Jamaican Teas LTD.

Annual Report 2018

Mission

We aim to grow our business by producing high quality products that are safe, healthy and economical, while simultaneously being an exemplary corporate citizen, ensuring sustainable returns to our customers, shareholders and staff.

Vision

To become a leading producer of consumer goods within the Latin American and Caribbean region, through innovation, growth in exports and people centered values.

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Notice of Annual General Meeting

Notice is hereby given that the 2018 Annual General Meeting of the members of the Company will be held at The Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5, on the 20th day of March, 2019 at 3.00 p.m. for the purpose of transacting the following business:

1. a) To receive and approve the Audited Financial Statements and the Reports of the Directors for the year ended 30 September 2018 together with the Auditors' Report therein.

   b) Be it resolved:

   "That the Audited Financial Statements, the Auditors Report and the Reports of the Directors for said period, be and is hereby approved."

2 a) To declare a distribution of three cents (0.03¢) per share paid on 28 June 2018, as an interim distribution out of the sums standing to the credit of the Company's franked income reserves for the year ending 30 September 2018.

   b) Be it resolved:

   "That the distribution of three cents (0.03¢) paid out of franked income reserves for said period, be and is hereby approved."

3. a) To declare a capital distribution of three cents (0.03¢) per share paid on 21 December 2018, as a final distribution out of the sums standing to the credit of the Company's capital reserves for the year ending 30 September 2018.

   b) Be it resolved:

   "That the capital distribution of three cents (0.03¢) paid out of capital reserves for said period, be and is hereby approved."

4. a) To elect Directors:

   i. Duncan Davidson retires by rotation as a Director in accordance with Article 111 of the Company's Articles of Association and being eligible, he offers himself for re-election.

   ii. John Jackson retires by rotation as a Director in accordance with Article 111 of the Company's Articles of Association and being eligible, he offers himself for re-election.

   b) To consider, and if thought fit, pass the following resolution:

   i. "That Duncan Davidson, who is retiring by rotation in accordance with a) i, be and is hereby re-elected a Director of the Company."

   ii. "That John Jackson, who is retiring by rotation in accordance with a) ii, be and is hereby re-elected a Director of the Company."

5. To approve the remuneration of the Directors:

   To consider, and if thought fit, pass the following resolution:

   "That the amount shown in the Audited Financial Statements for the year ended 30 September 2018 as fees to the Directors for services as Directors, be and is hereby approved."

6. To reappoint KPMG Chartered Accountants as Auditors of the Company for the next financial year and to authorize the Directors to fix their remuneration.

BY ORDER OF THE BOARD

T. Samuels

Tanisha Samuels
Secretary, Jamaican Teas Limited

Dated this 23rd day of January, 2019
*Please see proxy and notes thereto

Directors' Report 2018

Directors (l to r): *John Jackson, Suzette Smellie-Tomlinson,*
John Mahfood - Chief Executive Officer, Duncan Davidson and Marcos Dabdoub

The Directors take pleasure in presenting their report on the 2018 financial year.

Jamaican Teas LTD.

We were pleased with the turnout of shareholders at our last Annual General Meeting and look forward to meeting all our members at our next Annual General Meeting, scheduled for March 20, 2019 at The Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5.

Directors' Report Continued

The Company's 2018 performance comes against the backdrop of a 12-month growth in the Jamaican economy. Inflation and unemployment declined and interest rates were at historic lows. Overall, economic conditions were relatively favourable for your Group despite fluctuations in the exchange rate during the year.

2018 OPERATING RESULTS

Jamaican Teas completed a successful year in which Total Comprehensive Income increased 25 percent from $192 million last year to $240 million in the year just ended.

Revenues increased 14 percent to almost $1.8 billion from $1.5 billion last year. Our manufacturing operations realized growth of 19 percent for the year while supermarket sales increased by 6 percent.

For the full year, the audited net profit decreased marginally from $196 million to $193 million. Earnings per share were unchanged at 29 cents per share. Our results would have been better but for unanticipated remedial work on the St. Thomas housing project that was more extensive than expected.

We are pleased that our export markets performed exceptionally well. Tea exports grew 24 percent for the year and export sales comfortably exceeded local tea sales by over 33 percent. We might not repeat the same level of success in 2019 but we remain cautiously optimistic.

Domestic sales growth in the 3 months to December 2018 has been encouraging and was in line with our forecast for the year.

INVESTMENTS

The year ended with good success in this segment of our operations as the Jamaican Stock Market continues to perform well. The Group's investment portfolio generated realized gains of $59 million for the year and unrealized gains of $48 million at year end.

Our quoted investments at September 30, 2018 totaled $462 million, up from $227 million in 2017.

We saw some attractive opportunities in the real estate market and acquired additional premises below replacement value for rental purposes initially.

Directors' Report Continued

CORPORATE DEVELOPMENTS

In 2017, we reported a non recurrent $29 million gain on the initial acquisition of KIW International Ltd.

Next fiscal year, JRG Shoppers' Delite, our Kingston supermarket business, will be sold to Bay City Foods Limited, our associated company.

We will also be adopting IFRS 9, which may have the effect of increasing the volatility of the Group's quarterly profits.

Since year end, a new subsidiary company, QWI Investments Limited, was formed which will take over the management of the listed investment portfolios of KIW and Jamaican Teas. Under the direction of an expanded Board of Directors with deep investment experience, the reorganization is expected to further strengthen this important and growing segment of the Group's operations. Later in 2019, further announcements will be made regarding the growth of this business.

DIVIDENDS

On June 28, 2018, the Company paid a dividend of 3 cents per share from franked income to shareholders on record at June 15, 2018.

On November 16, 2018, your Directors approved the payment of a capital distribution of 3 cents per share to shareholders on record as at November 30, 2018. Payment of this distribution was made on December 14, 2018.

For the year, total payout was over $40 million to shareholders compared with approximately $20 million last year.

OUTLOOK

Since year end, tea exports have been below expectations but are anticipated to rebound in the second half of the financial year while local tea sales have so far exceeded our forecast.

The Company has brought some soup and seasoning production in-house from the external contractors we used previously. This is expected to improve our margins on these products.

The supermarket has met our expectations so far, and we anticipate that our investments will increase in value and contribute to the profit for the year.

On this basis, our outlook for 2018/19 is for another good financial year.

APPRECIATION

We extend our appreciation to all our customers and to the distributors who deliver our products where they are sold locally and internationally, including the Caribbean.

Finally, thanks to our employees whose service and dedication were pivotal to the successful operations of the Group's member companies in 2018.

Board of Directors

Suzette Smellie-Tomlinson

Non Executive Director, (appointed February 2012)

Suzette Smellie-Tomlinson has over two decades of experience in various industries, including financial (banking and insurance), retail and distribution; media; education; cold storage and shipping, among others. She has served at the senior level with several corporate entities including: Scotiabank, AIC Limited, National Commercial Bank Jamaica Limited and Supreme Ventures Limited, among others. She heads the Compensation and Marketing Committee. She holds an MBA (Finance, Marketing), Manchester Business School & University of Wales, and a BSc Economics and Management.

Marcos Dabdoub

Non Executive Director, (appointed May 2010)

Marcos Dabdoub is a founding Director and currently Managing Director of Amalgamated Distributors Limited, the Company's exclusive Jamaican distributor of its Tetley and Caribbean Dreams product lines, which generates approximately 50 percent of the Company's overall sales. He has 45 years' experience in sales and distribution. He is a member of the Compensation and Marketing Committee.

He began his career in 1963 when he joined J & J Dabdoub Limited as a salesman. In 1967, he opened Marc's Department Store in Kingston. He attended St. George's College in Kingston and is a graduate of St. Mary's College, St. Andrew.

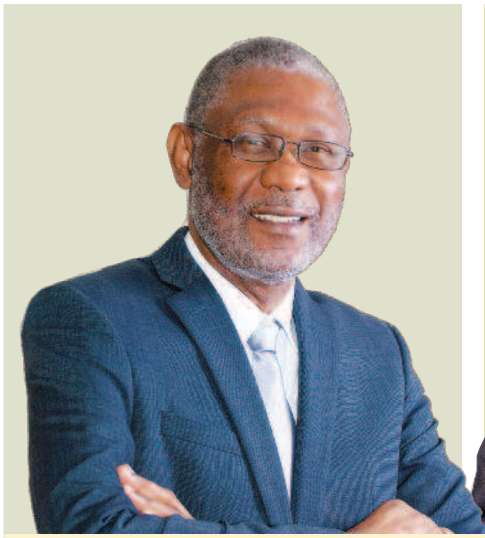
Duncan Davidson

Non Executive Director, (appointed April 2010)

Duncan Davidson brings his experience as a businessman to the Board. He is a Business Consultant, having worked for the supermarket chain, Hi-Lo Food Stores and the former JSE listed company, Hardware and Lumber Limited. He previously worked in the Jamaican shipping industry, having been a Managing Director of H. McCauley Orrett Ltd, a subsidiary of GraceKennedy & Co. Limited, and a director of Port Services Limited, GraceKennedy Shipping Limited, and the Maritime Training Institute (amongst other entities).

He is a member of the Compensation & Marketing Committee. He spent a number of years working in Canada prior to returning to Jamaica in 1989. He is also the holder of a Diploma in Mechanical Engineering, (Ryerson University, Toronto 1971).

Board of Directors Continued



John Jackson

Non Executive Director & Mentor to the Board, (appointed April 2010)

John Jackson brings to the Board his experience in the financial services industry. He is the Acting Chairman, Chairman of the Audit and Finance Committee and Mentor to the Board.

He is a Chartered Accountant and Financial Analyst. He was a founder of the Chartered Accounting firm, Jackson Burnett Parkinson Jackson. He is a Director of Bridgeton Management Services Limited, a private investment and management company since 1974. He is also a Director of Boston Holdings Limited, publishers of the financial website ICinsider.com and the journal Investor's Choice. He is the Chairman of Jetcon Corporation Limited and Jamaica Deposit Insurance Corporation (JDIC). He is also a director of the Development Bank of Jamaica (DBJ) and is involved in other private entities.

John Mahfood

Chief Executive Officer

John Mahfood heads the Management Team and is responsible for developing and implementing guidelines, internal controls and human resource procedures. He is experienced in local and international retail and trading, as well as mergers, expansions and turnarounds, having served in those capacities in several corporate entities.

He is a Certified Public Accountant and a fellow of the Institute of Chartered Accountants of Jamaica.

Welcome to a refreshing lifestyle of health, happiness and harmony.

www.jamaicanteas.com

Operations Management Team

Cameron Burnet
Chief Financial Officer

Cameron Burnet joined the Group in July 2017 and oversees the accounting and financial operations of the Group and its member companies. He is a Chartered Accountant and has over 30 years' financial experience with other food processing and hotel groups in Jamaica and overseas, as well as with two well-known public accounting firms.

Jonathan Mahfood
Special Projects Manager

Jonathan Mahfood works closely with the Chief Executive Officer to realize the scope and vision of the Company. His portfolio of responsibilities covers various projects associated with new business and commercial developments and the expansion of the customer base.

At present, he is engaged in redesigning the Company's website, rehabilitating the supermarket and monitoring the construction and remedial processes at Orchid Estate.

He holds a BA in International Hospitality & Tourism Management from St. Leo University, Florida.

We are proud to say we are the leading distributor of teas in Jamaica.

www.jamaicanteas.com

Operations Management Team Continued

FACTORY

Norman Russell
Factory Manager

Norman Russell joined the Group in 1995, having served as a Factory Supervisor in a major battery manufacturing operation.
He is responsible for all aspects of the Company's factory and warehouse operations.

Omar Duval
Assistant Factory Manager

Omar Duval joined the Group in 2016 in the production department with added responsibility for the Company's food safety system. He has over 15 years' retail management experience with specialized expertise in warehousing and inventory management.

FINANCE ADMINISTRATION AND MARKETING

Charles Barrett
Marketing Manager

Charles Barrett is responsible for the marketing, public relations and food safety strategies of Jamaican Teas Limited. He has over 10 years' experience in marketing, regional retail trade, new product development, exports and food safety management.

He holds a BSc in Botany and Zoology from the University of the West Indies (UWI), as well as a Masters in Business Administration (MBA) from the Mona School of Business and Management, UWI, Mona. He also holds Certificates in Applied HAACP Principles from the Royal Society for Public Health based in the United Kingdom, as well as Sales Management from the Mona School of Business.

