Jamaican Teas LTD.

Annual Report 2019

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.

CONTENTS




JAMAICAN TEAS LIMITED

NOTICE
OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2019 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, 2020 at 2.00 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 2019 together with the Auditor's 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 capital distribution of three cents (0.03¢) per share paid on 28 June 2019, as an interim distribution out of the sums standing to the credit of the Company's Capital Reserves for the year ending 30 September 2019.

   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."

3. a) To declare a capital distribution of three cents (0.03¢) per share paid on 20 December 2019, as a final distribution out of the sums standing to the credit of the Company's Capital Reserves for the year ending 30 September 2019.

   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. Marcos Dabdoub 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 Mahfood 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 Marcos Dabdoub, who is retiring by rotation in accordance with a) i above, be and is hereby re-elected a Director of the Company."

   ii. "That John Mahfood, who is retiring by rotation in accordance with a) ii above, 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 2019 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.

7. As special business, to consider and if thought fit, pass the following as ordinary resolutions:

   Resolution to Increase:

   a) "That the existing authorized 1,000,000,000 ordinary shares in the capital of the Company be increased to unlimited ordinary shares with no maximum."

   Resolution for split:

   b) "That each of the issued ordinary shares in the capital of the Company be subdivided into three (3) ordinary shares with effect from the close of business on 1 April 2020 resulting in the total issued shares in the capital of the Company being increased from 695,083,459 ordinary shares of no par value to 2,085,250,377 ordinary shares of no par value."

   Grant of share options:

   c) "That 56,000,000 shares be set aside as part of a stock option plan for Directors and senior executives to be issued between 30 June 2020 and 30 June 2025. The exercise price will be $10 per share before giving effect to the effects of the aforementioned Resolution 7b) hereof."

BY ORDER OF THE BOARD

Cameron Burnet
Secretary

Dated this 29th day of January, 2020

*Please see proxy and notes thereto

CORPORATE DATA

BANKERS:

Bank of Nova Scotia Ja. Ltd.

Scotiabank Centre

Cnr. Duke & Port Royal Streets

P.O. Box 709, Kingston

REGISTRAR & PAYING AGENT:

Jamaica Central Securities Depository

40 Harbour Street

Kingston

ATTORNEYS-AT-LAW:

Hart Muirhead Fatta

2nd Floor

The Victoria Mutual Building

53 Knutsford Boulevard

Kingston 5

AUDITORS:

KPMG Chartered Accountants

6 Duke Street

Kingston

JAMAICAN TEAS LIMITED

DIRECTORS' REPORT
2019

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

INTRODUCTION

Another year has passed and your Directors present their report to you, our shareholders, to review the financial year ended September 2019, and to discuss likely developments and expected results in the operations of the Company.

We are encouraged by the percentage increase in shareholders during the year, which speaks to your confidence in the Company. The year was our most rewarding to date, with profits nearly doubling and net assets, inclusive of the non-controlling interest, growing 117 percent to $2,975 million.

Jamaican Teas LTD.

BACKGROUND

The Jamaican economy continued to grow over the last twelve months with inflation, unemployment and interest rates remaining at historic lows. Although the exchange rate fluctuated during the year overall, economic conditions were relatively favourable and contributed to the growth of your Group.

Directors' Report Continued

Developments and strengths in the Jamaican economy in 2019 resulted in the Group making certain strategic moves that increased shareholders equity to $1.55 billion. In your Directors' opinion, this trajectory is expected to continue going forward.

2019 OPERATING RESULTS

Jamaican Teas completed a very successful year to September 2019, in which Total Comprehensive Income more than doubled from $241 million last year to $483 million in the financial year just ended.

Revenues declined 27 percent to almost $1.3 billion from $1.8 billion last year. The primary reasons were the sale of the Shoppers Delite supermarket to our associated company, Bay City Foods Limited (BCF), in February 2019, as well as the completion of our real estate development in St. Thomas in 2018, for which there were no comparable home sales in 2019.

Revenues from our manufacturing operations dipped less than one percent for the year, as a 9 percent increase in local revenues only partially offset the 8 percent decline in export sales. Exports declined mainly due to inventory rightsizing at our main USA distributors early in the financial year. Since year end, growth in export has resumed.

INVESTMENTS

The year's investment results were hugely successful for the Group and the Jamaican Stock Market in which the Company has investments.

During 2019, we transferred the Group's investment portfolios to a new, separately capitalized subsidiary company, QWI Investments Ltd (QWI). QWI began trading in earnest in April 2019 and by 30 September had contributed almost $250 million to the Group's profit for the year.

