JAMAICAN TEAS LIMITED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Jamaican Teas Limited ("the company") comprising the separate financial statements of the company and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 9 to 64, which comprise the group's and company's statements of financial position as at September 30, 2020, the group's and company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at September 30, 2020, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants including International Independence Standards (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1 *Measurement of Expected Credit Losses*

Key Audit Matter	*How the matter was addressed in our audit*
The group recognise expected credit losses ('ECL') on financial assets measured at amortised cost. The determination of ECL is highly subjective and requires management to make significant judgements and estimates and the application of forward-looking information. The economic impact of COVID-19 on financial assets has resulted in increased judgement in the following: - The identification of significant increase in credit risk, which now includes COVID-19 related qualitative factors. - The incorporation of forward-looking information, reflecting a range of possible future economic conditions which are highly uncertain.	Our audit procedures in response to this matter, included: • Obtaining an understanding of the model used by management for the calculation of expected credit losses on financial assets. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records. • Assess the appropriateness of the group's impairment methodology, management's assumptions and compliance with the requirements of IFRS 9, *Financial Instruments*. • Involving our financial risk management specialists, to review the ECL model.

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

1 *Measurement of Expected Credit Losses (continued)*

Key Audit Matter	*How the matter was addressed in our audit*
The combination of estimates and judgements increases the risk that management's estimate could be materially misstated. *See notes 11 and 29(a) of the consolidated financial statements.*	Our audit procedures in response to this matter, included (continued): • Involving our financial risk management specialists to evaluate the appropriateness of economic parameters including the use of forward looking information. • Testing the accuracy of the ECL calculation. • Testing the group's recording and ageing of accounts receivable. • Assessing whether disclosures in the financial statements are adequate in respect of the group's exposure to credit risk and measurement of allowances for ECL.

2 *Valuation of investments*

Key Audit Matter	*How the matter was addressed in our audit*
A subsidiary holds significant investments in equity securities listed on multiple stock exchanges. The subsidiary uses quoted mid or closing prices to value these investments.	Our audit procedures in response to this matter, included: • Assessing and testing the design and implementation of the subsidiary's control over the determination and computation of fair values.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2 Valuation of investments (continued)

Key Audit Matter	*How the matter was addressed in our audit*
The valuation of these investments although based on observable market prices, suffers from increased volatility as a result of the spread of COVID-19. The pandemic has also resulted in a decline in trading activities for a number of listed shares. As a result, judgement may be required to determine whether the quoted prices used by management represents prices from an active market. See note 8 and note 29 (e) of the consolidated financial statements.	Our audit procedures in response to this matter, included (continued): • Challenging the reasonableness of prices used by the subsidiary by comparing to independent third-party information, including assessing whether prices used falls within the bid ask spread as required by IFRS 13 *Fair Value Measurement*. • Reperforming fair value calculations and assessing whether fair value was appropriately determined by considering the provisions of IFRS 13 *Fair Value Measurement* and reviewing the volume of trade for the securities held by the subsidiary at year end. • Assessing the adequacy of the disclosure, including the degree of estimation involved in determining fair values.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 7 to 8, forms part of our auditors' report.

Report on additional matters as required by 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 maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Rajan Trehan.

KPMG

Chartered Accountants
Kingston, Jamaica

December 29, 2020

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

Appendix to the Independent Auditors' Report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

To the Members of
JAMAICAN TEAS LIMITED

Appendix to the Independent Auditors' Report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

JAMAICAN TEAS LIMITED

Consolidated Statement of Financial Position
September 30, 2020

	Notes	2020 $'000	2019 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	330,750	307,395
Investment properties	5	282,071	287,465
Intangible assets	6	1,560	239
Investment in associate	7	-	80,969
Investments	8	1,599,124	1,363,148
Deferred tax asset	9	103,424	-
		2,316,929	2,039,216
CURRENT ASSETS			
Inventories	10	474,356	344,026
Trade and other receivables	11	405,383	1,463,428
Taxation recoverable		340	1,160
Cash and cash equivalents	12	321,701	146,317
		1,201,780	1,954,931
TOTAL ASSETS		3,518,709	3,994,147
EQUITY			
Share capital	13	190,749	185,149
Treasury shares	13	(37,962)	-
Capital reserves	14	152,836	174,892
Retained earnings		1,416,446	1,194,051
		1,722,069	1,554,092
NON-CONTROLLING INTERESTS	15	1,092,083	1,421,035
		2,814,152	2,975,127
NON-CURRENT LIABILITIES			
Long-term loans	16	123,334	143,333
Deferred tax liability	9	-	65,393
		123,334	208,726
CURRENT LIABILITIES			
Current portion of long-term loans	16	20,071	27,872
Trade and other payables	17	219,401	437,959
Short-term borrowings	18	86,579	83,577
Bank overdraft	19	1,735	53,470
Margin loan payable	20	195,377	184,275
Taxation payable		58,060	23,141
		581,223	810,294
TOTAL EQUITY AND LIABILITIES		3,518,709	3,994,147

The financial statements on pages 9 to 64 were approved for issue by the Board of Directors on December 29, 2020 and signed on its behalf by:

John Mahfood- Director

John Jackson - Director

The accompanying notes form an integral part of the financial statements.

JAMAICAN TEAS LIMITED

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended September 30, 2020

	Notes	2020 $'000	2019 $'000
Gross operating revenue	21	2,195,006	1,291,192
Cost of operating revenue	22(a)	(1,610,119)	(958,088)
Gross profit		584,887	333,104
Fair value (losses)/gains from revaluation of investments at FVTPL	3(h)	(482,220)	376,244
Other income	23	78,542	174,704
		181,209	884,052
Administrative, selling and distribution expenses:			
Administrative expenses	22(b)	(228,157)	(214,496)
Selling and distribution	22(c)	(51,729)	(50,973)
		(279,886)	(265,469)
Impairment losses on trade receivables	11	(5,012)	(1,928)
Operating (loss)/profit		(103,689)	616,655
Finance costs – Interest on loans		(31,746)	(28,182)
Share of results of associated company	7	-	1,255
(Loss)/profit before taxation		(135,435)	589,728
Taxation	25	65,715	(106,611)
(Loss)/profit for the year, being total comprehensive (loss)/income for the year		(69,720)	483,117
Total comprehensive income/(loss) attributable to:			
Owners of the company		222,395	395,758
Non-controlling interests	15	(292,115)	87,359
		(69,720)	483,117
Earnings per share:			
Earnings per ordinary stock unit	26(a)	0.32	0.57
Diluted earnings per ordinary stock unit	26(b)	0.30	0.54

The accompanying notes form an integral part of the financial statements.

JAMAICAN TEAS LIMITED

Consolidated Statement of Changes in Equity
Year ended September 30, 2020

	Attributable to stockholders of the company					
	Share capital (note 13) $'000	Capital reserves (note 14) $'000	Retained earnings $'000	Treasury shares [note 13(a)] $'000	Non-controlling interests (note 15) $'000	Total $'000
Balance as at October 1, 2018	161,161	216,179	850,258	-	126,097	1,353,695
Profit for the year, being total comprehensive income for the year	-	-	395,758	-	87,359	483,117
Transaction with owners:						
Non-controlling interest [note 3(a)]	-	-	(51,965)	-	-	(51,965)
Capital distribution (note 27)	-	(41,287)	-	-	-	(41,287)
Issue of shares (note 13)	15,000	-	-	-	-	15,000
Share option exercised (note 13)	8,988	-	-	-	-	8,988
	23,988	(41,287)	(51,965)	-	-	(69,264)
Change in ownership interest:						
Increase in non-controlling interest [note 3(a)]	-	-	-	-	1,207,579	1,207,579
	23,988	(41,287)	343,793	-	1,294,938	1,621,432
Balance at September 30, 2019	185,149	174,892	1,194,051	-	1,421,035	2,975,127
Profit/(loss) for the year, being total comprehensive income/(loss) for the year	-	-	222,395	-	(292,115)	(69,720)
Transaction with owners:						
Treasury shares acquired, at cost	-	-	-	(37,962)	-	(37,962)
Buy back of shares [note 3(a)]	-	(957)	-	-	-	(957)
Capital distribution (note 27)	-	(21,099)	-	-	-	(21,099)
Share option exercised (note 13)	5,600	-	-	-	-	5,600
	5,600	(22,056)	222,395	(37,962)	(292,115)	(124,138)
Change in ownership interest:						
Reduction in non-controlling interest	-	-	-	-	(36,837)	(36,837)
Balances at September 30, 2020	190,749	152,836	1,416,446	(37,962)	1,092,083	2,814,152

The accompanying notes form an integral part of the financial statements.