Operations Management Team Continued

ACCOUNTING DEPARTMENT

Robert Bignall
Accountant

Robert Bignall joined the Group in 2013 as an Accountant with responsibilities for general accounting, including the retail operations. He has over 5 years' experience in accounting and is currently pursuing the ACCA qualification.

Oliver Goldsmith
Chief Accountant

Oliver Goldsmith joined the Group in 1998, having previously served with a major conglomerate. He has over 20 years' experience in the field and has direct responsibility for Jamaican Teas Limited and H. Mahfood & Sons Limited.

Carla Francis
Accounting Clerk

Carla Francis joined the Group in 2011 as an Accounting Clerk with responsibilities for the Group's accounts payable management. She is currently pursuing the ACCA qualification.

Operations Management Team Continued

JRG SHOPPERS' DELITE

Althea Morgan
Store Manager

Althea Morgan started her career with Jamaican Teas Limited in 2005 before being transferred to JRG Shoppers' Delite. She previously held positions as Chief Cashier in the Administrative Office and Assistant Manager, before being promoted to Store Manager in February 2017.

Michael Mahfood
Assistant Manager

Michael Mahfood worked in the retail industry for over 20 years before joining JRG Shoppers' Delite as an Assistant Manager in 2015. He operated a store in the retail industry in addition to managing several stores throughout his 20 years' retail career.

> *Herbal teas are known to have so many health benefits. They're great for treating various ailments, they're full of antioxidants, anti-aging properties and they help relieve stress.*
>
> caribbeandreamsja.com/index.php/cd-teas/cd-herbal-teas

Management Discussion and Analysis 2018

The Management Discussion and Analysis (MD&A) is presented to assist shareholders and the public in evaluating the operational results of the Group for the financial year to September 30, 2018.

The MD&A also serves to clarify some of the information reported in our Financial Statements, and to share the Group's prospects and plans. The MD&A should be read in conjunction with the Historical Financial Data set out elsewhere in this Annual Report.

THE GROUP

THE GROUP INCLUDES:

Jamaican Teas Limited, manufacturers of Tetley and Caribbean Dreams teas and groceries; this includes packing and processing teas for other local companies as well as purchasing grocery products manufactured locally and overseas by other manufacturers.

H. Mahfood and Sons Limited - owns real estate investment properties and develops real estate projects.

JRG Shoppers' Delite Enterprise Limited - owns a supermarket in Kingston. The Western Union outlet, which previously operated in Savanna-la-Mar was sold in 2018.

KIW International Limited, formerly owners of a warehouse operation in Kingston, has an investment portfolio of companies listed on the Jamaica Stock Exchange.

Bay City Foods Limited, a 50 percent owned associated company, operated a supermarket in Montego Bay until its sale at the end of October 2016.

MANUFACTURING AND FOOD TRADING

In 2018, Jamaican Teas Limited increased export sales to 57 percent of total revenues from 50 percent in 2016.

Almost all the markets in which the Company operates showed growth with exports increasing by 24 percent and local sales by 12 percent.

During the year, the packaging of a number of the Company's Caribbean Dreams herbal teas were redesigned, primarily to improve their visual appeal to consumers. The suppliers for our water business were also changed, resulting in a more consistent supply for distribution.

The fastest growing products during the year were non-teas that are manufactured by third parties under contract. Unfortunately,

Management Discussion and Analysis 2018 Continued

a large number of the products not manufactured by the Company carry the lowest profit margins. This shift in the product mix resulted in a decline in the gross profit margin from 33 percent in 2017 to 31 percent in 2018.

For the coming year, machines will be added to allow for the manufacturing of Caribbean Dreams packaged soups as well as certain types of seasoning and dried sorrel, mainly for export. The strength and quality of the Tetley Black tea was upgraded and some new flavoured black and green teas will be introduced under the Tetley brand.

Additionally, investments were made in solar panels for the factory to further reduce the Company's electricity expense and environmental footprint.

RETAILING

In November 2016, our associated company, Bay City Foods Limited (BCF), sold its Montego Bay supermarket operation. In December 2018, it was announced that BCF would be purchasing the Kingston supermarket business from JRG, which should be finalized in the second quarter of 2018/19.

Land was acquired in the last financial year to provide increased car parking facilities across the street for our supermarket customers. Some capital improvements were made to the premises in 2018, and additional investments will be made by BCF in the course of 2019 to expand the space in the supermarket, as well as modernise the shelving and refrigerated display area and lighting. A possible solar energy system is also being evaluated. These additional investments are expected to result in higher unit sales, increased gross profits from the sale of higher margin meat and produce lines and reduced electricity costs.

Overall, the Kingston supermarket enjoyed a 6 percent increase in revenues in 2017/18 with growth accelerating in the later months of the year. Since year end, sales growth has exceeded 10 percent.

In the absence of the irrecoverable GCT expense and penalties from the old Savanna-la-Mar operation reported in 2016/17, last year produced a $20 million segment profit for the retailing operation, the best yet.

SALES AND MARKETING

Sales and marketing are two of the critical pillars of the Company's operations. Accordingly, management engaged a Marketing Consultancy to assess the Company's efforts and that of our local distributor in these areas. The findings indicate that a number of initiatives are to be implemented and when applied, should redound favourably to the Group. We consider this a very important strategy.

REAL ESTATE

The Orchid Estate housing project in St. Thomas was completed in November 2017. All the houses were sold but two sales contracts are still in the final stages of completion. As mentioned in the Directors' Report, unplanned costs were incurred on this project for repair and remediation of some of the houses that did not meet the required standards of quality. This caused a further loss at H. Mahfood and Sons Ltd. No further losses will arise from this project in 2018/19.

The Group's rental properties in Kingston appreciated during the year. Construction began in August 2018 on Portview Manor, 18 super studios on lands owned in the Manor Park area. These units are expected to be completed in 2020.

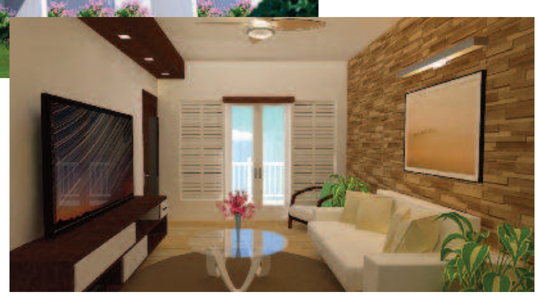
STATEMENT OF FINANCIAL CONDITION

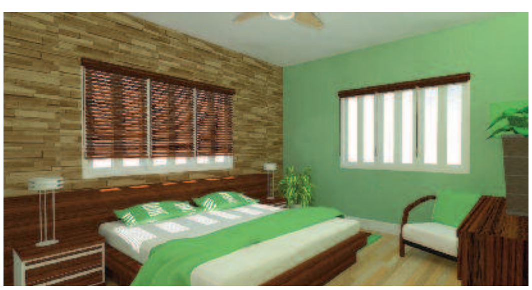
In 2018, the Group added two investment properties to its portfolio and placed its Manor Park site into inventory. Much of the housing inventory under construction at September 30, 2017 was sold during the year.

The Group's portfolio of listed investments doubled in size during the year, arising from market appreciation and the purchase of new investments at KIW International Limited. The investment portfolios of Jamaican Teas and KIW will be transferred to the recently formed investment subsidiary, QWI Investments Limited, under the supervision of a new Board of Directors. This change is expected to result in the continuation and improvement of the high level of investment returns experienced by the Group in recent years.

The Company was in receipt of a new \$200 million long-term bank loan in November 2017 from the Bank of Nova Scotia. The proceeds were used to repay the outstanding corporate bond, as well as approximately \$100 million of other bank loans due for repayment.

Consolidated shareholders' equity grew from \$1.2 billion to \$1.4 billion including non-controlling interest. This growth arose from the operating





Portview Manor
18 Super Studio averaging 650 sq ft
Developer: **H. Mahfood & Sons Ltd**
Architect: **Millingen Architect**
Contractors: **Kinetic**

profits of the Group as well as increased values of the investment properties and unrealized gains on quoted investments.

The split adjusted share price of Jamaican Teas Limited was $3.88 at September 29, 2017 and $4.85 as at September 28, 2018.

CERTIFICATIONS AND AWARDS

HACCP

On May 24, 2018, the Company was conferred the Hazard Analysis and Critical Control Point (HACCP) Certification for its line of products under the Tetley and Caribbean Dreams brands, and other grocery items.

HACCP is the internationally recognized risk-based system for managing food safety. It sets out the general principles of food hygiene from primary production through final consumption, highlighting key hygiene controls at each stage.

The Ministry of Industry Commerce, Agriculture and Fisheries has endorsed the HACCP Certification as an effective way for Jamaican food-processing businesses to propel in the export market, given that it increases marketability and accountability.

Only a handful of companies in Jamaica have attained HACCP Certification, which is an important distinction for food products, assuring consumers locally and internationally that these foods are on the A-list for safety and accountability.

Management Discussion and Analysis 2018 Continued

TOP MEDIUM MANUFACTURING EXPORTER

In 2018, Jamaican Teas was again recognized at the Annual Jamaica Manufacturers' and Exporters' Awards; this time as Top Medium Manufacturing Exporter. The Company's ongoing growth and recognition at home and abroad are testament to its core belief that its future lies in its ability to operate beyond its boundaries.

PROSPECTS

Efforts will continue to accelerate our domestic tea sales growth and export business for the 2019 financial year.

A new raw material source has been found for one of our most important non-tea grocery products, which is expected to result in improved food sales margins.

We will carefully monitor the available opportunities for our real estate and financial investments, so as to strengthen and diversify our revenue streams to the benefit of our shareholders.

Historical Financial Data

BALANCE SHEET	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Shares Issued -'000	**686,033**	**682,033**	**674,833**	**674,833**	**674,833**	**674,833**	**674,833**	**674,833**	**674,833**	**570,852**	**570,640**
$'000											
Shareholders' equity	1,246,554	1,063,167	878,103	725,278	634,115	586,937	511,403	471,561	392,146	267,667	200,037
Long Term Loans	163,333	0	188,257	292,504	200,179	11,283	35,677	25,059	8,390	14,414	2,655
Total Gearing	236,695	240,798	281,362	404,461	303,269	250,101	103,308	40,486	10,967	19,647	6,928
Fixed Assets	328,434	305,237	291,234	287,251	274,269	124,109	125,701	52,556	31,724	33,616	27,189
Current Assets	722,655	848,087	683,523	698,786	554,344	594,334	298,146	214,375	206,819	236,888	130,087
Current Liabilities	200,641	378,117	174,265	176,390	203,856	306,450	120,544	42,858	32,684	42,117	27,341
Inventories	285,497	391,552	446,014	389,280	288,906	176,696	131,352	95,814	84,299	58,958	46,384
Receivables	298,268	383,313	182,946	277,927	219,644	279,491	100,343	80,833	74,646	71,433	45,900
Cash & Cash Equivalents	135,569	73,222	31,320	22,900	14,657	93,643	1,217	24,066	17,466	5,913	37,734
Investments	461,737	227,357	157,789	117,571	101,523	150,654	185,165	231,468	191,412	113,356	89,266
PROFIT & LOSS											
Total Revenue	1,766,758	1,553,572	1,347,799	1,364,726	1,167,573	1,239,296	847,533	672,466	463,782	325,707	250,598
Yearly Change	13.72%	15.27%	-1.24%	16.89%	-5.79%	46.22%	26.03%	45.00%	42.39%	29.97%	23.75%
Gross Profit	337,611	330,158	306,145	259,129	204,146	220,849	150,014	147,067	124,538	115,417	76,771
Yearly Change	2.26%	7.84%	18.14%	26.93%	-7.56%	47.22%	2.00%	18.09%	7.90%	50.34%	21.56%
Pre tax Profit	202,849	219,160	165,275	78,381	51,369	99,208	66,897	85,511	68,626	95,318	41,791
Yearly Change	-7.44%	32.60%	110.86%	52.58%	-48.22%	48.30%	-21.77%	24.60%	-28.00%	128.08%	-21.08%
After tax Profit	193,259	196,128	146,509	72,201	51,609	93,256	74,749	82,232	58,102	72,498	28,418
Yearly Change	-1.46%	33.87%	102.92%	39.90%	-44.66%	24.76%	-9.10%	41.53%	-19.86%	155.11%	-27.65%
IMPORTANT RATIOS											
Equity to Debt ratio	5.27	4.42	3.12	1.79	2.09	2.35	4.95	11.65	35.76	13.62	28.87
Current Assets ratio	3.60	2.24	3.92	3.96	2.72	1.94	2.47	5.00	6.33	5.62	4.76
Return on equity-%	16.73	20.21	18.28	10.62	8.45	16.98	15.21	19.04	17.61	31.00	15.25
Revenues to Inventories	6.19	3.97	3.02	3.51	4.04	7.01	6.45	7.02	5.50	5.52	5.40
Revenues to Receivables	5.92	4.05	7.37	4.91	5.32	4.43	8.45	8.32	6.21	4.56	5.46
Gross Profit Margin	19%	21%	23%	19%	17%	18%	18%	22%	27%	35%	31%
Return on Assets	12%	14%	12%	6%	5%	10%	11%	15%	13%	22%	12%
Price Book Ratio	2.67	2.49	1.50	0.72	0.88	1.15	1.29	1.40	1.57	0.00	0.00
Price Sales Ratio	1.88	1.70	0.98	0.38	0.48	0.54	0.78	0.98	1.33	0.00	0.00
Cash/Invest Per Share	0.87	0.44	0.28	0.21	0.17	0.36	0.28	0.38	0.31	0.21	0.22
Net Asset Per Share	1.82	1.56	1.30	1.07	0.94	0.87	0.76	0.70	0.58	0.47	0.35
Earnings Per Share	0.29	0.29	0.22	0.11	0.08	0.14	0.11	0.13	0.10	0.26	0.05
Closing Stock Price	4.85	3.88	1.95	0.78	0.83	1.00	0.98	0.98	0.91	0.00	0.00
P.E. Ratio	16.72	13.38	9.07	7.21	10.65	7.27	8.86	7.80	9.36	0.00	0.00