John Jackson, Chairman, QWI Investments Limited (QWI), (3rd left) accepts the Company's Stock Strip from Marlene Street-Forrest, General Manager of the Jamaica Stock Exchange (JSE), while other QWI Directors, John Mahfood, (R) and Cameron Burnet (2nd R) celebrate with Lead Broker, NCB Capital Markets (NCBCM) represented by Simone Hudson Bernard, Manager Origination & Structuring (L) and Herbert Hall, VP Investment Banking.

Directors' Report Continued

A shareholder registers for a JTL AGM supervised by representatives from the Jamaica Central Securities Depository (JCSD).

In September 2019, QWI offered shares for sale to the public with the objective of listing on the main market of the Jamaica Stock Exchange (JSE). The offering was very successful and attracted over 4,700 new shareholders who were allocated 900 million of QWI's shares, resulting in an increase in the share capital to nearly $1.2 billion. Trading in QWI's shares commenced on 30 September 2019.

At year end, the IPO proceeds had not yet been received from our broker and were included in the Group's trade and other receivables, but was paid over in early October.

The Group's investment properties increased in value in 2019 and contributed $72 million in fair value gains to the Group's 2019 results.

CORPORATE DEVELOPMENTS

In February 2019, the Group considered it prudent to sell JRG Shoppers Delite, the supermarket in Kingston, to Bay City Foods Limited (BCF), our associated company, resulting in neither gain nor loss to the Group but which substantially reduced our consolidated operating revenues for the period. The effects of the sale on profitability were not significant as the 50 percent supermarket's pre-tax profits we ceded, were offset by interest income earned on vendor loans made to BCF.

We also adopted IFRS 9 financial instruments at the commencement of the financial year, which required us to make increased provisions for expected credit losses during the year, as well as change the way in which we recognize and report on unrealised gains on the Group's investments.

AWARDS

The Company continues to maintain its status as a leader in exports and was again recognized in 2019 by the Jamaica Manufacturers' and Exporters' Association with the President's Award for Champion Medium Manufacturing Exporter for 2018.

DISTRIBUTIONS

On 14 December 2018, the Company paid an interim capital distribution of 3 cents per share to shareholders on record at 30 November 2018, and on 28 June 2019, the Company paid an interim capital distribution of three (3) cents per share to shareholders on record at 21 June 2019.

Subsequent to year end, on 22 November 2019, the Directors approved the payment of a further capital distribution of 3 cents per share to shareholders on record at 6 December 2019. Payment of this distribution was made on 20 December 2019. For the year, we have paid out over $40 million to shareholders.

We opened the financial year with a share price of $4.85 and closed almost 27 percent higher at $6.15 as of 30 September 2019. For the 2019 calendar year, the stock gained 40 percent in value.

Directors' Report Continued

At the 2020 Annual General Meeting, we will be proposing to sub-divide each existing outstanding share into three shares. This will increase the number of our shares outstanding to 2.09 billion shares. Your Board believes that increasing the holdings to each shareholder will provide liquidity for your stock on the market.

Marcos Dabdoub and John Mahfood are retiring by rotation and are offering themselves for re-election.

The Auditors, KPMG Chartered Accountants, have indicated their willingness to continue to serve. A resolution for their reappointment, and authorizing the Directors to fix the remuneration of the Auditors will be presented at the Annual General Meeting.

OUTLOOK

Manufacturing sales growth in the three months to December 2019 has resumed both locally and overseas, and is in line with our forecast for the year. Tea exports, since year end, have been in accordance with expectations and are much improved from last year's first quarter, while local tea sales have, so far, exceeded expectations.

The Company's soup and seasoning production is continuing to grow and attract new customers locally and overseas.

Shoppers Delite supermarket is once again wholly owned by the Group, and so far, has met our expectations.

Our local investments declined in value in the first 3 months of the new financial year but are expected to rebound and contribute to profits for the year. QWI has also acquired some new equity investments in the US market. To date, these overseas investments have performed well and have begun to contribute to the Company's profitability.

Based on the Company's 2019 performance, our outlook for 2020 is for another good financial year.

We welcome all our new shareholders. Our gratitude extends to all our customers and to the distributors who deliver our products to the shops and supermarkets for retail locally and across the Caribbean and North America.

Finally, thanks to our employees whose service and commitment to the Group's member companies contributed bountifully to the successful operations we enjoyed in 2019.

Directors' Profile

Suzette Smellie-Tomlinson

Non Executive Director

Suzette heads the Compensation and Marketing Committee of Jamaican Teas Limited. She has over two decades of experience in various industries, including banking and insurance, retail and distribution; media; education; cold storage and shipping, among others.

She has held senior positions in several corporate entities including: Scotiabank, AIC Limited, National Commercial Bank Jamaica Limited and Supreme Ventures Limited.

Suzette holds an MBA (Finance, Marketing), Manchester Business School & University of Wales, and a BSc. in Economics & Management.