JAMAICAN TEAS LIMITED

Consolidated Statement of Cash Flows
Year ended September 30, 2020

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/profit for the year		(69,720)	483,117
Adjustments for:			
Increase in fair value of investment properties	5,23	(8,453)	(72,037)
Gain on disposal of property, plant and equipment	23	(1,093)	(55)
Unrealised loss on investments		360,032	-
Share of profit from associate	7	-	(1,255)
Realised losses on sale of investments		122,188	-
Depreciation	4	30,321	32,770
Amortisation	6	735	423
Interest expense		31,746	29,638
Interest income	23	(5,409)	(14,019)
Dividend income	23	(22,901)	(9,342)
Taxation	25	(65,715)	106,611
		371,731	555,851
Changes in operating assets and liabilities:			
Inventories		(55,330)	(58,529)
Trade and other receivables		1,058,045	(1,186,824)
Trade and other payables		(234,942)	335,022
		1,139,504	(367,700)
Tax paid		(67,363)	(27,688)
Net cash provided/(used) by operating activities		1,072,141	(395,388)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments purchased, net		(718,196)	(953,376)
Proceeds from disposal of intangible assets		-	877
Proceeds from disposal of property, plant and equipment		2,592	18,644
Addition of investment properties	5	(61,153)	(31,932)
Additions of property, plant and equipment	4	(55,175)	(30,320)
Addition of intangible assets	6	(2,056)	(43)
Interest received		5,409	14,019
Dividend received		22,901	9,342
Investment in associate, net	7(a)	80,969	(53,168)
Net cash used by investing activities		(724,709)	(1,039,976)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from share issue, net	13	5,600	23,988
Buy back of shares		(957)	-
Treasury shares	13	(37,962)	-
Loan, net		(24,798)	31,726
Acquisition of non-controlling interest		(36,837)	1,207,579
Margin loan payable		11,102	184,275
Bank overdraft		(51,735)	39,831
Capital distribution paid	27	(21,099)	(41,287)
Interest paid		(15,362)	(27,239)
Net cash (used)/provided by financing activities		(172,048)	1,446,112
INCREASE IN CASH AND CASH EQUIVALENTS		175,384	10,748
Cash and cash equivalents at beginning of year		146,317	135,569
Cash and cash equivalents at end of year		321,701	146,317

The accompanying notes form an integral part of the financial statements.

JAMAICAN TEAS LIMITED

Company Statement of Financial Position
September 30, 2020

	Notes	2020 $'000	2019 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	4	255,886	260,981
Investment properties	5	60,000	55,000
Intangible assets	6	189	239
Investment in subsidiaries	3(a)(i)	318,548	295,775
Investment in associate	7	-	48,718
Due from subsidiaries	28(a)	482,190	498,206
Deferred tax asset	9	-	2,360
		1,116,813	1,161,279
CURRENT ASSETS			
Inventories	10	260,751	197,983
Trade and other receivables	11	360,460	266,245
Cash and cash equivalents	12	305,770	145,499
		926,981	609,727
TOTAL ASSETS		2,043,794	1,771,006
EQUITY			
Share capital	13	190,749	185,149
Capital reserves	14	49,322	70,421
Retained earnings		1,383,397	1,125,399
		1,623,468	1,380,969
NON-CURRENT LIABILITIES			
Long-term loans	16	123,334	143,333
Deferred taxation	9	3,467	-
		126,801	143,333
CURRENT LIABILITIES			
Current portion of long-term loan	16	20,071	27,872
Trade and other payables	17	131,998	111,642
Short-term borrowings	18	86,063	83,577
Bank overdraft	19	-	2,886
Taxation payable		55,393	20,727
		293,525	246,704
TOTAL EQUITY AND LIABILITIES		2,043,794	1,771,006

The financial statements on pages 9 to 64, were approved for issue by the Board of Directors on December 29, 2020 and signed on its behalf by:

John Mahfood - Director

John Jackson - Director

The accompanying notes form an integral part of the financial statements.

JAMAICAN TEAS LIMITED

Company Statement of Profit or Loss and Other Comprehensive Income
Year ended September 30, 2020

	Notes	2020 $'000	2019 $'000
Gross operating revenue	21	1,406,092	1,087,212
Cost of operating revenue	22(a)	(933,713)	(768,079)
Gross profit		472,379	319,133
Other income	23	66,203	55,772
		538,582	374,905
Administrative, selling and distribution expenses:			
Administrative expenses	22(b)	(162,497)	(140,275)
Selling and distribution expenses	22(c)	(47,707)	(50,973)
		(210,204)	(191,248)
Impairment losses on trade receivables	11	(5,012)	(1,928)
Operating profit		323,366	181,729
Finance costs – Interest on loans		(12,114)	(16,937)
Profit before taxation		311,252	164,792
Taxation	25	(53,254)	(22,585)
Profit for the year, being total comprehensive income		257,998	142,207

The accompanying notes form an integral part of the financial statements.

JAMAICAN TEAS LIMITED

Company Statement of Changes in Equity
Year ended September 30, 2020

	Share capital (note 13) $'000	Capital reserves (note 14) $'000	Retained earnings $'000	Total $'000
Balance as at October 1, 2018	161,161	111,708	983,192	1,256,061
Profit for the year, being total comprehensive income for the year	-	-	142,207	142,207
Transaction with owners:				
Capital distribution (note 27)	-	(41,287)	-	(41,287)
Issue of shares (note 13)	15,000	-	-	15,000
Share option exercised (note 13)	8,988	-	-	8,988
	23,988	(41,287)	-	(17,299)
Balance at September 30, 2019	185,149	70,421	1,125,399	1,380,969
Profit for the year, being total comprehensive income for the year	-		257,998	257,998
Transaction with owners:				
Capital distribution (note 27)	-	(21,099)	-	(21,099)
Share option exercised (note 13)	5,600	-	-	5,600
Balances at September 30, 2020	190,749	49,322	1,383,397	1,623,468

The accompanying notes form an integral part of the financial statements.

JAMAICAN TEAS LIMITED

Company Statement of Cash Flows
Year ended September 30, 2020

	Notes	2020 $'000	2019 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		257,998	142,207
Adjustments for:			
Gain on disposal of property, plant and equipment	23	(1,093)	(55)
Increase in fair value of investment properties	23	(5,000)	(5,000)
Depreciation	4	22,437	29,723
Amortisation	6	102	307
Interest expense		12,114	16,937
Interest income	23	(18,088)	(14,019)
Dividend income	23	-	(1,474)
Taxation	25	53,254	22,585
Operating profit before change in working capital		321,724	191,211
Changes in operating assets and liabilities:			
Inventories		(62,768)	(13,963)
Trade and other receivables		(94,215)	4,929
Related companies		17,196	(158,459)
Trade and other payables		20,356	51,563
Interest received		16,908	2,909
Interest paid		(12,114)	(16,937)
Cash generated from operations		207,087	61,253
Tax paid		(12,761)	(22,992)
Net cash provided by operations		194,326	38,261
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in associate, net		48,718	(9,773)
Proceeds from disposal of property, plant and equipment		2,592	1,757
Additions of property, plant and equipment	4	(18,841)	(29,367)
Investment in subsidiary companies, net		(22,773)	590
Acquisition of subsidiary		-	(220,000)
Dividend received		-	1,474
Investments sold/(purchased), net		-	227,575
Purchase of intangible assets	6	(52)	-
Net cash provided/(used) by investing activities		9,644	(27,744)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue. net	13	5,600	23,988
Loans, net		(25,314)	31,726
Bank overdraft		(2,886)	(10,429)
Capital distribution	27	(21,099)	(41,287)
Net cash (used)/provided by financing activities		(43,699)	3,998
Net increase in cash in cash and cash equivalents		160,271	14,515
Cash and cash equivalents at the beginning of the year		145,499	130,984
Cash and cash equivalents at end of year		305,770	145,499

The accompanying notes form an integral part of the financial statements.

1. Identification

Jamaican Teas Limited ("the company") is incorporated and domiciled in Jamaica, with registered office located at 2 Bell Road, Kingston 11, Jamaica. The company has been listed on the Junior Market of the Jamaica Stock Exchange (JSE) since July 3, 2010. These financial statements comprise the company and its subsidiaries and associate, collectively referred to as "the group" [also see note 3(a)(i)].

The principal activities of the group are the manufacture and distribution of various tea and other consumer products to the local and export markets. The group also engages in real estate and investment activities.

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standard Board, and comply with the provisions of the Jamaican Companies Act ("The Act").

New and amended standards that came into effect during the current financial year:

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The group has assessed them and has adopted those which are relevant to the financial statements. The major standard that came into effect was determined to be IFRS 16 *Leases*.

The group adopted IFRS 16 *Leases* from October 1, 2019, this eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. The group is required to bring all major leases on-balance sheet, recognising new assets and liabilities.

The on-balance sheet liability attracts interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. A number of practical expedients exist when applying the IFRS 16 to leases previously classified as operating lease under IAS 17. In particular, the group can avoid:

– recognising right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

– recognising right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment); and

– including initial direct costs from the measurement of the right-of-use asset at the date of initial application.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards that came into effect during the current financial year (continued):

The adoption of IFRS 16 *Leases* and other amendments and improvements during the year did not result in any changes to the amounts recognised, presented, and disclosed in the financial statements.

New and amended standards and interpretations not yet effective:

At the date of approval of the financial statements, there were certain new and amended standards and interpretations to existing standards, which were in issue, but were not yet effective and had not been early adopted by the group. Those which management considered may be relevant to the group are as follows:

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides the following definition of 'material' to guide preparers of financial statements in making judgements about information to be included in financial statements.

  "*Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity*."

  The group is assessing the impact that this new amendment will have on its 2021 financial statements.

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

  The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

  – New 'bundle of rights' approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;

  – A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.

  – A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

  The group is assessing the impact that this new amendments will have on its 2021 financial statements.

2. Statement of compliance and basis of preparation (continued)

(b) Basis of preparation and functional currency:

The financial statements are prepared on the historical cost basis, except for quoted investments and investment properties, which are measured at fair value.

The financial statements are presented in Jamaica dollars, which is the functional currency of the group, rounded to the nearest thousand, unless otherwise indicated.

(c) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date and the income and expense for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual cash flows from a financial asset are solely payments of principal and interest (SPPI) on the principal amount requires management to make certain judgements on its business operations.
Impairment of financial assets:

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

Determination of control in equity investees:

Determining whether the group has de facto control or significant influence over certain investee’s relevant activities involves significant judgement whether or not the company hold majority shares in the investee. Basis of consolidation is further detailed in note 3(a).