Note: The Company split the number of shares into 5 units for each one previously held in 2009 by 2 in March 2016 and by 2 in April 2017. Accordingly, the number of shares in the prior years, the earnings per share and the stock prices have been adjusted to reflect these changes.

Shareholdings of Note

TOP 10 SHAREHOLDERS

Primary Account Holder	Units
JOHN MAHFOOD	216,203,356
VIOLET HELEN MAHFOOD	200,792,840
NANCY D. MILNE	39,250,000
JCSD TRUSTEE SERVICES LTD.	19,269,784
MAYBERRY JAMAICAN EQUITIES LIMITED	13,193,914
SJLIC FOR SCOTIABRIDGE RETIREMENT SCHEME	10,509,320
GRACEKENNEDY LIMITED PENSION SCHEME	10,278,688
IBERIA FOODS COMPANY OF NEW YORK INC.	8,941,852
PAM - POOLED EQUITY FUND	7,932,754
MAYBERRY MANAGED CLIENTS ACCOUNT	6,642,713
Total Percentage of Top 10 Shareholders	**77.69%**

DIRECTORS' SHAREHOLDINGS

Name	Position	Units
John Mahfood	Chief Executive Officer	216,203,356
Duncan Davidson	Director	50,000
Marcos Dabdoub	Director	3,200,000
John Jackson	Director Connected Party Holdings Combined Holdings	4,360 3,964,551 3,968,911
Suzette Smellie-Tomlinson	Director	1,176,098
Total Holdings of Directors		**228,598,365**

SENIOR MANAGEMENT SHAREHOLDINGS

Name	Position	Units
Norman Russell	Factory Manager	600,000
Jonathan Mahfood	Special Projects Manager	60,000
Charles Barrett	Marketing Manager	434,360
Cameron Burnet	Chief Financial Officer	200,000
Oliver Goldsmith	Chief Accountant	NIL
Total Holdings		**1,294,360.00**

Corporate Social Responsibility

“Creating a strong business and building a better world are not conflicting goals - they are both essential ingredients for long-term success.”

For the financial year 2018, we at Jamaican Teas Limited demonstrated our commitment to this core belief by engaging in and supporting projects in communities across Jamaica. We are pleased to share with you some highlights that have touched lives positively.

CRIME PREVENTION & REDUCTION

Our voice has perhaps been one of the loudest advocating for increased opportunities for the most vulnerable and marginalised in our society, as well as galvanizing a national consensus and response to crime and violence.

In the community of Salt Spring, Montego Bay, St. James during the limited State of Public Emergency (SOE), we worked with community-based organisations, the Social Development Commission (SDC), the Ministry of National Security and the local police to organise a football tournament aimed at uniting warring factions through music and sports. The community has had a long struggle with crime and violence, influenced by gangs fighting for territorial rights. As a result, social activities were almost impossible, serving only to deepen the divide in sections of the community.

Under the watchful eyes of the police, the community came together during the summer of 2018 for the tournament. A total of 12 teams participated from areas that would normally not meet face to face. The tournament brought peaceful interactions among otherwise warring gangs, the police and the social development agencies. At the end of the event, the residents expressed their gratitude for the tournament, the ability to move about freely and enjoy peaceful coexistence with their neighbours. Since the tournament, the old football field is back in commission and regular friendly matches and socials have been held to maintain harmony and peaceful interactions.

We are proud that our Dream Initiative was instrumental in the funding of this event, which has started a turnaround in the hearts and minds of a community plagued by violence. The police and the SDC have also expressed their gratitude for the initiative and have pledged their support in ensuring that the gains are sustainable. Sports and music truly do unite peoples of various backgrounds and is just one of the ways we can build common understanding and mutual respect in similarly depressed communities throughout Jamaica.

Nyoka Rogers (right) receptionist, JTL presents a member of the Traffic Headquarters team, the 3rd place cash prize in the Area 4, Corporate Area Football Competition.

Corporate Social Responsibility Continued

BUILDING CAMARADERIE AND MORALE AMONG CRIME FIGHTERS

The brave men and women of the security forces, who render service to all, were not overlooked. We ensured that they too were taking the time for self-care, building camaraderie among the rank and file and easing some of the pressures and stresses they face on a daily basis.

With 2 SOEs and 2 Zones of Special Operations (ZoSOs) declared across the country, the men and women of the Jamaica Constabulary Force (JCF) came under additional pressure. As such, the Community Safety & Security Branch reached out to JTL to assist them with activities designed to boost morale, build camaraderie and improve overall health through physical activity.

The Area 4 Corporate Area Football Competition was conceived and commenced on Saturday, May 5, 2018 with an opening ceremony at the Alpha Institute Sports Complex. Nineteen teams from the divisions within Area 4 and the Non Geographic Formations competed in friendly rivalry for cash prizes and a championship trophy. The participating teams were from the following divisions: -

- Major Organized Crime & Anti-Corruption Agency (MOCA)
- St. Andrew Central Division
- Technical Services Division
- Traffic Headquarters
- Commissioner's Office
- Mobile Reserve
- National Intelligence Bureau (NIB)
- Counter Terrorism & Organized Crime (CTOC)
- Area 4 Headquarters
- Motorized Patrol Division
- Kingston Western Division
- Kingston Eastern Division
- St. Andrew South Division
- Institute of Forensic Science & Legal Medicine
- Kingston Central Division
- Protective Services (PSD)
- Narcotics
- Ministry of National Security
- NPCJ – Harman Barracks Training Wing

The competition concluded on Saturday, June 16, 2018 with a closing ceremony. The Major Organized Crime & Anti-Corruption Agency (MOCA) was adjudged the winner of the dress parade; Technical Services placed second and Traffic Headquarters was third.

The Kingston Western Division football team emerged as the champions of the competition and was awarded a cash prize and the championship trophy. In second and third place respectively were Mobile Reserve and Traffic Headquarters, with both receiving a cash prize.

The Mobile Reserve team copped 2nd place and a cash prize in the Area 4, Corporate Area Football Competition.

Corporate Social Responsibility Continued

EDUCATION & HEALTH

JTL partnered with the organisation OnCall, a charitable, voluntary, non-profit organization, to help to mobilize community development through health and education-based initiatives.

Since the start of 2018, OnCall hosted and participated in more than 30 health care endeavours across the island, in communities such as Liliput, Salt Spring, Halse Hall, and Sandy Bay, to name a few—confronting conditions, such as diabetes, hypertension and HIV. JTL believes the lack of community health promotion initiatives is responsible for the rise in morbidity and mortality from some of these conditions. Through partnership with this organisation, JTL aims to not only help in diagnosis and treatment but also to increase healthy lifestyle awareness that can break the barriers and stigmas associated with various health conditions.

EDUCATION

Through our work with OnCall and their Focus on Them 2018 project, the top performing GSAT boys and girls were chosen from primary schools in St. James. Some 10 primary schools were targeted, namely: -

- Bogue Hill Primary
- Corinaldi Primary
- Salem Primary
- Bickersteth Primary
- Farm Primary
- Adelphi Primary
- Success Primary
- Flankers Primary
- Albion Primary

These students are from schools with minimal resources and the programme sought to provide mentorship, especially to those transitioning from primary to secondary education. Throughout the year, the programmes were designed to cultivate good habits, encourage discipline and proper work ethics. The top performing GSAT boy and girl from each school were awarded medals, book vouchers and gift baskets, and treated to lunch along with their teachers.

The students were very appreciative of the programme, and the vouchers they received will go a far way in assisting them to procure the books necessary for secondary school, as they further their education and follow their dreams.

READ ACROSS JAMAICA DAY 2018

Jamaican Teas Limited saw it important to support the Read across Jamaica Day initiative, particularly at schools in depressed communities with very little means. In 2018, our staff engaged in this

Reading to children helps to inspire their imagination and cognitive skills.

national activity, spending valuable time with the students and staff of Whitfield All Age located in South West St. Andrew in the vicinity of the JTL Manufacturing plant.

The students in all grades had the opportunity to read various stories, ask and answer questions as they interacted with positive role models. The students beamed with joy and gratitude and were inspired to become contributing members of the Jamaican society. Most of all, they were able to see that all things are possible if they are willing to work hard.

AGAINST ALL ODDS

In March 2018, our CEO, John Mahfood was appointed Chairman of the Whitfield All Age School, under the recommendation of the Member of Parliament for the Maxfield area, Mrs. Angela Brown-Burke.

The Company adopted the school after outlining a detailed plan of action to Mrs. Brown-Burke, and top officials of the Ministry of Education including the Minister himself. The negative impact of crime had left its mark on the community, and the school was not spared. With approximately 90 students enrolled, most of whom were "academically challenged", the school lacked the necessary infrastructure and

Students at Whitfield All Age are happy with improvements being done at the school.
Sharing the joy is **Jonathan Mahfood** of Jamaican Teas.

Corporate Social Responsibility Continued

human resources to facilitate the growth and development of the students in its care.

Our Chief Executive went into action mode, and with the assistance of a number of companies and foundations, the students of Whitfield All Age now have an upgraded, healthy and well-equipped environment in which to thrive, excel and attain their best.

We encourage Corporate Jamaica to take an interest in schools like Whitfield All Age. The future of our country is at stake, as our children have the potential to become productive citizens and leaders of tomorrow.

SPECIAL NEEDS (EMPLOYMENT OF THE DEAF)

In keeping with our commitment to workplace diversity and inclusiveness, we expanded our talent pool by hiring 6 members of the deaf community. “We specifically recruit these persons because we know that they get extra preparation for the working world through places like the Jamaica Association for the Deaf and the Abilities Foundation,” said our Chief Executive, John Mahfood.

At Jamaican Teas, the hearing-impaired employees occupy integral roles in multiple functional areas, ranging from merchandising to packaging. Norman Russell, Factory Manager at the Company’s Bell Road plant, noted that “the workers with hearing impediment are dedicated and determined, they work twice as hard as the hearing staff.” He also observed that they are talented at bridging communication gaps in everyday situations such as influencing other staff members to learn Jamaican Sign Language. Althea Morgan, Store Manager at the Company’s JRG Shoppers’ Delite supermarket, also attested to their high level of motivation and skilful problem solving given their unique experience.

