963	89,955
Items not affecting cash resources:		
Gain on disposal of investments	(36,580)	(25,062)
Gain on disposal of property, plant & equipment	(800)	(3,057)
Share of loss from associates	-	9,841
Gain on acquisition of subsidiary	(30,628)	
Loss from discontinued operations	1,901	-
Depreciation	13,175	12,099
Amortisation	477	-
Interest expense	22,628	30,645
Interest income	(1,984)	(3,621)
Taxation	20,369	15,787
	<u>137,521</u>	<u>126,587</u>
Changes in operating assets and liabilities:		
Inventories	62,078	(23,986)
Receivables	(66,234)	93,302
Current asset held for sale	(125,765)	-
Payables	30,482	43,606
	<u>38,082</u>	<u>239,509</u>
Tax paid	(2,890)	(2,395)
Cash provided by operating activities	<u>35,192</u>	<u>237,114</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of subsidiary, net of cash acquired	(52,771)	-
Net decrease/(increase) in investments	77,699	(75,450)
Proceeds from disposal of property, plant and equipment	1,430	4,298
Acquisition of investment properties	(973)	(87,494)
Acquisition of property, plant and equipment	(29,524)	(34,825)
Proceeds from disposal of investments	89,326	93,736
Purchase of intangible assets	(480)	-
Net increase in investment in associates	(8,728)	(12,578)
Interest received	1,984	3,621
Cash provided by/(used in) investing activities	<u>77,963</u>	<u>(108,692)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issue of shares	12,600	-
Loan proceeds	40,000	2,995
Loan repayments	(68,099)	(103,964)
Dividend paid	(20,365)	-
Interest paid	(22,628)	(30,645)
Cash used in financing activities	<u>(58,492)</u>	<u>(131,614)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>54,663</u>	<u>(3,192)</u>
Cash and cash equivalents at beginning of year	<u>15,360</u>	<u>(26,280)</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>70,023</u></u>	<u><u>(29,472)</u></u>

JAMAICAN TEAS LIMITED

Notes to the Financial Statements

Third Quarter Ended 30 June 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.
- KIW International Limited is in the business of rental of warehouse space.

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.

On 1 April 2017, Jamaican Teas Limited acquired 42.59% ordinary shareholding in KIW International Limited. KIW International Limited is recognized as a subsidiary based on the fact that Jamaican Teas Limited exercises significant influence over its operations and provides the management services for the business. Both companies also share a similar Chairman of the Board.

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, H. Mahfood & Sons Limited and KIW International 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 30 September 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.

JAMAICAN TEAS LIMITED

Notes to the Financial Statements

Third Quarter Ended 30 June 2017

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.

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 30 June 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 \$18,678,000. Investment property increased by \$20,618,000, Retained earnings increased by \$1,940,000.

7. REVENUE:

	<u>Quarter Ended June 30</u>		<u>Year Ended June 30</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	111,451	111,698	314,895	301,525
Foreign - Manufacturing	145,846	100,479	381,427	299,615
Retail	106,586	92,431	307,208	288,019
Residential property sales	54,930	7,512	172,685	47,667
Rental income	<u>2,192</u>	<u>600</u>	<u>4,802</u>	<u>1,800</u>
	<u>421,005</u>	<u>312,720</u>	<u>1,181,017</u>	<u>938,626</u>

JAMAICAN TEAS LIMITED

Notes to the Financial Statements

Third Quarter Ended 30 June 2017

8. OTHER OPERATING INCOME:

	<u>Quarter Ended June 30</u>		<u>Year Ended June 30</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	736	169	1,984	469
Dividend income	123	824	3,614	4,144
Rental income	689	2,282	1,659	3,482
Gain on sale of investments	6,175	8,935	36,580	25,062
Gain on foreign exchange	856	2,166	2,758	6,405
Gain on sale of property, plant and equipment	-	920	800	3,058
Miscellaneous income	<u>412</u>	<u>3,125</u>	<u>577</u>	<u>4,098</u>
	<u>8,991</u>	<u>18,421</u>	<u>47,972</u>	<u>46,718</u>

9. GAIN ON ACQUISITION OF SUBSIDIARY:

On 1 April 2017, Jamaican Teas Limited ("JTL") acquired 42.59% ordinary shareholding in KIW International Limited ("KIW"). KIW is consolidated as a subsidiary due to the level of influence JTL has over the operations of KIW.

The following summarises the fair value of the identifiable assets and liabilities recognized by the Group at the date of acquisition of KIW International Limited.

	<u>2017</u>
	<u>\$'000</u>
Identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	729
Accounts receivable	4,577
Available for sale investments	65,689
Other receivables	2,316
Fair value of investment and property, plant & equipment	146,865
Current liabilities	(9,300)
Preference shares	<u>(3,500)</u>
Total identifiable net assets acquired	207,376
Less: Non-controlling interest	<u>(119,055)</u>
Group share of net assets acquired	88,321
Less: acquisition costs	(4,193)
Less: consideration paid	<u>(53,500)</u>
Gain on acquisition of subsidiary	<u>30,628</u>
Cash flow on acquisition:	
Consideration	53,500
Cash acquired	<u>(729)</u>
Net cash outflow arising on acquisition	<u>52,771</u>

JAMAICAN TEAS LIMITED

Notes to the Financial Statements

Third Quarter Ended 30 June 2017

9. **GAIN ON ACQUISITION OF SUBSIDIARY (CONT'D):**

The gain calculated above is based on preliminary evaluation of the fair values of KIW assets and liabilities. When this evaluation has been completed, we will record any changes to the estimated fair values reported.