2. Statement of compliance and basis of preparation (continued)

(c) Use of estimates and judgements (continued):

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

Allowance for impairment losses on financial assets:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3(i) which also set out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

(iii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available, at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(iv) Fair value of investment properties:

Investment properties are carried in the statement of financial position at market value. It is the group’s policy to use independent qualified property appraisers to value its investment properties, generally using the open market value. This approach takes into consideration various assumptions and factors, including the level of current and future occupancy, the rate of annual rent increases, the rate of inflation of direct expenses, the appropriate discount rate, and the current condition of the properties together with an estimate of future maintenance and capital expenditures. Reference is also made to recent comparable sales. A change in any of these assumptions and factors could have a significant impact on the valuation of investment properties.

3. Significant accounting policies

(a) Basis of consolidation:

(i) A "subsidiary" is an enterprise controlled by the company. The group controls an entity when it is exposed to, or has rights, to the variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of a subsidiary are included in the consolidated financial statements from the date control commences until the date control ceases.

The balance in the consolidated financial statements include the financial statements of the company and its subsidiaries together with its associate:

	Principal activity	Percentage ownership by the group 2020	2019
Subsidiaries:			
LTJ Fund Managers Limited (Formally JRG Shoppers Delite Enterprise Limited)**	Registrar and Management services	100	100
H Mahfood & Sons Limited	Real Estate	100	100
KIW International Limited ***	Holding Company	49.89	45.43
QWI Investment Limited*	Investments	26.29	24.34
Bay City Food Limited**	Retail Distribution	100	-
H Mahfood & Sons 2020 Limited ****	Real Estate	100	-
Associate:			
Bay City Foods Limited**	Retail Distribution	-	50

* QWI Investments Limited issued 66% of its ordinary shares to the public on September 9, 2019 in an initial public offering and was listed on the Jamaica Stock Exchange on September 30, 2019. QWI Investments Limited's remaining shares are held by Jamaican Teas Limited and KIW International Limited

During the year Jamaican Teas Limited purchased additional shares in the subsidiary and increased its shareholding from 220 million shares in the prior year to 236.7 million shares as at September 30, 2020.

** On December 18, 2018, JRG Shoppers Delite Enterprise Limited and Bay City Foods Limited entered into an agreement whereby Bay City Foods Limited purchase the assets and undertaking comprising JRG's Shoppers Delite Supermarket business. This purchase took effect on February 1, 2019 and was accounted for as purchase of assets.

On September 16, 2019, JRG Shoppers Delite Enterprise Limited changed its name to LTJ Fund Managers Limited. Consequently, its principal activity was changed from the business of retail distribution of groceries, meat kinds, household products and other consumables to the provision of registrar and management services to certain related parties.

On October 1, 2019, the company acquired the remaining 50% ownership of Bay City Foods Limited, making the entity, previously accounted for as an associate, a wholly owned subsidiary.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(i) (Continued)

*** The increase in KIW International Limited percentage ownership was as a result of the subsidiary buying back 74,576 of its owns shares and Jamaican Teas Limited increasing its shareholding by 614,933 shares.

**** On February 3, 2020 H Mahfood & Sons 2020 Limited was incorporated and brought into the group as a wholly owned subsidiary of Jamaican Teas Limited. The principal activities of the subsidiary are the rental of its commercial property and the development of real estate for resale.

The subsidiaries are incorporated in Jamaica.

(ii) Loss of control

On the loss of control, the group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising on the loss of control is recognised in profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(iii) Non-controlling interests

Non-controlling interests are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Losses applicable to the non-controlling interest in a subsidiary are allocated to the non-controlling interests, even if doing so, causes the non-controlling interest to have a deficit balance.

(iv) Transactions eliminated on consolidation

Balances and transactions between companies within the group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions between the group and its subsidiaries and associate are eliminated to the extent of the group’s interest in the subsidiary or associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(v) Associate

The group’s interest in equity-accounted investees comprise interest in associate.

An associate is an entity in which the group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the group holds between 20% and 50% of the voting power of the entity.

Interest in associate is accounted for using the equity method. It is initially recognised at cost. Subsequent to initial recognition, the consolidated financial statements include the group’s share of the profits or losses of the associate, until the date on which significant influence or joint control ceases.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(v) Associate (continued)

When the group's share of losses exceeds its interest in an associate, the group's carrying amount is reduced to Nil and recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations, or made payments on behalf of an associate. If the associate subsequently reports profits, the group resumes recognising its share of those profits only after its share of profits equals the share of accumulated losses not recognised.

(b) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assesses its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the group has four (4) operating segments; manufacturing, retailing, real estate and investments.

(c) Property, plant and equipment:

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the group and its cost can be reliably measured.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

With the exception of freehold land and work-in-progress, on which no depreciation is provided, property, plant and equipment are depreciated on the straight-line basis over the estimated useful lives of such assets, at the following annual rates:

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

The depreciation methods, useful lives and residual values are reassessed annually at each reporting date and adjusted if appropriate.

3. Significant accounting policies (continued)

(d) Investment properties:

Investment properties, comprising principally land and buildings, are held for long-term rental yields and capital appreciation and are treated as long-term investments. They are measured initially at cost, including related transaction costs and are subsequently measured at fair value.

Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Fair value is determined annually by an independent registered valuer. Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognised in profit or loss.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

(e) Intangible assets:

Computer software:

Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of five (5) years for software on a straight line basis.

Costs associated with developing or maintaining computer software programmes are recognised as expenses as incurred.

(f) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity", in this case, "the group").

(a) A person or a close member of that person's family is related to the group if that person:

(i) has control or joint control over the group;

(ii) has significant influence over the group; or

(iii) is a member of the key management personnel of the group or of a parent of the group.

(b) An entity is related to the group if any of the following conditions applies:

(i) The entity and the group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

3. Significant accounting policies (continued)

(f) Related parties (continued):

(b) An entity is related to the group if any of the following conditions applies (continued):

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the group or to the parent of the group.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The group has related party relationship with directors, subsidiaries and associates and with its executive officers and those of its subsidiaries.

(g) Investment in subsidiary companies:

Investments in subsidiary companies are measured at cost.

(h) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise investment securities, trade and other receivables, cash and cash equivalents and due from subsidiaries. Financial liabilities comprise long-term loans, margin loan payable, trade and other payables, due to subsidiary, short-term borrowings and bank overdraft.

(i) Recognition and initial measurement

The group recognises a financial instrument when it becomes a party to the contractual terms of the instrument. Financial assets and financial liabilities are initially recognised on the trade date.

At initial recognition, the group measures a financial asset or financial liability at its fair value, *plus or minus*; in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability.

3. Significant accounting policies (continued)

(h) Financial instruments (continued):

(i) Recognition and initial measurement (continued)

Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in profit or loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

When the fair value is evidenced by a quoted price in an active market for an identical asset or liability (i.e. a level 1 input) or based on a valuation technique that uses only data from observable markets, the difference is recognised as a gain or loss.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss (FVTPL).

The financial assets that meet both of the conditions in a) and b) below, and are not designated as at fair value through profit or loss: a) are held within a business model whose objective is to hold assets to collect contractual cash flows, and b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding, are classified as “held to collect” and measured at amortised cost.

Amortised cost represents the net present value (“NPV”) of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Cash and cash equivalents
- Investments
- Trade and other receivables
- Due from subsidiaries

The group initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The realised gains from financial instruments at fair value through profit or loss (“FVTPL”) represents the difference between the carrying amount of the financial instrument at the beginning of the reporting period, or the transactions price if it was purchased in the current reporting period, and its settlement price.

3. Significant accounting policies (continued)

(h) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

The unrealised gain represents the difference between the carrying amount of a financial instrument at the beginning of the period, or the transaction price if it was purchased in the current period, and its carrying amount at the end of the reporting period.

Fair value gains and losses from revaluation of equity securities at FVTPL are presented separately in the statement of profit or loss.

Business model assessment

The group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities that are funding these assets or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity. However, the information about sales activity is not considered in isolation, but as part of an overall assessment of how the group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment whether contractual cash flows are solely payments of principal and interest

For the purpose of this assessment, 'principal' is defined as the fair value of financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

3. Significant accounting policies (continued)

(h) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Assessment whether contractual cash flows are solely payments of principal and interest (continued)

In assessing whether the contractual cash flows are solely payments of principal and interest, the group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial liabilities

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs. The group's financial liabilities, which includes long-term loans, trade and other payable, margin loan payable, due to subsidiary, short-term borrowings and bank overdraft are recognised initially at fair value.

Financial assets and liabilities – Subsequent measurement and gains and losses: Policy applicable from October 1, 2018

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. Amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

3. Significant accounting policies (continued)

(h) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial liabilities (continued)

Financial assets and liabilities – Subsequent measurement and gains and losses:

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in the individual policy statements associated with each item.

(iii) Derecognition

Financial asset and liabilities

Financial assets

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in the consolidated statement of comprehensive income.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from company of similar transactions such as in the group's trading activity.

3. Significant accounting policies (continued)

(i) Impairment:

Financial assets

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and at fair value through other comprehensive income (OCI).

The group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward looking information.

The group assumes that the credit risk on financial assets has increased significantly if it is more than 180 days past due.

The group recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to action such as realising security if any is held; or
- the financial asset is more than 180 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

3. Significant accounting policies (continued)

(i) Impairment (continued):

Financial assets (continued)

Credit-impaired financial assets (continued)

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.

Non-financial assets

At each reporting date, the company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount.

3. Significant accounting policies (continued)

(j) Inventories:

Inventories are measured at the lower of cost, determined principally on a first-in-first-out or weighted average cost, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling costs.

Housing development under construction, included in inventory, includes the cost of land, construction materials, labour, borrowing cost and an appropriate proportion of overhead costs.

(k) Trade and other receivables:

Trade and other receivables are measured at amortised cost, less impairment losses (see note 3(i).