Kimberley Sherlock, Executive Director, Jamaica Association for the Deaf (JAD), applauded the support given by Jamaican Teas, underscoring that the benefits from employing the deaf outweigh the cost to accommodate them. Our CEO, John Mahfood, encourages the business community to tap into this talent pool as, by example, they will help to improve the attitude, performance and productivity of the hearing staff.

Happy with her first job, **Stavene Oakley**, graduate of the Jamaica Christian School for the Deaf, who is also professionally trained by Jamaica Association of the Deaf, seeks to chart a successful career at JRG Shoppers’ Delite, a member of the Jamaican Teas Group of Companies.

Corporate Governance

As the largest producer of teas in the Caribbean and exporters of more than half of its products to Caribbean markets, the USA and the United Kingdom, Corporate Governance is integral to the growth and sustained development of The Jamaican Teas Group of Companies. Corporate Governance oversight is also extended to the subsidiaries of the Group, which includes the real estate and property company, H. Mahfood and Sons Limited, JRG Shoppers' Delite Enterprise Limited, operators of the Kingston supermarket and KIW International Limited, our investment company.

The Board of Directors, entrusted with the responsibility of Corporate Governance, ensures that the Company is set on a solid foundation which supports and fosters:

- Its long-term strategic goals, including that of its shareholders, stakeholders and employees
- Sound and fair business ethics
- Compliance with all legal and regulatory requirements in the operations of the Company's business, according to the Code of Corporate Governance
- Strong relationships with customers and suppliers
- Active engagement socially in the local community
- Access to information on the Company's performance, internal changes and other matters of import via strategic media placements and its corporate website
- Participation in protecting the environment

The fulfillment of these objectives is effectively carried out by a management team committed to high standards, which considers the interest of all shareholders, helping them to exercise their rights and encouraging participation in general meetings.

The Company is also accountable to other stakeholders in respect of abiding by all legal, contractual and social obligations to non-shareholders, including policy makers, investors, creditors, employees, suppliers, customers and local communities.

In its selection of Board members, the Company is guided by a code of conduct, which promotes accountability, integrity, and ethical and responsible decision making. Board members provide management with expertise in areas that facilitate the Company's operations and financial performance.

BOARD COMPOSITION

The Company's Board of Directors comprises five members, namely: John Jackson, Suzette Smellie-Tomlinson, John Mahfood, Duncan Davidson and Marcos Dabdoub. Of the five members, there are four independent/non-executive Directors and one non-independent/executive Director, John Mahfood.

A Director meets the independent criteria when he or she:

- Does not have substantial shareholdings in any of the Group's companies;
- Is not a close relative of a shareholder with significant shareholdings;
- Or in an employment relationship with the Company or its subsidiaries.

Peppermint is perfect for soothing stomach pains and relieving nausea.

caribbeandreamsja.com/index.php/cd-teas/cd-herbal-teas

Corporate Governance Continued

Areas of Expertise	John Jackson	Suzette Smellie-Tomlinson	John Mahfood	Duncan Davidson	Marcos Dabdoub
Finance & Accounting	√	•	√	•	•
General Management	√	√	√	√	√
Sales & Marketing	•	√	√	•	√
Manufacturing	•	•	√	•	•
Independent	√	√	•	√	√

BOARD MEMBERS' TERMS OF OFFICE

Jamaican Teas Limited's Articles of Incorporation provide that one third of the members of its Board of Directors are to retire each year. Each retiring member, if eligible, may present themselves for re-election following their retirement.

COMPANY SECRETARY

The Company Secretary supports the Board of Directors in the timely communication, preparation and dissemination of all Board and Committee documents and ensures compliance with applicable regulatory deadlines and requirements. The appointment and removal of Company Secretary is determined by the Board.

The present Company Secretary for Jamaican Teas Limited is Tanisha Samuels.

BOARD COMMITTEES

There are two established committees, namely:

1. Compensation & Marketing and
2. Audit & Finance

Role of the Compensation & Marketing Committee (CMC)

The members of the Compensation & Marketing Committee are Chairman, Suzette Smellie-Tomlinson, Marcos Dabdoub and Duncan Davidson.

The main responsibilities of the CMC are to:

- Review and approve the compensation paid by the member companies, and to all employees and their Directors
- Review and evaluate the effectiveness of the sales and marketing practices and policies of Jamaican Teas Limited (JTL).

During the year, the CMC reviewed two employee profit-sharing distributions, as well as the Directors' fees payable for the financial year. In an effort to increase market share, the CMC engaged a team of independent consultants to examine JTL's current sales and marketing operations, with a view to strengthen identified weaknesses through the creation of a knowledge management framework for marketing and sales. The process included in-depth research and analysis of JTL's current operations and information systems, benchmarked against industry good standards and practices; market research of specified products and the development of key marketing and sales tools. The process resulted in 5 key reports, namely:-

Corporate Governance Continued

- Marketing and Distribution Assessment
- Consumer and Distribution Survey
- Caribbean Dreams Brand Development Plan 2018-2021
- Performance Metrics for Marketing and Sales
- Marketing Information Systems Assessment

Additionally, the project deliverables included staff capacity building sessions in sales and brand management at both Amalgamated Distributors Limited (sole distributors in the Jamaica market) and at Jamaican Teas Limited.

The CMC later reviewed the Company's Strategic Marketing Plan for 2019-2020, which provided a strategic direction for the next two years with a focus on increasing sales volumes and the number of channel partners, market intelligence, market development, product development and market penetration strategies and attendant programmes.

Some of the CMC's activities during the year were delegated to committees of Directors and Jamaican Teas' employees as required.

Role of the Audit & Finance Committee (AFC)

The Audit & Finance Committee seeks to ensure the integrity of the Company's financial statements and the adherence by the Group member companies to applicable accounting standards in the preparation of the quarterly and annual financial statements. In addition, internal controls are monitored so as to identify and control any operational risks.

The members of the Audit & Finance Committee are John Jackson, Chairman, Suzette Tomlinson-Smellie and John Mahfood.

Board & Committee Meetings/Attendance

During the year, there were 3 Compensation & Marketing Committee meetings and 1 Audit & Finance meeting. Attendance at Board and Committee meetings are shown below:

Directors	Board Meetings	Audit & Finance Committee Meeting	Compensation & Marketing Committee Meeting
John Jackson	6	1	•
Suzette Smellie-Tomlinson	5	1	3
John Mahfood	6	1	•
Duncan Davidson	6	•	3
Marcos Dabdoub	6	•	3

Green tea is widely known for its antioxidants.

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Jamaican Teas Limited

Audited Financial Statements

YEAR ENDED 30 SEPTEMBER 2018

KPMG
Chartered Accountants
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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 38 to 85, which comprise the group's and company's statements of financial position as at September 30, 2018, 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, 2018, 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 Code of Ethics for Professional Accountants (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.

Valuation of trade receivables

Key Audit Matter	*How the matter was addressed in our audit*
The carrying value of the group's trade receivables may not be recoverable due to changes in the business and economic environment in which specific customers operate. There is judgment involved in determining the levels of allowance for impairment on these balances, because of the inherent uncertainty involved in estimating the timing and amount of future collections. The use of judgement increases the risk that management's estimate could be materially misstated. [See notes 2(v)(i) and 10]	Our audit procedures in response to this matter, included: • Testing the controls over group's recording, collections and ageing of trade receivables. • Evaluating the adequacy of the allowance for impairment recognized in respect of trade receivables by assessing management's assumptions, testing the underlying data used and re-performing the calculation. • Testing subsequent receipts for selected customer accounts. • Corroborating the above with our understanding of the businesses and wider economic environment and within our cumulative knowledge and experience.

Emphasis of Matter - comparative information

We draw attention to Note 32 to the financial statements which indicates that the comparative information presented as at and for the year ended September 30, 2017 has been restated. Our opinion is not modified in respect of this matter.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Other Matter relating to comparative information

The financial statements of the company as at and for the years ended September 30, 2017 and September 30, 2016 (from which the statement of financial position as at October 1, 2016 has been derived), excluding the adjustments described in Note 32 to the financial statements were audited by another auditor who expressed an unmodified opinion on those financial statements on December 22, 2017.

As part of our audit of the financial statements as at and for the year ended September 30, 2018, we audited the adjustments described in Note 32 that were applied to restate the comparative information presented as at and for the year ended September 30, 2017 and the statement of financial position as at October 1, 2016. We were not engaged to audit, review, or apply any procedures to the financial statements for the years ended September 30, 2017 or September 30, 2016 (not presented herein) or to the statement of financial position as at October 1, 2016, other than with respect to the adjustments described in Note 32 to the financial statements. Accordingly, we do not express an opinion or any other form of assurance on those respective financial statements taken as a whole. However, in our opinion, the adjustments described in Note 32 are appropriate and have been properly applied.

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.

KPMG

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

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.

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 36 to 37, forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

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 19, 2018

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 company's/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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

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, related safeguards.

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.

Consolidated Statement of Financial Position

September 30, 2018

	Notes	2018 $'000	2017 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	3	328,434	305,237
Investment properties	4	183,496	141,684
Intangible assets	5	1,496	2,155
Investment in associate	6	26,546	29,355
Investments	7	461,737	227,357
Deferred tax asset	8	12,261	-
		1,013,970	705,788
CURRENT ASSETS			
Inventories	9	285,497	391,552
Trade and other receivables	10	298,268	383,313
Taxation recoverable		3,321	-
Cash and cash equivalents	11	135,569	73,222
		722,655	848,087
TOTAL ASSETS		1,736,625	1,553,875
EQUITY			
Share capital	12	161,161	154,020
Capital reserves	13	216,179	7,059
Investment revaluation reserve	14	61,978	43,357
Retained earnings		807,236	858,731
		1,246,554	1,063,167
NON-CONTROLLING INTERESTS	15	126,097	110,966
		1,372,651	1,174,133
NON-CURRENT LIABILITIES			
Long-term loans	16	163,333	-
Deferred tax liability	8	-	1,625
		163,333	1,625
CURRENT LIABILITIES			
Trade and other payables	17	100,538	120,105
Directors' current account		-	305
Current portion of long-term loans	16	20,000	216,178
Taxation payable		26,741	16,909
Short-term borrowings	18	39,723	7,932
Bank overdraft	19	13,639	16,688
		200,641	378,117
TOTAL EQUITY AND LIABILITIES		1,736,625	1,553,875

The financial statements, on pages 38 to 85, were approved for issue by the Board of Directors on December 19, 2018 and signed on its behalf by:

______________________ Chief Executive Officer
John Mahfood

______________________ Director
John Jackson

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, 2018

	Notes	2018 $'000	2017 $'000
Gross operating revenue	20	1,766,758	1,553,572
Cost of operating revenue	21(a)	(1,429,147)	(1,223,414)
Gross profit		337,611	330,158
Other income	22	106,172	104,424
		443,783	434,582
Administrative, selling and distribution expenses:			
Administrative expenses	21(b)	(180,732)	(175,143)
Selling and distribution	21(c)	(42,308)	(36,997)
		(223,040)	(212,140)
Operating profit		220,743	222,442
Finance costs - Interest		(18,745)	(24,606)
Gain on acquisition of subsidiary	24	-	29,106
Share of results of associated company	6	851	(7,782)
Profit before taxation		202,849	219,160
Taxation	25	(9,590)	(23,032)
Profit for the year		193,259	196,128
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Unrealised gain/(loss) on available-for-sale investments, net of tax		47,661	(3,684)
Total comprehensive income for the year		240,920	192,444
Profit attributable to:			
Owners of the company		198,549	194,589
Non-controlling interests		(5,290)	1,539
		193,259	196,128
Total comprehensive income attributable to:			
Owners of the company		217,170	192,829
Non-controlling interests		23,750	(385)
		240,920	192,444
Earnings per share:			
Earnings per ordinary stock unit	26	0.29	0.29