10. **EARNINGS PER STOCK UNIT:**

Earnings per stock unit ("EPS") is calculated by dividing the profit attributable to stockholders of the parent by the weighted average number of ordinary stock units in issue during the period of 678,865 year to date and 678,894 for the quarter, (2016 - 678,834).

11. **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.

12. **LONG TERM LIABILITIES:**

	Year to date	
	2017	2016
	\$'000	\$'000
Bank of Nova Scotia Jamaica Limited	122,485	99,464
Sagicor Bank Jamaica Limited	-	2,700
Bond payable (2017)	103,178	103,178
	225,663	205,342
Less: current portion	(111,934)	(16,065)
	<u>113,729</u>	<u>189,277</u>

13. **SHORT TERM BORROWINGS:**

	Year to date	
	2017	2016
	\$'000	\$'000
Mayberry Investments Limited	6,996	37,069
Other loans	4,644	11,901
Current portion of long term loans (Note 12)	111,934	16,065
	<u>123,574</u>	<u>65,035</u>

JAMAICAN TEAS LIMITED

Notes to the Financial Statements

Third Quarter Ended 30 June 2017

14. BUSINESS SEGMENTS:

	2017				
	Manufacturing \$'000	Retailing \$'000	Rental Development \$'000	Investment \$'000	Total \$'000
Revenue	<u>698,437</u>	<u>307,208</u>	<u>175,372</u>	<u>-</u>	<u>1,181,017</u>
Other operating income	<u>4,693</u>	<u>708</u>	<u>393</u>	<u>42,178</u>	<u>47,972</u>
Segment profit/ (loss)	<u>92,350</u>	<u>11,968</u>	<u>(16,875)</u>	<u>72,023</u>	<u>159,466</u>
Share of results from associated company					<u>-</u>
Group profit before tax					<u>159,466</u>
Reportable segment assets	<u>767,657</u>	<u>51,341</u>	<u>485,711</u>	<u>249,536</u>	<u>1,554,245</u>
Reportable segment liabilities	<u>311,494</u>	<u>32,611</u>	<u>25,156</u>	<u>6,996</u>	<u>376,257</u>
	2016				
	Manufacturing \$'000	Retailing \$'000	Rental Development \$'000	Investment \$'000	Total \$'000
Revenue	<u>601,050</u>	<u>288,109</u>	<u>49,467</u>	<u>-</u>	<u>938,626</u>
Other operating income	<u>12,551</u>	<u>4,935</u>	<u>26</u>	<u>29,206</u>	<u>46,718</u>
Segment profit/(loss)	<u>78,182</u>	<u>19,092</u>	<u>(3,686)</u>	<u>29,206</u>	<u>122,794</u>
Share of results from associated company					<u>(9,841)</u>
Group profit before tax					<u>112,953</u>
Reportable segment assets	<u>605,609</u>	<u>87,433</u>	<u>282,826</u>	<u>279,180</u>	<u>1,255,048</u>
Reportable segment liabilities	<u>286,536</u>	<u>53,019</u>	<u>31,781</u>	<u>48,971</u>	<u>420,307</u>

JAMAICAN TEAS LIMITED

Top 10 Shareholdings

As at 30 June 2017

	<u>NAMES</u>	<u>UNITS</u>	<u>PERCENTAGE</u>
1.	Voilet Helen Mahfood	226,021,864	33.14
2.	John Mahfood	190,728,356	27.96
3.	Nancy Milne	39,985,040	5.86
4.	JCSD Trustee Services Ltd. A/C 76579-02	19,269,784	2.82
5.	SJIC For Scotia Bridge Retirement Scheme	10,509,320	1.54
6.	Grace Kennedy Limited Pension Scheme	10,278,688	1.51
7.	Bamboo Group Holdings Limited	9,299,400	1.36
8.	Iberia Foods Company of New York Inc.	8,741,852	1.28
9.	Jamaica Energy Partners Pension Fund	7,932,754	1.16
10.	Mayberry Managed Clients Account	6,803,952	1.00
	Total Issued Capital	682,033,460	
	Total Units Owned by Top 10 Shareholders	529,571,010	
	Total Percentage Owned by Top 10 shareholders	77.64%	

JAMAICAN TEAS LIMITED

As at 30 June 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	190,728,356	27.9646
Duncan Davidson	Director	SELF	385,240	0.0564
Marcus Dabdoub	Director	SELF	2,400,000	0.3518
John Jackson	Director	Combined Holdings	2,821,767	0.4137
Suzette Smellie-Tomlinson	Director	SELF	800,000	0.1172
		Key Member Holdings	194,317,956	28.49%
		Connected Party Holdings	2,817,407	0.41%
		Beneficial Holdings	197,135,363	28.90%

SENIOR MANAGERS REPORT

<u>NAME</u>	<u>POSITION</u>	<u>RELATIONSHIP</u>	<u>UNITS</u>	<u>PERCENTAGE</u>
Norman Russell	Senior Manager	SELF	600,000	0.0879
Tanisha Samuels	Senior Manager	SELF	500,000	0.0733
Charles Barnett	Senior Manager	SELF	134,360	0.0196
		TOTAL	1,234,360	0.1809