(l) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short-term deposits with maturity of three months or less from the date of placement and are measured at amortised cost.

(m) Share capital and share-based payment arrangement:

(i) Share capital:

Ordinary shares are classified as equity where there is no obligation to transfer cash or other assets. Transaction costs directly attributable to the issue of shares are shown in equity as a deduction from the proceeds of the share issue to the extent that their costs are directly attributable to the issue of the shares.

(ii) Share-based payment arrangement:

The grant-date fair value of equity-settled share-based payment arrangements granted to employees is generally recognised as an expense or asset, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense or asset is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(n) Dividends and capital distributions:

Dividends on ordinary shares and capital distributions are recognised in equity in the period in which they are approved.

Interim dividends payable to shareholders are approved by the directors while final dividends have to be approved by the equity shareholders at the Annual General Meeting. Dividends and capital distributions for the year that are declared after the reporting date are dealt with in the subsequent events note.

3. Significant accounting policies (continued)

(o) Trade and other payables:

Trade and other payables are measured at amortised cost.

(p) Borrowings:

Borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are measured at amortised cost, with any difference between proceeds (net of transaction costs) and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as property, plant and equipment.

Debt issuance costs represent financing and certain related fees associated with securing long-term borrowings. Amortisation is charged to profit or loss on the effective interest basis over the life of the related borrowings.

(q) Revenue:

Performance obligations and revenue recognition policies:

Revenue is measured at the fair value of the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

Type of product or services	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15*
Packaged teas for export and domestic sales and retail products	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated at that point in time. Invoices are usually payable within 30 days	Revenue is recognised at the point in time when the goods are delivered and have been accepted by customers. For the sale of retail products, the group allocate a portion of the consideration received to loyalty points which are then given to customers as rebates on future purchases. The amount allocated to the loyalty points is deferred and is recognised as revenue when the loyalty points are redeemed or the likelihood of the customers redeeming the loyalty point is remote.

3. Significant accounting policies (continued)

(q) Revenue (continued):

Type of product or services	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15*
	Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered. The company gives rebates to select customers based on the volume of purchase made. Rebates are included in other payables and payments are made to the customers.	Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.
Sale of real estate	The customer obtains control of housing units when the units have been delivered.	Revenue is recognised at the point in time when the housing units are delivered and accepted by the customers.
Rental income	Invoices are issued according to contract terms and are payable within 30 days.	Revenue is recognised over time as the customer benefits from occupying the property.

(r) Taxation:

Income tax on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in profit or loss, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

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

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

A deferred tax liability is recognised for all taxable temporary differences except to the extent that the company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

3. Significant accounting policies (continued)

(r) Taxation (continued):

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

(s) Foreign currencies:

Foreign currency balances at the reporting date are translated at the exchange rates ruling at that date. Transactions in foreign currencies are converted at the exchange rates ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are recognised in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movement in the relevant balances.

(t) Finance income and costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense on borrowings. Borrowing costs are recognised in profit or loss using the effective interest method.

(u) Determination of fair value:

Fair value is the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the group has access at the date.

The group measures the fair value of an instrument using quoted price in an active market for that instrument. A market is regarded as active if transactions from the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The group measures instruments quoted in an active market at the mid and closing price, because these prices provides a reasonable approximation of the exit price.

(v) Employee benefits:

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, statutory contributions, annual vacation leave and non-monetary benefits such as post-employment benefits related to pension.

3. Significant accounting policies (continued)

(v) Employee benefits (continued):

Employee benefits that are earned as a result of past or current service are recognised in the following manner:

(i) Short-term employee benefits:

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past services provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans:

Obligation for contributions to defined contribution plans is expensed as the related services are provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(w) Expenses:

Expenses are recognised in profit or loss on the accrual basis.

4. Property, plant and equipment

	The Group					
	Land and buildings $'000	Plant, equipment, furniture, fixtures and computers $'000	Motor vehicles $'000	Leasehold improvement $'000	Work-in-progress $'000	Total $'000
Cost:						
September 30, 2018	250,434	148,189	27,560	14,616	-	440,799
Additions	3,868	18,900	7,552	-	-	30,320
Disposals	-	(23,455)	(1,990)	(12,552)	-	(37,997)
September 30, 2019	254,302	143,634	33,122	2,064	-	433,122
Additions	-	38,363	-	8,440	8,372	55,175
Disposals	-	-	(5,671)	-	-	(5,671)
September 30, 2020	254,302	181,997	27,451	10,504	8,372	482,626
Depreciation:						
September 30, 2018	22,709	69,000	10,790	9,866	-	112,365
Charge for the year	5,562	20,109	6,214	885	-	32,770
Eliminated on disposal	-	(9,783)	(938)	(8,687)	-	(19,408)
September 30, 2019	28,271	79,326	16,066	2,064	-	125,727
Charge for the year	5,607	15,880	6,441	2,393	-	30,321
Eliminated on disposal	-	-	(4,172)	-	-	(4,172)
September 30, 2020	33,878	95,206	18,335	4,457	-	151,876
Net book value:						
September 30, 2020	220,424	86,791	9,116	6,047	8,372	330,750
September 30, 2019	226,031	64,308	17,056	-	-	307,395

4. Property, plant and equipment (continued)

	The Company					
	Land and buildings	Plant, equipment, furniture, fixtures and computers	Motor vehicles	Leasehold improvement	Work-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost:						
September 30, 2018	194,260	126,815	27,560	2,064	-	350,699
Additions	3,868	17,947	7,552	-	-	29,367
Disposal	-	(2,000)	(1,990)	-	-	(3,990)
At September 30, 2019	198,128	142,762	33,122	2,064	-	376,076
Additions	-	15,325	-	-	3,516	18,841
Disposal	-	-	(5,671)	-	-	(5,671)
At September 30, 2020	198,128	158,087	27,451	2,064	3,516	389,246
Depreciation:						
September 30, 2018	15,757	59,049	10,790	2,064	-	87,660
Charge for the year	4,158	19,351	6,214	-	-	29,723
Eliminated on disposal	-	(1,350)	(938)	-	-	(2,288)
September 30, 2019	19,915	77,050	16,066	2,064	-	115,095
Charge for the year	4,203	11,793	6,441	-	-	22,437
Eliminated on disposal	-	-	(4,172)	-	-	(4,172)
September 30, 2020	24,118	88,843	18,335	2,064	-	133,360
Net book value:						
September 30, 2020	174,010	69,244	9,116	-	3,516	255,886
September 30, 2019	178,213	65,712	17,056	-	-	260,981

Land and buildings include land at a cost of $43,000,000 (2019: $43,000,000) for the group and $30,000,000 (2019: $30,000,000) for the company.

The company's Bell Road property with net book value of $174,010,000 (2019: $178,213,000) is held as collateral against a loan from the Bank of Nova Scotia Jamaica Limited (note 16).

5. Investment properties

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Balance at October 1	287,465	183,496	55,000	50,000
Additions	61,153	31,932	-	-
Transferred to inventories	(75,000)	-	-	-
Change in fair value (note 23)	8,453	72,037	5,000	5,000
Balance at September 30	282,071	287,465	60,000	55,000

Investment properties comprise commercial properties and land held for capital appreciation. Investment properties are valued annually by an independent professional valuer.

5. Investment properties (continued)

Investment properties were valued in September 2020 by K.B. Real Estate Company Limited.

Certain of the group's investment properties are held as collateral against a loan from the Bank of Nova Scotia Jamaica Limited [note 16(i)].

The rental income earned on the commercial properties during the year amounted to $8,766,000 (2019: $3,512,000) for the group and $2,676,500 (2019: $3,090,000) for the company. The related expenses totalled $81,158 (2019: $968,000) for the group and $81,158 (2019: $107,000) for the company.

Changes in fair values are recognised as gains in profit or loss and included in 'other income'. All gains are unrealised.

The fair value measurement for investment properties of $282,071,000 (2019: $287,465,000) for the group and $60,000,000 (2019: $55,000,000) for the company have been categorised as Level 3 in the fair value hierarchy. The following table shows the valuation technique used in measuring fair value as well as the significant unobservable inputs used.

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Market based approach: The approach is based on the principle of substitution whereby the purchaser with perfect knowledge of the property market pays no more for the subject property than the cost of acquiring an existing comparable property, assuming no cost delay in making the substitution. The approach requires comparison of the subject property with others of similar design and utility, inter alia, which were sold in the recent past. However as no two properties are exactly alike, adjustment is made for the difference between the property subject to valuation and comparable properties.	• Details of the sales of comparable properties • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

6. Intangible assets

	Computer software licences	
	The Group $'000	The Company $'000
At cost:		
September 30, 2018	5,353	1,772
Additions	43	-
Disposals	(3,624)	-
September 30, 2019	1,772	1,772
Additions	2,056	52
September 30, 2020	3,828	1,824
Amortisation:		
September 30, 2018	3,857	1,226
Charge for the year	423	307
Eliminated on disposal	(2,747)	-
September 30, 2019	1,533	1,533
Charge for the year	735	102
September 30, 2020	2,268	1,635
Carrying value:		
September 30, 2020	1,560	189
September 30, 2019	239	239

7. Investment in associate and acquisition of subsidiary

(a) Investment in associate:

In the prior year the group held a 50% interest in the retail distribution company, Bay City Foods Limited (BCFL). During the year the group acquired the remaining 50% ownership of the company making it a wholly owned subsidiary of the group. The investment in associate was derecognised and investment in subsidiary recognised.