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

JAMAICAN TEAS LIMITED

Consolidated Statement of Changes in Equity

Year ended September 30, 2018

	Attributable to stockholders of the company					
	Share capital (note 12) $'000	Capital reserves (note 13) $'000	Investment revaluation reserves (note 14) $'000	Retained earnings $'000	Non-controlling interests (note 15) $'000	Total $'000
Balances at September 30, 2016	141,420	7,059	45,117	684,507	-	878,103
Profit for the year	-	-	-	194,589	1,539	196,128
Other comprehensive income:						
Unrealised loss on available-for-sale investments	-	-	(1,760)	-	(1,924)	(3,684)
Total comprehensive income for the year	-	-	(1,760)	194,589	(385)	192,444
Transaction with owners:						
Dividends (note 27)	-	-	-	(20,365)	-	(20,365)
Issue of shares (note 12)	12,600	-	-	-	-	12,600
	12,600	-	-	(20,365)	-	(7,765)
Change in ownership interest:						
Acquisition of subsidiary with non-controlling interest (note 24)	-	-	-	-	111,351	111,351
	12,600	-	(1,760)	174,224	110,966	296,030
Balances at September 30, 2017	154,020	7,059	43,357	858,731	110,966	1,174,133
Profit for the year	-	-	-	198,549	(5,290)	193,259
Other comprehensive income:						
Unrealised gain on available-for-sale investments	-	-	18,621	-	29,040	47,661
Total comprehensive income for the year	-	-	18,621	198,549	23,750	240,920
Transfers	-	250,044	-	(250,044)	-	-
Transaction with owners:						
Capital distribution (note 27)	-	(40,924)	-	-	(5,457)	(46,381)
Issue of shares (note 12)	7,141	-	-	-	-	7,141
	7,141	(40,924)	-	-	(5,457)	(39,240)
Change in ownership interest:						
Reduction in non-controlling interest [note 2(c)]	-	-	-	-	(3,162)	(3,162)
	7,141	209,120	18,621	(51,495)	15,131	198,518
Balance at September 30, 2018	161,161	216,179	61,978	807,236	126,097	1,372,651

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

Consolidated Statement of Cash Flows

Year ended September 30, 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		193,259	196,128
Adjustments for:			
Appreciation of investment properties	22	(18,826)	(21,674)
(Loss)/gain on disposal of property, plant and equipment	22	140	(1,520)
Share of (profit)/loss from associate	6	(851)	7,782
Gain on acquisition of subsidiary	15	-	(29,106)
Depreciation	3	23,110	19,182
Amortisation	5	703	639
Interest expense		18,745	24,606
Interest income	22	(2,393)	(2,756)
Taxation	25	9,590	23,032
		223,477	216,313
Changes in operating assets and liabilities:			
Inventories		130,958	54,462
Trade and other receivables		85,045	(196,948)
Current asset held for sale		-	21,100
Directors' current account		(305)	305
Trade and other payables		(19,567)	47,569
Interest received		2,393	2,756
Interest paid		(18,745)	(24,607)
		403,256	120,950
Tax paid		(16,965)	(7,242)
Net cash provided by operating activities		386,291	113,708
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired		-	(56,318)
Investments, net		(186,719)	(37,871)
Proceeds from disposal of investment properties		-	146,073
Proceeds from disposal of property, plant and equipment		1,224	8,795
Addition of investment properties	4	(57,197)	(30,657)
Additions of property, plant and equipment	3	(38,363)	(36,923)
Addition of intangible assets	5	(44)	(729)
Investment in associate, net	6	3,660	(14,308)
Net cash used by investing activities		(277,439)	(21,938)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of shares	12	7,141	12,600
Loan, net		(1,054)	(41,292)
Acquisition of non-controlling interest		(3,162)	(1,539)
Dividends paid	27	-	(20,365)
Capital distribution	27	(46,381)	-
Net cash used by financing activities		(43,456)	(50,596)
INCREASE IN CASH AND CASH EQUIVALENTS		65,396	41,174
Cash and cash equivalents at beginning of year		56,534	15,360
Cash and cash equivalents at end of year		121,930	56,534
Comprise:			
Cash and cash equivalents	11	135,569	73,222
Less: Bank overdraft	19	(13,639)	(16,688)
		121,930	56,534

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

Company Statement of Financial Position

Year ended September 30, 2018

	Notes	2018 $'000	Restated* 2017 $'000	Restated* 2016 $'000
NON-CURRENT ASSETS				
Property, plant and equipment	3	263,039	243,286	231,532
Investment properties	4	50,000	44,000	33,910
Intangible assets	5	546	901	754
Investment in subsidiaries	2(c)(i)	76,365	75,683	18,410
Investment in associate	6	27,835	31,495	17,187
Due from subsidiaries	28(a)	365,130	423,653	391,450
Investments	7	227,575	173,365	157,789
		1,010,490	992,383	851,032
CURRENT ASSETS				
Inventories	9	184,020	152,320	160,166
Trade and other receivables	10	292,837	229,655	164,217
Taxation recoverable		-	-	950
Cash and cash equivalents	11	130,984	56,705	15,763
		607,841	438,680	341,096
TOTAL ASSETS		1,618,331	1,431,063	1,192,128
EQUITY				
Share capital	12	161,161	154,020	141,420
Capital reserves	13	111,708	-	-
Investment revaluation reserve	14	39,229	44,784	45,117
Retained earnings		962,919	885,921	706,420
		1,275,017	1,084,725	892,957
NON-CURRENT LIABILITIES				
Long-term loans	16	163,333	-	188,257
Deferred taxation	8	347	3,180	6,409
		163,680	3,180	194,666
CURRENT LIABILITIES				
Trade and other payables	17	60,079	61,486	20,007
Due to subsidiary	28(b)	25,383	25,383	7,779
Current portion of long-term loan	16	20,000	216,178	13,085
Short-term borrowings	18	39,723	7,932	63,632
Taxation payable		21,134	15,491	-
Bank overdraft	19	13,315	16,688	2
		179,634	343,158	104,505
TOTAL EQUITY AND LIABILITIES		1,618,331	1,431,063	1,192,128

The financial statements on pages 38 to 85, were approved for issue by the Board of Directors on December 19, 2018 and signed on its behalf by:

_______________ Chief Executive Officer _______________ Director

John Mahfood John Jackson

*See note 32

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

Company Statement of Profit or Loss and Other Comprehensive Income

Year ended September 30, 2018

	Notes	2018 $'000	2017 $'000
Gross operating revenue	20	1,094,465	922,376
Cost of operating revenue	21	(754,838)	(621,065)
Gross profit		339,627	301,311
Other income	22	94,654	88,042
		434,281	389,353
Administrative, selling and distribution expenses:			
Administrative expenses	21(b)	(127,472)	(113,966)
Selling and distribution expenses	21(c)	(42,308)	(33,611)
		(169,780)	(147,577)
Operating profit		264,501	241,776
Finance costs - Interest		(17,881)	(22,434)
Profit before taxation		246,620	219,342
Taxation	25	(16,990)	(19,476)
Profit for the year		229,630	199,866
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Unrealised loss on available-for-sale Investments, net of tax		(5,555)	(333)
Total comprehensive income for the year		224,075	199,533

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

Company Statement of Changes in Equity

Year ended September 30, 2018

	Share capital (note 12) $'000	Capital reserve (note 13) $'000	Investment revaluation reserve (note 14) $'000	Retained earnings $'000	Total $'000
Balances at September 30, 2016, as previously reported	141,420	-	45,117	784,946	971,483
Impact of prior year adjustment (note 32)	-	-	-	(78,526)	(78,526)
Balances at September 30, 2016, as restated	141,420	-	45,117	706,420	892,957
Profit for the year	-	-	-	199,866	199,866
Other comprehensive income:					
Unrealised loss on available-for-sale investments	-	-	(333)	-	(333)
Total comprehensive income for the year	-	-	(333)	199,866	199,533
Transaction with owners:					
Dividends [note 27(a)]	-	-	-	(20,365)	(20,365)
Issue of shares (note 12)	12,600	-	-	-	12,600
	12,600	-	-	(20,365)	(7,765)
Balances at September 30, 2017, as restated	154,020	-	44,784	885,921	1,084,725
Profit for the year	-	-	-	229,630	229,630
Other comprehensive income:					
Unrealised loss on available-for-sale investments	-	-	(5,555)	-	(5,555)
Total comprehensive income for the year	-	-	(5,555)	229,630	224,075
Transfer	-	152,632	-	(152,632)	-
Transaction with owners:					
Capital distribution [note 27(b)]	-	(40,924)	-		(40,924)
Issue of shares (note 12)	7,141	-	-	-	7,141
	7,141	(40,924)	-		(33,783)
Balance at September 30, 2018	161,161	111,708	39,229	962,919	1,275,017

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

JAMAICAN TEAS LIMITED

Company Statement of Cash Flows

Year ended September 30, 2018

	Notes	2018 $'000	2017 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		229,630	199,866
Adjustments for:			
(Loss)/gain on disposal of property, plant and equipment	22	140	(1,520)
Appreciation of investment properties	22	(6,000)	(10,090)
Depreciation	3	18,650	15,625
Amortisation	5	355	295
Interest expense		17,881	22,434
Interest income	22	(2,954)	(2,756)
Taxation	25	16,990	19,476
Operating profit before change in working capital		274,692	243,330
Changes in operating assets and liabilities:			
Inventories		(41,008)	7,846
Trade and other receivables		(63,182)	(65,438)
Related companies		58,523	(14,599)
Trade and other payables		(1,407)	41,479
Interest received		2,954	2,756
Interest paid		(17,881)	(22,434)
Cash generated from operations		212,691	192,940
Tax paid		(14,180)	(6,264)
Net cash provided by operations		198,511	186,676
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in associate, net	6	3,660	(14,308)
Proceeds from disposal of property, plant and equipment		850	4,480
Additions of property, plant and equipment	3	(30,085)	(30,339)
Investment in subsidiary companies		(682)	(57,273)
Additions of intangible assets	5	-	(442)
Investments, net		(59,765)	(15,909)
Net cash used by investing activities		(86,022)	(113,791)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of shares	12	7,141	12,600
Loans, net		(1,054)	(40,864)
Dividends paid	27	-	(20,365)
Capital distribution	27	(40,924)	-
Net cash used by financing activities		(34,837)	(48,629)
Net decrease in cash in cash and cash equivalents		77,652	24,256
Cash and cash equivalents at the beginning of the year		40,017	15,761
Cash and cash equivalents at end of year		117,669	40,017
Comprise:			
Cash and cash equivalents	11	130,984	56,705
Less: Bank overdraft	19	(13,315)	(16,688)
		117,669	40,017

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 2(c)(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, basis of preparation and significant accounting policies

(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 became effective during the year

Certain new and amended standards that were in issue came into effect during the current financial year. The adoption of those new standards and amendments did not have any impact on the amounts or disclosures 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 which were in issue but not yet effective. Those which are considered relevant to the group are as follows:

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

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards and interpretations not yet effective (cont'd)

- IFRS 9 *Financial Instruments (cont'd)*

Under IFRS 9, loss allowance will be measured on either of the following basis:

– 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

– Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of s financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

The group believes that impairment losses are likely to increase and become more volatile for assets in the scope of IFRS 9 impairment model. However, the group is still in the process of determining the likely financial impact on its financial statements.

IFRS 9 will require extensive disclosures, in particular for credit risk and ECLs. The group's assessment included an analysis to identify data gaps against current processes and the group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of I FRS 9 will generally be recognised in retained earnings and reserves as at October 1, 2018.

- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application:

  a) The determination of the business model within which a financial asset is held.
  b) The designation and revocat ion of previous designations of certain financial assets as measured at FVTPL.
  c) The designation of certain investments in equity investments not held for trading as at FVOCI.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards and interpretations not yet effective (cont'd)

- The group will be required to adopt IFRS 15, *Revenue From Contracts With Customers*, effective October 1, 2018. IFRS 15 replaces IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programmes,* IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter Transactions Involving Advertising Services.* It does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other IFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties.

  Revenue from the sale of goods is currently recognised when the goods are delivered to the customers, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Rev enue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognised when a customer has control of goods.

  Based on its assessment, the company does not expect the application of IFRS 15 to have a significant impact on its 2019 financial statements.

- The group will adopt IFRS 16*, Leases,* effective October 1, 2019. IFRS 16 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. Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short- term leases and for low-value items with value of US$5,000 or less.

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

  Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

  The group does not expect the adoption of this standard to have a significant impact on its 2020 financial statements.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(a) Statement of compliance (cont'd):

New and amended standards and interpretations not yet effective (cont'd)

- IFRIC 22, *Foreign Currency Transactions and Advance Consideration*, effective for annual reporting periods beginning on or after October 1, 2018, addresses how to determine the transaction date when an entity recognises a non-monetary asset or liability (e.g. non-refundable advance consideration in a foreign currency) before recognising the related asset, expense or income. It is not applicable when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or liability.

  An entity is not required to apply this interpretation to income taxes or insurance contracts that it issues or reinsurance contracts held.

  The interpretation clarifies that the transaction date is the date on which the company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date.

  The group is assessing the impact that the interpretation will have on its 2019 financial statements.

- IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, in the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

  An entity has to consider whether it is probable that the relevant tax authority would accept the tax treatment, or group of tax treatments, that is adopted in its income tax filing.

  The group is assessing the impact that the interpretation will have on its 2020 financial statements.

(b) Basis of preparation and functional currency:

The financial statements are prepared on the historical cost basis, except for available-for-sale 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) 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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Basis of consolidation (cont'd):

(i) (Continued)

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	
		2018	2017
Subsidiaries:			
JRG Shoppers Delite Enterprise Limited	Retail Distribution	100	100
H Mahfood & Sons Limited	Real Estate	100	100
KIW International Limited*	Investments	45.43	42.59
Associate:			
Bay City Foods Limited	Dormant	50	50

* During the year the company acquired an additional interest of 2.84% of KIW International Limited for $3,162,000.

The subsidiaries and associate company are incorporated in Jamaica.

(ii) Loss of control:

On the loss of control, the group derecognizes 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 recognized 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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(c) Basis of consolidation (cont'd):

(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 profit or loss of the associate, until the date on which significant influence or joint control ceases.

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.

(d) 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.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment of losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(d) Use of estimates and judgements (cont'd):

(ii) 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 period to the extent that such events confirm conditions existing at the end of the period.

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

(e) 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 Executive Officer (CEO) 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 CEO, the group has four (4) operating segments; manufacturing, retailing, real estate and investments.

(f) 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 adjustment if appropriate.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

(h) 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 amortized 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.

(i) 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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(i) Related parties (cont'd):

(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).

(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 and associate.

(j) Investment in subsidiary companies:

Investments in subsidiary companies are measured at cost.

(k) Investment securities:

Investment securities classified as available-for-sale are measured at fair value. Unrealised gains and losses arising from movement in the fair value of investments classified as available-for-sale are recognised in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in profit or loss.

The fair value of available-for-sale investments is based on their quoted market bid price at the reporting date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Available-for-sale investments are recognised or derecognised by the group on the date they commit to purchase or sell the investments.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(l) 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.

(m) Trade and other receivables:

Trade and other receivables are measured at amortised cost, less impairment losses.

(n) 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. For the purpose of the statement of cash flows, bank overdraft, if any, that is repayable on demand and form an integral part of cash management activities, is included as part of cash and cash equivalents.

(o) 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.

(p) Dividends:

Dividends on ordinary shares 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 for the year that are declared after the reporting date are dealt with in the subsequent events note.

(q) Trade and other payables:

Trade and other payables are measured at cost.

(r) 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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(s) Revenue:

Revenue from sale of goods represents the invoiced value of goods and services, and is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

The sale of a housing unit is recorded when significant risks and rewards of ownership have been transferred to the buyer. Cost of sales, including land, is computed on a first-in, first-out basis.

(t) 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.

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.

(u) 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.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(v) Impairment:

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

When a decline in the fair value of an available- for-sale financial asset has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income is recognised in profit or loss even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less impairment loss on that financial asset previously recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the company's loans and receivables is calculated as the present value of the expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of the other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted at 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. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversal of impairment:

An impairment loss in respect of loans and receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

In respect of other assets, an impairment loss is reversed if there has been a change in estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

(w) Finance income and costs

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

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

(w) Finance income and costs (cont'd)

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

(x) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, trade and other receivables receivable, investments and related party receivables. Similarly, financial liabilities include short -term borrowings, trade and other payables, bank overdrafts, related party payables and long-term loans.

(y) 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. Market price is used to determine fair value where an active market exist as it is the best evidence of the fair value of a financial instrument.

3. Property, plant and equipment

	The Group					
	Land and buildings $'000	Plant, equipment, furniture and fixtures $'000	Motor vehicles $'000	Leasehold improvement $'000	Work-in-progress $'000	Total $'000
September 30, 2016	230,593	104,451	16,800	8,054	4,391	364,289
Additions	5,870	16,010	10,811	4,232	-	36,923
Transfers	-	-	-	-	(2,330)	(2,330)
Disposals	-	-	(3,258)	-	-	(3,258)
September 30, 2017	236,463	120,461	24,353	12,286	2,061	395,624
Additions	4,916	19,116	5,007	2,330	6,994	38,363
Transfers	9,055	-	-	-	(9,055)	-
Transfer from inventories	-	9,308	-	-	-	9,308
Disposals	-	(696)	(1,800)	-	-	(2,496)
September 30, 2018	250,434	148,189	27,560	14,616	-	440,799
Depreciation:						
September 30, 2016	13,597	48,862	4,613	6,761	-	73,833
Charge for the year	5,122	9,620	3,917	523	-	19,182
Eliminated on disposal	-	-	(2,628)	-	-	(2,628)
September 30, 2017	18,719	58,482	5,902	7,284	-	90,387
Charge for the year	3,990	10,840	5,698	2,582	-	23,110
Eliminated on disposal	-	(322)	(810)	-	-	(1,132)
September 30, 2018	22,709	69,000	10,790	9,866	-	112,365
Net book value:						
September 30, 2018	227,725	79,189	16,770	4,750	-	328,434
September 30, 2017	217,744	61,979	18,451	5,002	2,061	305,237

3. Property, plant and equipment (cont'd)

	The Company					
	Land and buildings $'000	Plant, equipment, furniture and fixtures $'000	Motor vehicles $'000	Leasehold improvement $'000	Work-in-progress $'000	Total $'000
At September 30, 2016	174,419	90,681	16,800	2,064	4,391	288,355
Additions	5,870	13,658	10,811	-	-	30,339
Transfers	-	-	-	-	(2,330)	(2,330)
Disposal	-	-	(3,258)	-	-	(3,258)
September 30, 2017	180,289	104,339	24,353	2,064	2,061	313,106
Additions	4,916	13,168	5,007	-	6,994	30,085
Transfers	9,055	-	-	-	(9,055)	-
Transfer from inventories	-	9,308	-	-	-	9,308
Disposal	-	-	(1,800)	-	-	(1,800)
At September 30, 2018	194,260	126,815	27,560	2,064	-	350,699
Depreciation:						
September 30, 2016	8,050	42,096	4,613	2,064	-	56,823
Charge for the year	3,717	7,991	3,917	-	-	15,625
Eliminated on disposal	-	-	(2,628)	-	-	(2,628)
September 30, 2017	11,767	50,087	5,902	2,064	-	69,820
Charge for the year	3,990	8,962	5,698	-	-	18,650
Eliminated on disposal	-	-	(810)	-	-	(810)
September 30, 2018	15,757	59,049	10,790	2,064	-	87,660
Net book value:						
September 30, 2018	178,503	67,766	16,770	-	-	263,039
September 30, 2017	168,522	54,252	18,451	-	2,061	243,286

Land and buildings include land at a cost of $43,000,000 (2017: $43,000,000) for the group and $30,000,000 (2017: $30,000,000) for the company.

The company's Bell Road property with net book value of $178,503,000 (2017: $168,522,000) is held as collateral against a loan from the Bank of Nova Scotia Jamaica Limited [note 16(i)].

4. Investment properties

	Group		Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Balance at October 1	141,684	89,353	44,000	33,910
Additions	57,197	30,657	-	-
Transferred to inventories	(34,211)	-	-	-
Revaluation adjustments	18,826	21,674	6,000	10,090
	183,496	141,684	50,000	44,000

4. Investment properties (cont'd)

Investment properties comprise commercial properties and land held for capital appreciation. Investment properties are valued every three years by an independent professional valuer, and in each of the two intervening years by the directors.

Investment properties were valued in September 2018 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 properties during the year amounted to $4,070,000 (2017: $1,857,000) for the group and $2,960,000 (2017: $3,710,000) for the company. The related expenses totalled $357,000 (2017: $404,000) for the group and $270,000 (2017: $270,000) for the company.

The fair value measurement for investment properties of $183,496,000 (2017: $141,684,000) for the group and $50,000,000 (2017: $44,000,000) 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).

5. Intangible assets

	The Group $'000	The Company $'000
At cost:		
September 30, 2016	4,580	1,330
Additions	729	442
September 30, 2017	5,309	1,772
Additions	44	-
September 30, 2018	5,353	1,772
Amortisation:		
September 30, 2016	2,515	576
Charge for the year	639	295
September 30, 2017	3,154	871
Charge for the year	703	355
September 30, 2018	3,857	1,226
Carrying value:		
September 30, 2018	1,496	546
September 30, 2017	2,155	901

6. Investment in associate

The Group has a 50% interest in the retail distribution company, Bay City Foods Limited (BCFL). The 50% share of profit which is recognised in the current period is based on the associate's latest available audited financial statements for the year ended September 30, 2018.

	The Group		The Company	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Investment at beginning of year	29,355	22,829	31,495	17,187*
(Reduction)/addition	(3,660)	14,308	(3,660)	14,308
Group's share of net results	851	(7,782)	-	-
Investment at end of year	26,546	29,355	27,835	31,495*

The following table summarises the financial information of the associate, BCFL as included in its own financial statements, after elimination of differences in accounting policies and intercompany transactions.

*Restated (see note 32)

6. Investment in associate (cont'd)

The assets, liabilities, revenue and net profit/(loss) of the associate are as follows:

	The Group	
	2018	2017
Percentage ownership interest	50%	50%
	$'000	$'000
Total assets	46,917	50,052
Liabilities	(211,559)	(216,396)
Net assets (100%)	(164,642)	(166,344)
Group's share of net liabilities (50%)	(82,321)	(83,172)
Group's share associate's liabilities	(108,867)	(112,527)
Group's share of net assets being carrying amount of interest in associate	26,546	29,355
Gross operating revenue	-	24,809
Net profit/(loss) (100%)	1,703	(15,563)
Net profit/(loss) – Group's share (50%)	851	(7,782)

7. Investments

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Available-for-sale – Quoted equities	461,737	227,357	227,575	173,365

8. Deferred taxation

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

	The Group				
	2016	Recognised in profit or loss [note 25(a)]	2017	Recognised in profit or loss [note 25(a)]	2018
	$'000	$'000	$'000	$'000	$'000
Arising from acquisition	-	-	202	(202)	-
Property, plant and equipment	10,181	2,304	12,485	(4,028)	8,457
Trade and other payables	-	-	-	(364)	(364)
Tax losses	(4,417)	(6,645)	(11,062)	(9,292)	(20,354)
	5,764	(4,341)	1,625	(13,886)	(12,261)

8. Deferred taxation (cont'd)

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

	The Company				
	2016	Recognised in profit or loss [note 25(a)]	2017	Recognised in profit or loss [note 25(a)]	2018
	$'000	$'000	$'000	$'000	$'000
Trade and other payable	-	-	-	(364)	(364)
Property, plant and equipment	6,409	(3,229)	3,180	(2,469)	711
	6,409	(3,229)	3,180	(2,833)	347

Deferred tax asset amounting to approximately J$4,972,000 (2017: $2,127,000) for the group have not been recognised in respect of tax losses. At this time, the directors and management do not consider that it is probable that future taxable profits will be available against which to utilise these losses.

9. Inventories

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Manufacturing:				
Machine spares	-	8,386	-	8,386
Finished goods	68,627	56,016	68,627	56,016
Raw materials	115,393	87,918	115,393	87,918
	184,020	152,320	184,020	152,320
Retail	24,530	22,143	-	-
Development:				
Housing under construction	76,947	217,089	-	-
	285,497	391,552	184,020	152,320

Inventory write-offs recognised in profit or loss is $8,185,106 (2017: $3,210,301) for the group and $4,252,223 (2017: $ 1,366,935) for the company.

Machine spares valued at $9,308,000 (2017: $Nil) were transferred to property, plant and equipment (note 3).

10. Trade and other receivables

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade receivables (a)	235,817	190,315	235,431	187,049
Less provision for impairment	(1,755)	(3,778)	(1,755)	(2,889)
	234,062	186,537	233,676	184,160
Prepayments	30,403	25,054	28,983	24,529
Other receivables	33,803	171,722	30,178	20,966
	298,268	383,313	292,837	229,655

Included in trade receivables for the group and company is $52,385,000 (2017: $29,263,000) due from a related party in the ordinary course of business [see note 28 (c)].