	The Group		The Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Investment at beginning of year	80,969	26,546	48,718	27,835
Acquisition as a subsidiary [note 7(b)]	(80,969)	-	(48,718)	-
Addition	-	53,168	-	20,883
Group's share of net results	-	1,255	-	-
Investment at end of year	-	80,969	-	48,718

7. Investment in associate and acquisition of subsidiary (continued)

(a) Investment in associate (continued):

The assets, liabilities, revenue and net profit of the associate in the prior year was as follows:

	The Group 2019
Percentage ownership interest	50%
	$'000
Total assets	115,934
Total liabilities	(278,066)
Net liabilities (100%)	(162,132)
Group's share of net liabilities (50%)	(81,066)
Group's share associate's liabilities	162,035
Carrying amount of interest in associate	80,969
Gross operating revenue	359,171
Net profit (100%)	2,510
Net profit – Group's share (50%)	1,255

(b) Acquisition of subsidiary:

With effect from October 1, 2019, the group acquired control of Bay City Foods Limited (BCFL), formerly a 50% associate of the group [note 3(a) and note 7(a)]. As of this date, the company is a wholly owned subsidiary of the group.

Since acquisition BCFL contributed revenue of $534 million and profit after tax of $23 million net of group eliminations.

The following summaries the fair value of the identifiable assets and liabilities recognised by the group on October 1, 2019.

	Bay City Food Limited Fair value $'000
Net identifiable assets:	
Intangible assets (software)	1,921
Property, plant and equipment	29,359
Deferred tax assets	48,122
Inventory	27,711
Accounts receivable	3,275
Cash	4,598
Other assets	948
Long term loans, net	(59,629)
Other liabilities	(30,680)
Net liabilities acquired	25,625
Total consideration on acquisition	4,597
	21,028

7. Investment in associate and acquisition of subsidiary (continued)

(b) Acquisition of subsidiary (continued):

Satisfied by the following:	
Cash consideration	(1)
Cash acquired	4,598
Net cash inflow arising on acquisition in the year	4,597

8. Investments

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Investment securities at FVTPL				
– Trinidad and Tobago quoted equities	19,174	-	-	-
– United States quoted equities	398,271	-	-	-
– Jamaican quoted equities	1,181,679	1,363,148	-	-
	1,599,124	1,363,148	-	-

Certain of the quoted equities are held as collateral for a bank overdraft facility and margin loan payable (notes 19 and 20).

9. Deferred taxation

Deferred tax (asset)/liability is attributable to the following:

	The Group						
	2018	Recognised in profit or loss [note 25(a)]	Recognised in equity	2019	Recognised in profit or loss [note 25(a)]	Recognised on acquisition of subsidiary [note 7(b)]	2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	-	364	(2,707)	(2,343)	3,361	-	1,018
Investments	-	94,060	-	94,060	(92,024)	-	2,036
Property, plant and equipment	8,457	3,676	-	12,133	390	(895)	11,628
Investment properties	-	-	-	-	465		465
Trade and other payables	(364)	(599)	-	(963)	3,071	(3,170)	(1,062)
Tax losses	(20,354)	(17,140)	-	(37,494)	(35,958)	(44,057)	(117,509)
	(12,261)	80,361	(2,707)	65,393	(120,695)	(48,122)	(103,424)

9. Deferred taxation (continued)

Deferred tax (asset)/liability is attributable to the following (continued):

	The Company					
	2018	Recognised in profit or loss [note 25(a)]	Recognised in equity	2019	Recognised in profit or loss [note 25(a)]	2020
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	-	-	(2,707)	(2,707)	3,221	514
Trade and other payable	(364)	-	-	(364)	510	146
Property, plant and equipment	711	-	-	711	2,096	2,807
	347	-	(2,707)	(2,360)	5,827	3,467

10. Inventories

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Manufacturing:				
Finished goods	62,581	66,301	62,581	66,301
Raw materials	198,170	131,682	198,170	131,682
	260,751	197,983	260,751	197,983
Retail	26,420	-	-	-
Development:				
Housing under construction	91,285	146,043	-	-
Completed houses	95,900	-	-	-
	474,356	344,026	260,751	197,983

Inventory write-offs recognised in profit or loss is $9,952,231 (2019: $9,925,000) for the group and $9,952,231(2019: $9,925,000) for the company.

11. Trade and other receivables

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade receivables (a)	368,291	233,481	330,073	232,228
Other receivables	25,102	20,220	20,913	20,095
	393,393	253,701	350,986	252,323
Less: Impairment losses	(30,358)	(25,346)	(30,358)	(25,346)
	363,035	228,355	320,628	226,977
Due from brokers (b)	-	1,195,252	-	-
Prepayments	42,348	39,821	39,832	39,268
	405,383	1,463,428	360,460	266,245

11. Trade and other receivables (continued)

(a) Included in trade receivables for the group and company is $70,275,000 (2019: $52,186,000) due from a related party, Amalgamated Distributors Limited in the ordinary course of business [see note 29(a)].

(b) In the prior year, amount due from broker included $1,192,000,000 which represented proceeds from initial public offer of the company's subsidiary, QWI Investments Limited's ordinary shares due from a brokerage firm, NCB Capital Markets Limited.

Impairment allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are recognised over their term.

Under this ECL model, the group uses its trade receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analyses of future delinquency, that is applied to the balance of the trade receivable. The weighted average ECL rates used as at the reporting date to apply against the trade receivable balance are detailed at note 29(a).

Changes in impairment losses:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade receivables:				
Balance as at October 1	15,709	1,755	15,709	1,755
Transitional adjustment	-	12,026	-	12,026
Impairment loss recognised [note 22(c)]	5,012	1,928	5,012	1,928
Balance as at September 30	20,721	15,709	20,721	15,709
Other receivables:				
Balance as at October 1 and September 30	9,637	9,637	9,637	9,637
Total impairment losses	30,358	25,346	30,358	25,346

12. Cash and cash equivalents

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash in hand	329	100	100	100
Cash at bank	95,187	57,418	92,170	56,600
	95,516	57,518	92,270	56,700
Short-term deposits and resale agreements	226,185	88,799	213,500	88,799
	321,701	146,317	305,770	145,499

13. Share capital and share purchase plan

	The Company			
	2020		2019	
	$'000	Number of shares	$'000	Number of shares
(a) Share capital:				
Authorised ordinary shares of no par value		1,000,000,000		1,000,000,000
Stated capital:				
In issue at October 1	185,149	695,083,459	161,161	686,033,460
Issue for cash*		-	15,000	3,749,999
Exercise of share options [13(b)]	5,600	3,200,000	8,988	5,300,000
In issue at September 30 – fully paid ordinary shares of no par value	190,749	698,283,459	185,149	695,083,459

* In the prior year, 3,750,000 shares were issued to related party, Amalgamated Distributors Limited at a price of $4.00 per share.

(b) Share purchase plan (equity-settled):

At the Annual General Meeting held on March 2, 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 8,000,000 shares to be issued between June 2011 and June 2021. The shares allocated for the staff are to be priced as a 10% 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 $1.75 per share, adjusted for the split. At September 30, 2020, all shares allocated under tranche one of this authorised option were fully issued or were expired.

At the Annual General Meeting held on March 16, 2016, the shareholders approved a resolution for the second tranche of 8,000,000 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. All shares under this option were outstanding at year end.

At the Annual General Meeting (AGM) held on April 12, 2017, 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 1,000,000,000 ordinary shares at no par value and the total number of issued shares being increased to 674,833,460 of no par value with effect from April 19, 2017.

In 2017, five directors exercised options to acquire shares in the company pursuant of their share option plans to purchase 7,200,000 shares at an exercise price of $1.75 per share amounting to $12,600,000.

In 2018, four directors exercised their options to acquire shares in the company pursuant to their share option plan to purchase 3,200,000 shares at the exercise price of $1.75 per share amounting $5,600,000. Furthermore, 800,000 shares were issued to employees pursuant to their employee stock purchase plan amounting $1,541,000.

13. Share capital and share purchase plan (continued)

(b) Share purchase plan (equity-settled) (continued):

In 2019, four directors exercised their option to acquire shares in the company pursuant to their share option to purchase 3,200,000 shares at the exercise price of $1.75 per share amounting to $5,600,000. In addition, 2,100,000 shares were issued to staff pursuant to their employee stock purchase plan amounting to $3,388,000.

During the year, four directors exercised their option to acquire shares in the company pursuant to their share option to purchase 3,200,000 shares at the exercise price of $1.75 per share amounting to $5,600,000.

(c) Treasury shares:

Treasury shares for the group comprises the cost of the company's shares held by the group. At September 30, 2020, the group held 6,183,544 of the company shares.

14. Capital reserves

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
(a) Realised surplus:				
Gain on disposal on investment property	90,425	91,382	-	-
Gain on disposal of property, plant and equipment	6,759	6,759	-	-
Waiver of directors' loan	229	229	-	-
Gain on disposal of investments	51,453	72,552	40,809	61,908
Capital distribution received	-	-	4,543	4,543
	148,886	170,922	45,352	66,451
(b) Franked income:				
Dividend income	3,970	3,970	3,970	3,970
	152,836	174,892	49,322	70,421

15. Non-controlling interests

This represents non-controlling interests in the company's subsidiaries as follows:

	% interest	
	2020	2019
QWI Investments Limited ("QWI")*	73.71%	75.66%
KIW International Limited ("KIW")	50.11%	54.57%

The following table summarises the information relating to KIW and QWI that have material non-controlling interests (NCI), before any intra-group eliminations.

	2020			
	KIW	QWI	Intra group eliminations	Total
	$'000	$'000	$'000	$'000
Non-current assets	193,550	1,683,841		
Current assets	16,181	2,136		
Current liabilities	(9,933)	(208,586)		
Net assets	199,798	1,477,391		

15. Non-controlling interests (continued)

	2020			
	KIW $'000	QWI $'000	Intra group eliminations $'000	Total $'000
NCI share of subsidiary net assets	100,119	1,088,952	(96,988)	1,092,083
Revenue	(163,930)	(465,462)		
Total comprehensive loss for the year	(166,858)	(394,324)		
Comprehensive loss allocated to non-controlling interests	(83,613)	(290,647)	82,145	(292,115)
Cash flow from operating activities	16,070	41,521		
Cash flow from investing activities	(12,469)	-		
Cash flow from financing activities	(4,174)	(40,613)		
Net (decrease)/increase in cash and cash equivalents	(573)	908		

	2019			
	KIW $'000	QWI $'000	Intra group eliminations $'000	Total $'000
Non-current assets	375,364	1,363,148		
Current assets	916	1,195,408		
Non-current liabilities	-	(135,777)		
Current liabilities	(8,916)	(551,564)		
Net assets	367,364	1,871,215		
NCI share of subsidiary net assets	200,471	1,415,765	(195,201)	1,421,035
Revenue	151,451	394,496		
Total comprehensive profit or loss for the year/period	139,025	248,601		
Comprehensive profit or loss allocated to non-controlling interests	75,866	188,091	(176,598)	87,359
Cash flow from operating activities	(27,971)	(1,858,447)		
Cash flow from investing activities	27,913	-		
Cash flow from financing activities	-	1,858,604		
Net decrease in cash and cash equivalents	(58)	(157)		

16. Long-term loans

	The Group and the Company	
	2020 $'000	2019 $'000
The Bank of Nova Scotia Jamaica Limited (BNSJ):		
8.25% loan (i)	143,333	163,333
8.00% loan (ii)	72	7,872
	143,405	171,205
Less: current portion	(20,071)	(27,872)
	123,334	143,333

16. Long-term loans (continued)

The Bank of Nova Scotia Loans –

(i) This loan is repayable over five years with 59 equal instalments and one final payment of $101,666,647 at an interest rate of 8.25% per annum.

It is secured by 1st legal mortgage over property located at 2 Bell Road, Kingston 11; along with an unlimited guarantee provided by related companies and demand debenture supported by:

- 1st legal mortgage to be stamped collateral to debenture for $45,000,000 over commercial property located at 29 Birdsucker Lane, Barbican, St. Andrew (note 5).
- 3rd legal mortgage to be stamped collateral to debenture for $45,000,000 over commercial property located at 2 Bell Road, Kingston Industrial Estate, St. Andrew (note 5).

(ii) During the prior year, an additional $10,000,000 was drawn down from BNSJ at a rate of 8% per annum. It is secured by the same property as indicated in (i) above.

17. Trade and other payables

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade payables	114,826	80,384	81,070	75,806
Due to brokers*	3,412	267,014	2,792	-
Other payables	101,163	90,561	48,136	35,836
	219,401	437,959	131,998	111,642

*Due to brokers represents investments purchase transactions through a brokerage firm awaiting settlement.

18. Short-term borrowings

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Demand loans (i)	71,351	78,765	71,351	78,765
Other loans (ii)	15,228	4,812	14,712	4,812
	86,579	83,577	86,063	83,577

(i) These loans are due to related parties at an interest rate of 4% to 6% per annum. These loans are not secured and have no fixed repayment terms and are payable on demand [note 28(c) and (d)].

18. Short-term borrowings (continued)

(ii) Other loans include mainly credit card balances which are unsecured and have no fixed repayment terms. Interest is charged at the rates of 10% and 39.75%. Interest is charged on outstanding balances not paid by the due date. The group normally repay amounts owing on or before the due date.

19. Bank overdraft

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Bank of Nova Scotia Jamaica Limited	1,735	53,470	-	2,886

These overdraft facilities bear interest of 13.25% and 8% per annum and are secured by the same security as outlined at note 16(i) and certain quoted investments held by the group (note 8).

As at 30 September 2020, the group's assets were charged in the sum of $118,007,982 in favour of Bank of Nova Scotia Jamaica Limited. The assets charged, comprised listed shares owned by a subsidiary and were pledged to secure an overdraft facility of $50,000,000 at an interest rate of 8.5% per annum for that subsidiary. The subsidiary had no outstanding overdraft as at September 30, 2020.

20. Margin loan payable

Margin loan payable represents short-term debt facilities provided by Mayberry Investments Limited and Aegis Capital Corp to a subsidiary of the company to acquire securities held on its own account. The facilities bears interest at 9% and 6.31%, respectively and is collaterised by the securities held with a brokerage firm (note 8).

21. Gross operating revenue

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Export sales – manufacturing	859,585	577,938	859,584	577,938
Domestic sales – manufacturing	546,507	509,274	546,508	509,274
Retail sales	534,474	173,443	-	-
Sale and rental of properties	254,440	30,537	-	-
	2,195,006	1,291,192	1,406,092	1,087,212

22. Nature of expenses

Profit before taxation is stated after charging:

(a) Cost of operating revenue:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cost of inventories recognised as expense	1,448,097	838,324	814,128	661,720
Depreciation	15,056	17,030	7,070	15,388
Amortisation	633	116	-	-
Repairs and maintenance	19,239	20,715	17,213	20,211
Staff costs (note 24)	88,299	57,737	66,833	50,669
Utilities	11,587	6,640	5,014	4,243
Other costs of operating revenue	27,208	17,526	23,455	15,848
	1,610,119	958,088	933,713	768,079

(b) Administration expenses:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Audit fees	13,025	9,541	9,202	5,415
Repairs and maintenance	9,151	10,137	9,070	10,137
Depreciation	15,265	15,740	15,367	14,335
Amortisation	102	307	102	307
Directors' emoluments:				
- Fees	11,640	6,249	4,200	3,500
- Management remuneration	16,340	18,946	16,340	12,246
Investment committee fees	-	36,118	-	-
Rental and security	9,839	1,632	4,069	4,155
Legal and professional fees	19,704	13,126	8,576	7,081
Utilities	6,638	3,906	4,864	3,435
Staff costs (note 24)	66,850	55,915	57,918	53,013
Insurance	13,833	7,245	9,088	6,170
Local and overseas travel	2,581	3,812	2,581	3,401
Other administration expense	43,189	31,822	21,120	17,080
	228,157	214,496	162,497	140,275

(c) Selling and distribution expenses:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Advertising and promotions	51,729	50,973	47,707	50,973
Total administrative, selling and distribution expenses	279,886	265,469	210,204	191,248
Impairment loss recognised on trade Receivables (note 11)	5,012	1,928	5,012	1,928

23. Other income

	The Group 2020 $'000	The Group 2019 $'000	The Company 2020 $'000	The Company 2019 $'000
Interest income	5,409	14,019	18,088	14,019
Rental income	2,677	3,512	2,677	3,090
Dividend income	22,901	9,342	-	1,474
Gain on sale of property, plant and equipment	1,093	55	1,093	55
Realised gain on sale of investments	-	67,292	-	18,259
Gain on acquisition of subsidiary	21,028	-	-	-
Increase in fair value of investment properties (note 5)	8,453	72,037	5,000	5,000
Net foreign exchange gain	13,115	1,001	13,115	980
Miscellaneous income	3,866	7,446	26,230	12,895
	78,542	174,704	66,203	55,772

24. Staff costs

	The Group 2020 $'000	The Group 2019 $'000	The Company 2020 $'000	The Company 2019 $'000
Salaries and wages	129,330	93,714	99,490	84,477
Pension	2,254	1,828	2,254	1,683
Other employee benefits	23,565	18,110	23,007	17,522
	155,149	113,652	124,751	103,682

Included in profit or loss as follows:

	The Group 2020 $'000	The Group 2019 $'000	The Company 2020 $'000	The Company 2019 $'000
Direct manufacturing labour [note 22(a)]	88,299	57,737	66,833	50,669
Administration [note 22(b)]	66,850	55,915	57,918	53,013
	155,149	113,652	124,751	103,682

25. Taxation

(a) Income tax is computed at 25% of the profit for the year, as adjusted for taxation purposes, and is made up as follows:

	The Group 2020 $'000	The Group 2019 $'000	The Company 2020 $'000	The Company 2019 $'000
Current tax expense:				
Current tax expense - current year	88,928	48,835	78,153	45,170
Urban renewal tax relief	(3,222)	-	-	-
Remission of income tax @ 50% up to June 2020	(30,726)	(22,585)	(30,726)	(22,585)
	54,980	26,250	47,427	22,585
Deferred tax expense:				
Originating and reversal of temporary differences (note 9)	(120,695)	80,361	5,827	-
	(65,715)	106,611	53,254	22,585

25. Taxation (continued)

(b) Reconciliation of expected tax expense and actual tax expense:

	The Group		The Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
(Loss)/profit before taxation	(135,435)	589,728	311,252	164,792
Computed "expected" tax expense @ 25%	(33,858)	147,432	77,813	41,198
Difference between profits for financial statements and tax reporting purposes on:				
Disallowed expenses and capital adjustments, net	2,091	(18,236)	6,167	3,972
Adjustment for effect of urban renewal tax relief [note 25(e)]	(3,222)	-	-	-
Adjustment for effect of tax remission [note 25(d)]	(30,726)	(22,585)	(30,726)	(22,585)
Actual tax charge	(65,715)	106,611	53,254	22,585

(c) As at September 30, 2020, subject to the agreement of The Commissioner, Tax Administration Jamaica, tax losses available for offset against future taxable profits for the group was $275,727,000 (2019: $63,811,000) and for the company $Nil (2019: $Nil). As at January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utilised in any one year is restricted to 50% of the current year's taxable profits.