Included in other receivables for the company is $1,769,000 (2017: $Nil) due from directors in the ordinary course of business [see note 28 (d)].

(a) The aging of trade receivables at the reporting date was:

	The Group			
	2018		2017	
	Gross	Impairment	Gross	Impairment
	$'000	$'000	$'000	$'000
Current	160,696	-	115,926	-
31 - 60 days	20,169	-	24,265	-
61 - 90 days	14,969	-	15,574	-
Over 90 days	39,983	1,755	34,550	3,778
	235,817	1,755	190,315	3,778

	The Company			
	2018		2017	
	Gross	Impairment	Gross	Impairment
	$'000	$'000	$'000	$'000
Current	160,470	-	115,018	-
31 - 60 days	20,151	-	23,929	-
61 - 90 days	14,926	-	16,293	-
Over 90 days	39,884	1,755	31,809	2,889
	235,431	1,755	187,049	2,889

10. Trade and other receivables (cont'd)

The movement in the allowance for impairment losses as at the reporting date was:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Balance at beginning of year	3,778	1,590	2,889	1,397
Provision, net of recoveries	(2,023)	2,188	(1,134)	1,492
	1,755	3,778	1,755	2,889

11. Cash and cash equivalents

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Cash in hand	183	136	179	111
Bank balance	20,263	73,086	15,682	56,594
	20,446	73,222	15,861	56,705
Short-term deposits	115,123	-	115,123	-
	135,569	73,222	130,984	56,705

12. Share capital

	The Company	
	2018	2017
	$'000	$'000
Authorised:		
1,000,000,000 (2017: 1,000,000,000) ordinary shares of no par value		
Stated capital:		
Issued and fully paid:		
686,033,460 (2017: 682,033,460) ordinary shares of no par value	161,161	154,020

During the year, four directors exercised their options to acquire shares in the company pursuant to their share option plan to purchase three million two hundred thousand 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.

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

12. Share capital (cont'd)

At the Annual General Meeting 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.

At the Annual General Meeting held on March 16, 2016, the shareholders approved a resolution for the second tranche of 8 million shares before the stock split (16 million – post split) be issued to the directors at a price of $9 or $4.50 after the effect of the stock split a nd that the expiry date of tranches 1 and 2 shall be five years from the date each yearly allotment becomes effective.

At the Annual General Meeting held on 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 million shares to be issued between June 2011 and June 2021. The shares allocated for the staff are to be priced as a 10 percent discount to the last stock market selling price on the date the offer is taken up. The staff will be given a specific time in each year in which to take up the offer and they can access an interest free loan for a three year term to acquire the shares.

The exercised price of the directors' shares was originally approved at the AGM in 2011 at $7 each, now $1.75 per share, adjusted for the split.

13. Capital reserves

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
(a) Realised surplus:				
Gain on disposal on investment property	91,382	-	-	-
Disposal of property, plant and equipment	6,759	6,759	-	-
Waiver of directors' loan	229	229	-	-
Gain on disposal of investments	113,839	71	103,195	-
Capital distribution received	-	-	4,543	-
	212,209	7,059	107,738	-
(b) Franked income:				
Dividend income	3,970	-	3,970	-
	216,179	7,059	111,708	-

14. Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale investments until, the assets are derecognised or impaired.

15. Non-controlling interests

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

	% interest 2018	% interest 2017
KIW International Limited ("KIW")	54.57%	57.41%

During the year, the company acquired an additional 2.84% in KIW.

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

	2018	2017
Percentage NCI ownership interest	54.57%	57.41%
	$'000	$'000
Non-current assets	234,162	54,858
Current assets	4,765	153,588
Non-current liabilities	-	(3,500)
Current liabilities	(7,854)	(10,130)
Net assets	231,073	194,816
NCI share of subsidiary net assets	126,097	110,966
Revenue	59,042	119,917
Total comprehensive profit or loss for the year	43,522	106,064
Comprehensive profit or loss allocated to non-controlling interests	23,750	(385)
Cash flow from operating activities	130,697	(147,926)
Cash flow from investing activities	(121,425)	148,084
Cash flow from financing activities	(9,587)	-
Net (decrease)/increase in cash and cash equivalents	(315)	158

16. Long-term loans

	The Group and the Company	
	2018	2017
	$'000	$'000
The Bank of Nova Scotia Jamaica Limited (BNSJ):		
8.25% loan (i)	183,333	73,000
9.75% loan (ii)	-	40,000
Corporate bond payable	-	103,178
	183,333	216,178
Less current portion	(20,000)	(216,178)
	163,333	-

The Bank of Nova Scotia Loans –

(i) During the year, this loan was renegotiated to refinance the corporate bond and existing BNSJ loan facilities. The new loan of $200,000,000 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 4).
- 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 3).

(ii) This loan was repayable in April 2018 at an interest rate of 9.75%. The loan was secured by legal mortgage over property located at 2 Bell Road, Kingston 11 and Kingston Industrial Estate, St. Andrew. The loan was refinanced during the year.

The corporate bond was a fixed and floating rate note issued in November 2013 and was repayable on November 6, 2017. The company had the right of early redemption after the expiration of two years. It attracted a fixed interest rate of 8.50% per annum for the first two years and thereafter 2.50% per annum above the weighted average yield rate per annum on 90 days Government of Jamaica Treasury Bills. The bond was secured by a debenture creating a first fixed and floating charge over the assets of the company. This bond was refinanced during the year.

17. Trade and other payables

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables	48,911	76,079	23,500	37,369
Other payables	51,627	44,026	36,579	24,117
	100,538	120,105	60,079	61,486

18. Short-term borrowings

	The Group and the Company	
	2018	2017
	$'000	$'000
Demand loans (i)	28,461	-
Other loans (ii)	11,262	7,932
	39,723	7,932

(i) These loans are due to related parties at an interest rate of 5% to 6% per annum. These loans have no fixed repayment terms and are payable on demand [note 28(f)].

(ii) Other loans and credit card balances are unsecured and have no fixed repayment terms. Interest is charged at the rates of 10% and 39.75%. Interest is chargeable on credit card balances after the due date for the payment if the balance exists. The company normally pays off all amounts due in full on or before the due date.

19. Bank overdraft

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Bank of Nova Scotia Jamaica Limited	13,639	16,688	13,315	16,688

This overdraft facility bears interest of 13.25 % per annum and is secured by the same security as outlined at note 16(i).

20. Gross operating revenue

	The Group 2018 $'000	The Group 2017 $'000	The Company 2018 $'000	The Company 2017 $'000
Export sales – manufacturing	626,907	504,234	626,907	504,234
Domestic sales – manufacturing	467,558	418,142	467,558	418,142
Retail sales	462,641	434,986	-	-
Sale and rental of properties	209,652	196,210	-	-
	1,766,758	1,553,572	1,094,465	922,376

21. Nature of expenses

Profit before taxation is stated after charging:

(a) Cost of operating revenue:

	The Group 2018 $'000	The Group 2017 $'000	The Company 2018 $'000	The Company 2017 $'000
Cost of inventories recognised as expense	1,303,408	1,112,843	666,321	546,792
Depreciation	8,534	7,135	5,433	5,023
Amortisation	349	344	-	-
Repairs and maintenance	19,555	16,063	16,787	14,471
Staff costs (note 23)	63,354	61,514	44,647	41,262
Utilities	11,681	10,348	4,699	2,855
Other costs of operating revenue	22,266	15,167	16,951	10,662
	1,429,147	1,223,414	754,838	621,065

(b) Administration expenses:

	The Group 2018 $'000	The Group 2017 $'000	The Company 2018 $'000	The Company 2017 $'000
Audit fees	5,220	5,018	2,394	2,390
Repairs and maintenance	8,399	6,473	8,399	6,473
Depreciation	14,576	10,602	13,218	10,602
Amortisaion	355	296	355	296
Directors' emoluments				
- Fees	2,425	2,000	2,425	2,000
- Management remuneration	14,612	10,211	12,401	9,772
Rental and security	7,441	15,451	3,841	3,580
Legal and professional fees	10,866	14,211	4,689	8,169
Utilities	4,756	4,619	3,244	2,829
Staff costs (note 23)	56,925	48,609	48,242	39,974
Insurance	8,225	8,158	5,883	6,444
Local and overseas travel	14,337	3,657	7,282	1,484
Impairment and bad debt provisions	1,645	4,752	1,366	4,078
Other administration expense	30,950	41,086	13,733	15,875
	180,732	175,143	127,472	113,966

21. Nature of expenses (cont'd)

(c) Selling and distribution expenses:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Advertising and promotions	42,308	36,997	42,308	33,611
Total administrative, selling and distribution expenses	223,040	212,140	169,780	147,577

22. Other income

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Interest income	2,393	2,756	2,954	2,756
Rental income	4,070	1,857	2,960	3,710
Dividend income	5,994	4,201	3,377	3,975
(Loss)/gain on sale of property, plant and equipment	(140)	1,520	(140)	1,520
Gain on sale of investments	59,118	58,225	56,345	58,225
Appreciation of investment properties	18,826	21,674	6,000	10,090
Net foreign exchange gain	9,040	2,477	8,337	2,450
Miscelleneous income	6,871	5,604	14,821	5,316
Gain on disposal of investment properties	-	6,110	-	-
	106,172	104,424	94,654	88,042

23. Staff costs

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Salaries and wages	98,386	86,130	74,121	62,963
Pension	2,108	1,904	1,635	1,419
Other employee benefits	19,785	22,089	17,133	16,854
	120,279	110,123	92,889	81,236

23. Staff costs (cont'd)

Included in profit or loss as follows:

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Direct manufacturing labour [note 21(a)]	63,354	61,514	44,647	41,262
Administration [note 21(b)]	56,925	48,609	48,242	39,974
	120,279	110,123	92,889	81,236

24. Acquisition of subsidiary

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

The following summarises the fair value of the identifiable assets and liabilities recognised by the group at the date of acquisition of KIW.

	2017
	$'000
Identifiable assets acquired and liabilities assumed:	
Cash and cash equivalents	682
Accounts receivable	3,419
Available for sale investments	62,163
Fair value of investment and property, plant and equipment	140,000
Current liabilities	(8,807)
Preference shares	(3,500)
Total identifiable assets acquired	193,957
Less: Non-controlling interest	(111,351)
Group share of net assets acquired	82,606
Add: Preference shares	3,500
Less: Consideration paid	(57,000)
Gain on acquisition of subsidiary	29,106
Cash flow on acquisition:	
Consideration	57,000
Cash acquired	(682)
Net cash outflow arising on acquisition	56,318

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		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Current tax expense:				
Current tax expense - current year	47,313	38,308	43,660	37,856
- prior year	(2,007)	7,993	(2,007)	3,777
Remission of income tax @ 50%	(21,830)	(18,928)	(21,830)	(18,928)
	23,476	27,373	19,823	22,705
Deferred tax expense:				
Originating and reversal of temporary differences (note 8)	(13,886)	(4,341)	(2,833)	(3,229)
	9,590	23,032	16,990	19,476

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

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Profit before taxation	202,849	219,160	246,620	219,342
Computed "expected" tax expense @ 25%	50,712	54,790	61,655	54,836
Difference between profits for financial statements and tax reporting purposes on:				
Disallowed expenses and capital adjustments, net	(17,285)	(20,823)	(20,828)	(20,209)
Adjustment for effect of tax remission [note 25(d)]	(21,830)	(18,928)	(21,830)	(18,928)
Adjustments in respect of prior year	(2,007)	7,993	(2,007)	3,777
Actual tax charge	9,590	23,032	16,990	19,476

(c) As at September 30, 2018, subject to the agreement of The Commissioner, Tax Administration Jamaica, tax losses available for offset against future taxable profits for the group was $65,101,000 (2017: $44,250,000) and for the company $Nil (2017: $Nil). As at January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utili sed in any one year is restricted to 50% of the current year's taxable profits.

25. Taxation (cont'd)

(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.

26. 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.