(d) Remission of income tax:

By notice dated August 13, 2009, the Minister of Finance and the Public Service, issued and gazetted the Income Tax (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2009. The Notice effectively granted a remission of income tax to eligible companies that were admitted to the Junior Market of the Jamaica Stock Exchange (JMJSE) if certain conditions were achieved after the date of initial admission.

Effective July 3, 2010, the company's shares were listed on the JMJSE. Consequently, the company is entitled to a remission of income taxes for ten years in the proportion set out below, provided the shares remain listed for at least 15 years.

Years 1 to 5: (July 1, 2010 – June 30, 2015) – 100%
Years 6 to 10: (July 1, 2015 – June 30, 2020) – 50%.

The financial statements have been prepared on the basis that the company will have the full benefit of the tax remissions.

(e) By notice dated April 30, 2019, the Minister of Finance and the Public Service issued a gazette to a subsidiary within the group, designating it as an Approved Developer as cited by the Urban Renewal Act. The order is effective from 2019 to 2029. With this gazette, the subsidiary receives tax relief under the Urban Renewal (Tax Relief) Act for all developments undertaken on the designated property.

26. Earnings per ordinary stock unit

(a) Basic earnings per ordinary stock unit

Basic earnings per share are calculated by dividing the net profit attributable to members by the number of stock units in issue during the year.

	2020	2019
Net profit attributable to shareholders ($'000)	222,395	395,758
Weighted average number of stock units in issue	695,916,792	689,155,127
Basic earnings per stock unit ($)	0.32	0.57

(b) Diluted earnings per ordinary stock unit

Diluted earnings per share are calculated by dividing the profit attributable to ordinary shareholders by a weighted number of ordinary stock units outstanding after adjustment for the effects of all dilutive potential ordinary shares.

	2020	2019
Net profit attributable to shareholders ($'000)	222,395	395,758
Weighted average number of stock units in issue	730,816,792	733,255,126
Diluted earnings per stock unit ($)	0.30	0.54

27. Transactions with owners

	The Group and Company	
	2020	2019
	$'000	$'000
Capital distribution:		
Capital reserve	21,099	41,287

On August 11, 2020, the Board of Directors of the company approved, by way of resolution, capital distribution of $21,099,000.

On November 16, 2018 and May 29, 2019, the Board of Directors of the company approved, by way of resolution, capital distribution of $20,588,000 and 20,699,000, respectively.

28. Related party balances and transactions

	The Group 2020 $'000	The Group 2019 $'000	The Company 2020 $'000	The Company 2019 $'000
Balances:				
(a) Due from subsidiaries:				
H Mahfood & Sons Limited	-	-	378,859	438,216
LTJ Fund Managers Limited	-	-	20,129	19,568
KIW International Limited	-	-	3,263	1,825
QWI Investments Limited	-	-	2,907	38,597
Bay City Foods Limited	-	-	30,311	-
H. Mahfood & Sons 2020 Limited	-	-	46,721	-
	-	-	482,190	498,206
(b) Amalgamated Distributors Limited (ADL) [common director]*	70,275	52,186	70,275	52,186
(c) Due to director**	47,842	44,832	47,842	44,832
(d) Short-term borrowings due from a director and close family members**	23,470	78,765	23,470	78,765
(e) Directors' emoluments:				
Fees	11,640	6,249	4,200	3,500
Management remuneration	16,340	18,946	16,340	12,246
(f) Transactions with related parties and subsidiaries				
Sale of goods - ADL	452,689	421,165	452,698	421,165
Management fees - Subsidiaries	-	-	23,666	8,813
Advertising and publishing - ADL	-	9,608	-	9,608
Investment Committee fee	-	36,118	-	-

* Included in trade and other receivables [see note 11(a)].
* Included in short term borrowings [see note 18(i)].

Balances due from/to related parties are interest free, unsecured and repayable on demand.

29. Financial risk management

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

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

29. Financial risk management (continued)

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities. Management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk:

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally on trade and other receivables, due from related parties, cash and cash equivalents and short-term investments. There is a significant concentration of credit risk with Amalgamated Distributors Limited [see note 28(b)] and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Due from related parties

All related party transactions are preauthorized and approved by management during the budgeting process and subsequently in the normal course of business.

Cash and cash equivalents

The risk is managed in line with the Group's policy. Excess funds are invested for short periods of time, depending on the Group's cash flow requirement. These surplus funds are placed with approved financial institutions with no concentration of the funds being at any specific counterparty and thereby mitigating potential financial losses.

Trade and other receivables

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. The group does not require collateral in respect of trade and other receivables.

Trade receivables mainly consist of balances due from retail distributors within and outside Jamaica. The group considers that it has concentration of credit risk with one (2019: one) customer. As at September 30, 2020, amounts receivable from the customer aggregated $70,275,000 (2019: $52,186,000). This represents 19% and 21% (2019: 22%), respectively of the trade receivables of the group and the company.

Expected credit loss assessment

The group allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and the available press information about its customers) and applying experienced credit judgement.

29. Financial risk management (continued)

(a) Credit risk (continued):

Expected credit loss assessment (continued)

The group uses a provision matrix to measure ECLs on trade and other receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade and other receivables and is adjusted for forward-looking estimates.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.

The following table provides information about the exposure to credit risk and ECL for trade and other receivables as at the reporting date (see also note 11).

	Group			
	2020			
	Weighted average loss rate %	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
Current (not past due)	0.72%	300,497	1,781	No
31-60 days past due	1.52%	26,023	374	No
61-90 days past due	3.12%	19,548	610	No
91-120 days past due	4.45%	9,141	407	No
120 -150 days past due	6.00%	10,995	660	No
150 -180 days past due	10.62%	742	79	No
More than 180 days past due	100.00%	26,447	26,447	Yes
		393,393	30,358	

	Company			
	2020			
	Weighted average loss rate %	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
Current (not past due)	0.72%	258,090	1,781	No
31-60 days past due	1.52%	26,023	374	No
61-90 days past due	3.12%	19,548	610	No
91-120 days past due	4.45%	9,141	407	No
120 -150 days past due	6.00%	10,995	660	No
150 -180 days past due	10.62%	742	79	No
More than 180 days past due	100.00%	26,447	26,447	Yes
		350,986	30,358	

29. Financial risk management (continued)

(a) Credit risk (continued):

Expected credit loss assessment (continued)

	Group			
	2019			
	Weighted average loss rate %	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
Current (not past due)	0.01	169,758	643	No
31-60 days past due	0.87	30,245	262	No
61-90 days past due	1.91	11,717	225	No
91-120 days past due	2.80	9,150	256	No
120 -150 days past due	3.93	5,009	197	No
150 -180 days past due	7.41	4,384	325	No
More than 180 days past due	100.00	23,438	23,438	Yes
		253,701	25,346	

	Company			
	2019			
	Weighted average loss rate %	Gross carrying amount $'000	Loss allowance $'000	Credit impaired
Current (not past due)	0.01	168,380	643	No
31-60 days past due	0.87	30,245	262	No
61-90 days past due	1.91	11,717	225	No
91-120 days past due	2.80	9,150	256	No
120 -150 days past due	3.93	5,009	197	No
150 -180 days past due	7.41	4,384	325	No
More than 180 days past due	100.00	23,438	23,438	Yes
		252,323	25,346	

(b) Liquidity risk:

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid resources to meet its financial liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to its reputation. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value.

The following are the contractual maturities of financial liabilities measured at amortised cost. The tables show the undiscounted cash flows of non-derivative financial liabilities, including interest payments, based on the earliest date on which the group can be required to pay.

29. Financial risk management (continued)

(b) Liquidity risk (continued):

The Group

2020

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	2 to 5 years $'000
Long-term loans	143,405	185,866	38,955	146,911
Trade and other payables	219,401	219,401	219,401	-
Margin loan payable	195,377	195,377	195,377	-
Short-term borrowings	86,579	90,042	90,042	-
Bank overdraft	1,735	1,735	1,735	-
	646,497	692,421	545,510	146,911

2019

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	2 to 5 years $'000
Long-term loans	171,205	226,421	40,628	185,793
Trade and other payables	437,959	437,959	437,959	-
Margin loan payable	184,275	184,275	184,275	-
Short-term borrowings	83,577	86,920	86,920	-
Bank overdraft	53,470	53,470	53,470	-
	930,486	989,045	803,252	185,793

The Company

2020

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	2 to 5 years $'000
Long-term loans	143,405	185,866	38,955	146,911
Trade and other payables	131,998	131,998	131,998	-
Short-term borrowings	86,063	89,506	89,506	-
	361,466	407,370	260,459	146,911

The Company

2019

	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	2 to 5 years $'000
Long-term loans	171,205	226,421	40,628	185,793
Trade and other payables	111,642	111,642	111,642	-
Short-term borrowings	83,577	86,920	86,920	-
Bank overdraft	2,886	2,886	2,886	-
	369,310	427,869	242,076	185,793

There was no change to the group's exposure to liquidity risk during the year, or the manner in which it measures and manages the risk.

29. Financial risk management (continued)

(c) 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 financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while optimising the return on risk.

(i) Currency risk:

Currency risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group is exposed to currency risk on transactions that are denominated in a currency other than its functional currency. The main currency giving rise to this risk is the United States dollar (US$).

The group ensures that the risk is kept to an acceptable level by monitoring its risk exposure and by maintaining funds in US$ as a hedge against adverse fluctuations in exchange rates.

Exposure to currency risk:

The group's exposure to foreign currency risk at the reporting date was as follows:

	2020									
	The Group and the Company									
	J$	US$	J$	GBP	J$	CAN	J$	TT	J$	EURO
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:										
Trade receivables	238,551	1,691	-	-	1,889	18	-	-	-	-
Cash and cash equivalents	28,810	204	1,287	7	1,396	13	26,924	1,288	3,212	20
Investments	398,270	2,824	-	-	-	-	19,174	918	-	-
Total financial assets	665,631	4,719	1,287	7	3,285	31	46,098	2,206	3,212	20
Financial liabilities:										
Trade payables	(43,038)	(303)	(1,851)	(10)	(7,249)	(67)	-	-	-	-
Total financial liabilities	(43,038)	(303)	(1,851)	(10)	(7,249)	(67)	-	-	-	-
Exposure	622,593	4,416	(564)	(3)	(3,964)	(36)	46,098	2,206	3,212	20

	2019							
	The Group and the Company							
	J$	US$	J$	GBP	J$	CAN	J$	TT
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:								
Trade receivables	155,580	1,163	-	-	1,484	15	-	-
Cash and cash equivalents	40,847	305	376	2	176	2	13,140	675
Total financial assets	196,427	1,468	376	2	1,660	17	13,140	675
Financial liabilities:								
Trade payables	(36,756)	(272)	-	-	(10,049)	(98)	-	-
Total financial liabilities	(36,756)	(272)	-	-	(10,049)	(98)	-	-
Exposure	159,671	1,196	376	2	(8,389)	(81)	13,140	675

29. Financial risk management (continued)

(c) Market risk (continued):

(i) Currency risk (continued):

Exposure to currency risk (continued):

Exchange rates as at the reporting date were; US$1: J$141.0386 (2019: US$1: J$134.4584); GBP 1: J$185.4582 (2019: GBP 1: J$163.8386); CAN 1: J$106.0215 (2019: 1 CAN: J$101.9431); TT 1: J$20.8956 (2019: TT1: J$19.4656); Euro 1: J$160.8253 (2019: GBP1: J$149.4190).

Sensitivity analysis:

A 6% (2019: 6%) weakening of the above currencies against the J$ would increase profit for the year by $40,043,000 (2019: $9,888,000).

A 2% (2019: 4%) strengthening of the above currencies against the J$ would decrease profit for the year by $13,348,000 (2019: $6,592,000).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2019.

(ii) Interest rate risk:

Interest rate risk is the risk that the value or cash flows of a financial instrument will fluctuate due to changes in market interest rate.

The group minimises interest rate risk by investing mainly in fixed rate instruments and contracting liabilities at fixed rates, where possible. The group's interest rate risk arises mainly from bank loans.

At the reporting date, the interest profile of the group's interest-bearing financial instruments was:

	Carrying amount	
	2020	2019
	$'000	$'000
Fixed rate:		
Financial assets	241,784	104,399
Financial liabilities	(427,096)	(492,527)
	(185,312)	(388,128)

Fair value sensitivity analysis for financial instruments:

The group does not account for any interest bearing financial instrument at fair value, therefore a change in interest rates at the reporting date would not affect the carrying value of the group's financial instruments.

(iii) Equity price risk:

Equity price risk arises from equity securities held by the group as part of its investment portfolio. Management monitors the mix of debt and equity securities in its investment portfolio based on market expectations. The primary goal of the group's investment strategy is to maximise investment returns.

29. Financial risk management (continued)

(c) Market risk (continued):

(iii) Equity price risk (continued):

A 7% (2019: 10%) increase in the market price at the reporting date would cause an increase in the group's profit or loss and other comprehensive income of $111,939,000 (2019: $136,315,000) A 12.5% (2019: 10%) decrease would cause an increase/decrease in the group's losses/profits of $199,891,000 (2019: $136,315,000).

(d) Capital management:

The policy of the group's Board of Directors is to maintain a strong capital base so as to maintain investors, creditors and market confidence and to sustain future development of the business and ensure it continues as a going concern.

The group considers its capital to be its total equity inclusive of unappropriated profits and capital reserves. The group's financial objective is to generate a targeted operating surplus, in order to strengthen and provide for the future continuity of the group as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Directors regularly review the financial position of the group at meetings and monitor the return on capital and the level of dividends to the ordinary shareholders. They seek to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Debt is the total of long-term loans, short-term borrowings, margin loan payable, and bank overdraft less related party loans, if any. Total capital is calculated as equity as shown in the company's statement of financial position plus debt.

The gearing ratios at the year-end based on these calculations were as follows:

	The Group	
	2020	2019
	$'000	$'000
Debt	427,096	492,527
Equity	1,722,069	1,554,092
Total capital	2,149,165	2,046,619
Gearing ratio	20.0%	24.0%

There were no significant changes in the group's approach to capital management during the year and the group is not subject to externally imposed capital requirements.

29. Financial risk management (continued)

(e) Fair values:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. The group's equities are the only financial instrument that is carried at fair value. Where fair value of financial instruments approximates carrying value, no fair value computation is done and disclosed.

The carrying values reflected in the financial statements for cash and cash equivalent, trade and other receivables, and trade and other payables are assumed to approximate fair value due to their relatively short-term nature.

The fair value of long-term loans is assumed to approximate carrying value as the loans bear interest at market rates and all other conditions are at market terms.

Quoted equities fair values are based on the mid and closing prices published by the respective Stock Exchanges.

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 - Quoted prices in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. This includes financial assets with fair values based on broker quotes.

Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The group considers relevant and observable market prices in its valuations where possible.

Equity investments are classified as Level 1.

JAMAICAN TEAS LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2020

30. Segment reporting

	2020				
	Manufacturing $'000	Retailing $'000	Real estate $'000	Investments $'000	Total $'000
Gross revenue	1,406,092	534,474	259,240	-	2,199,806
Inter- segment revenue	-	-	(4,800)	-	(4,800)
Revenue from external customers	1,406,092	534,474	254,440	-	2,195,006
Fair value gains from revaluation of investments at FVTPL	-	-	-	(482,220)	(482,220)
Other income	66,203	1,370	3,454	24,823	95,850
Inter-segment other income	(17,308)	-	-	-	(17,308)
	48,895	1,370	3,454	24,823	78,542
Segment profit/(loss)	296,367	29,749	55,425	(493,295)	(111,754)
Finance (cost)/income	(12,114)	(17,736)	208	(2,104)	(31,746)
Loss before taxation					(135,435)
Taxation charge					65,715
Non-controlling interest					292,115
Profit attributable to equity holders of the parent					222,395
Segment assets	1,243,056	108,725	494,556	1,702,269	3,548,606
Segment liabilities	(420,326)	(38,577)	(33,321)	(212,333)	(704,557)
Capital expenditure	18,893	38,338	61,153	-	118,384
Depreciation and amortisation	(22,539)	(8,517)	-	-	(31,056)

	2019				
	Manufacturing $'000	Retailing $'000	Real estate $'000	Investments $'000	Total $'000
Gross revenue	1,087,212	173,443	34,737	-	1,295,392
Inter- segment revenue	-	-	(4,200)	-	(4,200)
Revenue from external customers	1,087,212	173,443	30,537	-	1,291,192
Fair value gains from revaluation of investments at FVTPL	-	-	-	376,244	376,244
Other income	55,772	1,708	82,154	169,700	309,334
Inter-segment other income	(8,813)	-	(15,117)	(110,700)	(134,630)
	46,959	1,708	67,037	59,000	174,704
Segment profit	172,916	12,979	53,430	377,330	616,655
Finance (cost)/income	(16,937)	1,451	(143)	(12,533)	(28,182)
Profit before taxation					589,728
Taxation charge					(106,611)
Non-controlling interest					(87,359)
Profit attributable to equity holders of the parent					395,758

30. Segment reporting (continued)

	2019				
	Manufacturing $'000	Retailing $'000	Real estate $'000	Investments $'000	Total $'000
Segment assets	977,025	32,066	443,171	2,541,885	3,994,147
Segment liabilities	(390,037)	(3,334)	(1,811)	(623,838)	(1,019,020)
Capital expenditure	29,367	996	31,932	-	62,295
Depreciation and amortisation	(30,030)	(3,163)	-	-	(33,193)

31. Contingencies and commitments

(a) At September 30, 2020, a subsidiary has capital commitments amounting to approximately Nil (2019: $71 million) in relation to work in progress inventory for proposed apartment complex at Manor Park, St Andrew. No provision has been made in these financial statements for the unexpended capital commitments as at reporting date although appropriate funding has been approved.

(b) The company has given an undertaking to support the operations of certain loss-making subsidiaries for the foreseeable future.

32. Impact of COVID-19

The World Health Organization in March 2020 declared the novel coronavirus, COVID-19, as a global pandemic. As a first step the group established measures at our properties to safeguard and protect our stakeholders by not only providing information to our employees, business partners and customers but equipping all personnel with supplies to prevent contagion and establishing protocols to access our premises.

The industry within which the major business segments operate has been designated by the Government of Jamaica (GOJ) as an essential industry with operations being exempted from the curfews and other Emergency Management Act restrictions imposed since March 2020. As a result, the group has not faced interruptions to its operations as a result of GOJ Restrictions and all employees have been able to commute as required.

The manufacturing segment of the group saw improved performance as a result of the pandemic as it strategised and capitalised on demand that existed in the export market. The retail and real estate business segment saw minimal impact; however, its investment business segment were significantly impacted as asset prices across the world responded to the economic disruption.

In response to the decline in market performance, management has adopted several measures specifically around financial risk management. Some of these measures include; reorganised the investment portfolio to reduce investment in industries assessed as being volatile to the pandemic and diversifying the segment's investment portfolio to invest in listed equities outside of Jamaica, across thriving industries.

32. Impact of COVID-19 (continued)

At the reporting date, we continue to monitor the performance of each of our business segments.

33. Subsequent event

At the Extraordinary General Meeting held on November 17, 2020, the shareholders of the company approved a resolution, setting November 30, 2020, as the new record date for the company's proposed 3 for 1 stock split. The ex-stock split date is November 27, 2020.