	2018	2017
Net profit attributable to shareholders ($'000)	198,549	194,589
Weighted average number of stock units in issue	682,608,460	679,634,000
Basic earnings per stock unit ($)	0.29	0.29

27. Transactions with owners

(a) Dividends

	The Group		The Company	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Declared and paid:				
First interim @ 0.03 cents per share	-	20,365	-	20,365

(b) Capital distribution:

	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Capital reserve (i)	25,919	-	20,462	-
Franked income (ii)	20,462	-	20,462	-
	46,381	-	40,924	-

(i) On November 6, 2017, the Board of Directors of the company approved, by way of resolution, a capital distribution of $20,462,000. On October 18, 2017 the members of KIW approved, by way of resolution a capital distribution to non-controlling interests of $5,457,000.

(ii) On June 6, 2018, the Board of Directors of the company approved, by way of resolution, a distribution from franked income of $20,462,000.

28. Related party balances and transactions

	The Group		The Company	
	2018	2017	2018	2017
Balances:	$'000	$'000	$'000	$'000
(a) Due from subsidiaries:				
H Mahfood & Sons Limited	-	-	331,464	401,787
JRG Shoppers Delite Enterprise Limited	-	-	32,677	18,977
KIW International Limited	-	-	989	2,889
	-	-	365,130	423,653
(b) Due to subsidiaries:				
JRG Shoppers Delite Enterprise Limited	-	-	25,383	25,383
(c) Amalgamated Distributors Limited (ADL) [common director]*	52,385	26,263	52,385	26,263
(d) Due from director*	1,769	-	1,769	-
(e) Due to director	-	2,528	-	2,528
(f) Short-term borrowings due from a director and close family members	28,461	-	28,461	-
(g) Directors' emoluments:				
Fees	2,425	2,000	2,425	2,000
Management remuneration	14,612	10,211	12,401	9,772
(h) Transactions with related parties and subsidiaries				
Sale of goods - ADL	382,968	333,444	382,968	333,444
Management fees - Subsidiary	-	-	9,800	5,850
Advertising and publishing - ADL	8,888	2,163	8,888	2,163

* Included in trade and other receivables (see note 10).

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 quan titative disclosures are included throughout these financial statements.

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

29. Financial risk management (cont'd)

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, cash and cash equivalents and investments. There is no significant concentration of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(i) 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 group's customer base has less of an influence on credit risk.

A credit policy has been established under which each customer is analysed individually for creditworthiness. Credit is granted to customers on the approval of management. During the credit approval process, the customer is assessed for certain indicators of possible delinquency. In monitoring customer credit risk, customers are grouped according to the ageing of their debt.

The group does not require collateral in respect of trade and other receivables.

The group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowances for doubtful debts are based on the ageing of the receivables and the customer's ability to pay.

(ii) Due from related companies

All related party transactions are preauthorised and approved by management during the budgeting process.

(iii) Cash and cash equivalents and investments

The group limits its exposure to credit risk by maintaining these balances with financial institutions which management considered to be stable and only with counterparties that are appropriately licensed and regulated. Management does not expect any counterparty to fail to meet its obligations.

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

29 Financial risk management (cont'd)

(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 du e, 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.

	The Group			
	2018			
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years
	$'000	$'000	$'000	$'000
Long-term loans	183,333	245,529	32,439	213,090
Trade and other payables	100,538	100,538	100,538	-
Short-term borrowings	39,723	39,723	39,723	-
Bank overdraft	13,639	13,639	13,639	-
	337,233	399,429	186,339	213,090

	2017			
	Carrying amount	Contractual cash flows	Less than 1 year	2 to 5 years
	$'000	$'000	$'000	$'000
Long-term loans	216,178	216,178	216,178	-
Trade and other payables	120,105	120,105	120,105	-
Short-term borrowings	7,932	7,932	7,932	-
Directors account	305	305	305	-
Bank overdraft	16,688	16,688	16,688	-
	361,208	361,208	361,208	-

29 Financial risk management (cont'd)

(b) Liquidity risk (cont'd):

	The Company			
	2018			
	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	2 to 5 years $'000
Long-term loans	183,333	245,529	32,439	213,090
Trade and other payables	60,079	60,079	60,079	-
Short-term borrowings	39,723	39,723	39,723	-
Due to subsidiary	25,383	25,383	25,383	
Bank overdraft	13,315	13,315	13,315	-
	321,833	384,029	170,939	213,090

	2017			
	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	2 to 5 years $'000
Trade and other payables	61,486	61,486	61,486	-
Short-term borrowings	224,110	224,110	224,110	-
Due to subsidiary	25,383	25,383	25,383	-
Bank overdraft	16,688	16,688	16,688	-
	327,667	327,667	327,667	-

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.

(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.

29. Financial risk management (cont'd)

(c) Market risk (cont'd):

(i) Currency risk (cont'd):

Exposure to currency risk:

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

	2018					
	The Group and the Company					
	J$	US$	J$	GBP	J$	CAN
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:						
Trade receivables	160,691	1,204	-	-	1,484	15
Cash and cash equivalents	9,514	71	250	1	2,396	24
Total financial assets	170,205	1,275	250	1	3,880	39
Financial liabilities:						
Trade payables	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-
Exposure	170,205	1,275	250	1	3,880	39

	2017					
	The Group and the Company					
	J$	US$	J$	GBP	J$	CAN
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets:						
Trade receivables	132,409	1,031	434	3	1,395	13
Cash and cash equivalents	1,540	12	269	2	2,848	27
Total financial assets	133,949	1,043	703	5	4,243	40
Financial liabilities:						
Trade payables	(9,519)	(73)	(1,586)	(9)	-	-
Total financial liabilities	(9,519)	(73)	(1,586)	(9)	-	-
Exposure	124,430	970	(883)	(4)	4,243	40

Exchange rates as at the reporting date were; US$1: J$133.46 (2017: US$1: J$130.41); GBP 1: J$174.21 (2017: GBP 1: J$172.84); CAN 1: J$101.42 (2017: 1 CAN: J$104.27).

Sensitivity analysis:

A 4% (2017: 10%) weakening of the above currencies against the J$ would increase profit for the year by $6,973,000 (2017: $12,779,000).

A 2% (2017: 1%) strengthening of the above currencies against the J$ would decrease profit for the year by $3,487,000 (2017: $1,277,000).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2017.

29. Financial risk management (cont'd)

(c) Market risk (cont'd):

(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	
	2018 $'000	2017 $'000
Fixed rate:		
Financial assets	115,123	-
Financial liabilities	(236,694)	(224,110)
	(121,571)	(224,110)

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 available-for-sale 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.

A 10% (2017: 10%) increase in the market price at the reporting date would cause an increase in the group's other comprehensive income of $46,149,800 (2017: $22,730,800) and in the company's other comprehensive income of $22,757,500 (2017: $17,336,500). A 10% (2017: 10%) decrease would have an equal but opposite effect on other comprehensive income.

(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.

29. Financial risk management (cont'd)

(d) Capital management (cont'd):

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 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	
	2018	2017
	$'000	$'000
Debt	236,695	240,798
Equity	1,246,554	1,063,167
Total capital	1,483,249	1,303,965
Gearing ratio	16.0%	18.5%

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.

(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.

29. Financial risk management (cont'd)

(e) Fair values (cont'd)

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 bid prices published by the Jamaica Stock Exchange *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.

Available-for-sale securities are classified as Level 1.

30. Segment reporting

	2018				
	Manufacturing $'000	Retailing $'000	Real estate $'000	Investments $'000	Total $'000
Gross revenue	1,094,465	462,641	213,852	-	1,770,958
Inter- segment revenue	-	-	(4,200)	-	(4,200)
Revenue from external customers	1,094,465	462,641	209,652	-	1,766,758
Other income	94,654	2,561	46,934	5,825	149,974
Inter-segment other income	(10,092)	-	(33,710)	-	(43,802)
	84,562	2,561	13,224	5,825	106,172
Segment profit/(loss)	252,281	20,312	(42,156)	(9,694)	220,743
Finance cost	(17,881)	(26)	(838)	-	(18,745)

30. Segment reporting (cont'd)

	2018				
	Manufacturing $'000	Retailing $'000	Real estate $'000	Investments $'000	Total $'000
Profit before taxation					202,849
Taxation charge					(9,590)
Non-controlling interest					5,290
Profit attributable to equity holders of the parent					198,549
Segment assets	1,231,372	51,632	213,557	240,064	1,736,625
Segment liabilities	(317,819)	(34,263)	(2,440)	(9,452)	(363,974)
Capital expenditure	64,871	8,321	57,197	138,993	269,382
Depreciation and amortisation	(19,005)	(4,808)	-	-	(23,813)

	2017				
	Manufacturing $'000	Retailing $'000	Real estate $'000	Investments $'000	Total $'000
Gross revenue	922,376	434,986	200,410	-	1,557,772
Inter-segment revenue	-	-	(4,200)	-	(4,200)
Revenue from external customers	922,376	434,986	196,210	-	1,553,572
Other income	88,042	6,282	10,019	1,566	105,909
Inter-segment other income	(1,485)	-	-	-	(1,485)
	86,557	6,282	10,019	1,566	104,424
Segment profit/(loss)	216,810	8,479	(24,986)	22,139	222,442
Finance cost	(22,557)	(86)	(1,963)	-	(24,606)
Profit before taxation					219,160
Taxation charge					(23,032)
Non-controlling interest)					(1,539)
Profit attributable to equity holders of the parent					194,589
Segment assets	929,587	40,516	326,909	227,508	1,524,520
Associated company investments					29,355
					1,553,875
Segment liabilities	(319,400)	(32,664)	(22,821)	(4,857)	(379,742)
Capital expenditure	101,366	2,161	38,991	-	142,518
Depreciation and amortisation	(15,920)	(3,907)	-	-	(19,827)

31. Contingencies and commitments

(a) For the residential property development at Orchid Estate in Yallahs, St. Thomas, being undertaken by a subsidiary, the estimated additional costs to complete the next batch of residential units to which the subsidiary is contractually committed is Nil (2017: $5 million).

(b) At September 30, 2018, a subsidiary has capital commitments amounting to approximately $170 million (2017: Nil) 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.

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

(d) On July 12, 2018, the company entered into three credit arrangements, aggregating $89 million at interest rates of 8% to 13.25%, with The Bank of Nova Scotia Jamaica Limited. As at September 30, 2018, the company has not made any draw down.

32. Prior year adjustments

Prior to 2016, impairment of the company's interest in associate, BCFL was accounted for in the consolidated financial statements and not at the company level. During 2018, the company recognised the error and adjusted for it in the company's financial statements as detailed below:

Effect on company's statement of financial position:

	Impact of correction of error		
	As previously reported	Adjustments	As restated
	$'000	$'000	$'000
September 30, 2016:			
Investment in associate	95,713	(78,526)	17,187
Other non-current assets	833,845	-	833,845
Current assets	341,096	-	341,096
	1,270,654	(78,526)	1,192,128
Share capital	(141,420)	-	(141,420)
Investment revaluation reserve	(45,117)	-	(45,117)
Retained earnings	(784,946)	78,526	(706,420)
Non-current liabilities	(194,666)	-	(194,666)
Current liabilities	(104,505)	-	(104,505)
	(1,270,654)	78,526	(1,192,128)

32. Prior year adjustments (cont'd)

Effect on company's statement of financial position (cont'd):

	Impact of correction of error		
	As previously reported $'000	Adjustments $'000	As restated $'000
September 30, 2017:			
Investment in associate	110,021	(78,526)	31,495
Other non-current assets	960,888	-	960,888
Current assets	438,680	-	438,680
	1,509,589	(78,526)	1,431,063
Share capital	(154,020)	-	(154,020)
Investment revaluation reserve	(44,784)	-	(44,784)
Retained earnings	(964,447)	78,526	(885,921)
Non-current liabilities	(3,180)	-	(3,180)
Current liabilities	(343,158)	-	(343,158)
	(1,509,589)	78,526	(1,431,063)

There were no effects on the company's statements of profit or loss and other comprehensive income and cash flows.

33. Subsequent event

On December 18, 2018, the company's subsidiary, JRG Shoppers Delite Enterprise Limited and its' associate company, Bay City Foods Limited entered into an agreement whereby Bay City Foods Limited will purchase the assets and undertaking comprising JRG's Shoppers Delite supermarket business for a consideration of $172 million plus the cost of inventories at the date of transfer. Completion of this sale is scheduled for February 3, 2019.

Notes

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