Marcos Dabdoub

Non Executive Director

Marcos Dabdoub is a founding Director and Managing Director of Amalgamated Distributors Limited, and a member of the Compensation and Marketing Committee.

His 45 years of experience positioned him as the exclusive Jamaican distributor of Jamaican Teas Tetley and Caribbean Dreams product lines, which generate approximately 50 percent of the Company's overall sales. In 1963, he joined J & J Dabdoub Limited as a salesman, and in 1967, he opened Marc's Department Store in Kingston.

Marcos attended St. George's College in Kingston and is a graduate of St. Mary's College, St. Andrew.

Duncan Davidson

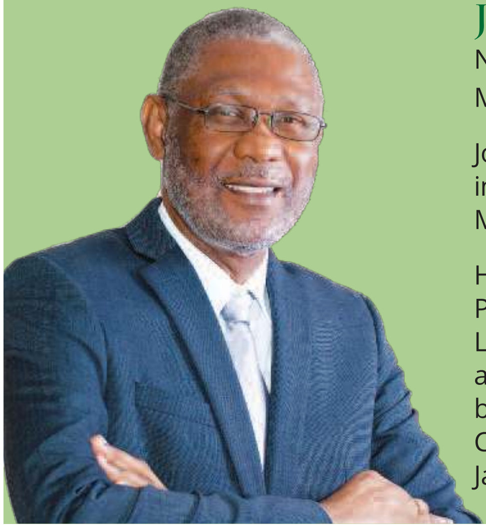
Non Executive Director

Duncan Davidson is a business consultant and brings his experience as a businessman to the Board in his role as a member of the Compensation and Marketing Committee. As a business consultant, he has worked for the supermarket chain, Hi-Lo Food Stores, and the JSE listed company- Hardware and Lumber Limited.

His work experience spans the Jamaican shipping industry. He was Managing Director of H. McCauley Orrett Limited, a subsidiary of GraceKennedy & Co. Limited, and a director of Port Services Limited, GraceKennedy Shipping Limited, and the Maritime Training Institute, among others.

Duncan spent a number of years working in Canada, prior to returning to Jamaica in 1989. He holds a Diploma in Mechanical Engineering, Ryerson University, Toronto 1971.

Directors' Profile Continued



John Jackson

Non Executive Director
Mentor to the Board

John Jackson brings to the Board his experience in the financial services industry. He is the 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. John is a Director of Bridgeton Management Services Limited, a private investment and management company since 1974, and publisher of the financial website ICinsider.com. He chairs the boards 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.

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 with over 30 years' experience with other food processing and hotel groups in Jamaica and overseas, as well as with two well-known public accounting firms.

JONATHAN MAHFOOD
Export Manager

Jonathan Mahfood works closely with the Chief Executive to realize the scope and vision of the Company. His portfolio of responsibilities includes export management, maintaining and growing the sales relationships with the Company's Caribbean and North American export customers.

He also undertakes other projects associated with new business and commercial developments, and the expansion of the customer base.

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

Operations Management Team Continued

Finance Administration & Marketing

Charles Barrett

Marketing and Food Safety Manager

Charles formulates and directs the marketing, public relations and food safety strategies of Jamaican Teas Limited to improve brand equity, product diversification and revenue growth. 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) and a Masters in Business Administration (MBA) from the Mona School of Business and Management, UWI, Mona. He also holds Certificates in Applied HACCP Principles from the Royal Society for Public Health in the United Kingdom, Sales Management from the Mona School of Business, and also a Preventive Controls Qualified Individual (PCQI).

Factory

Norman Russell

Factory Manager

Norman joined the Group in 1995, prior to which he 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

In 2016, Omar joined the Group in the production department with added responsibility for our food safety system. He has over 15 years' retail management experience with specialized training in warehousing and inventory management.

Operations Management Team Continued

Accounting Department

Robert Bignall
Accountant

Robert 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 has direct responsibility for Jamaican Teas Limited and H Mahfood & Sons Limited. He joined the Group in 1998, after serving in a major conglomerate, and has over 20 years' experience in the accounting field.

Carla Francis
Accounting Clerk

Carla 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

Manager

Althea started her career with Jamaican Teas Limited in 2005, before being transferred to JRG Shoppers Delite. Althea previously held the position as Chief Cashier in the Administrative Office before being promoted to Assistant Manager in 2012 and Manager in 2018.

Michael Mahfood

Assistant Manager

Michael worked in the retail industry for over 20 years before joining JRG Shoppers Delite as an Assistant Manager in 2015. Throughout his 20 years' retail career, Michael has managed several stores in addition to operating a store in the retail industry.

MANAGEMENT DISCUSSION & ANALYSIS

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 30 September 2019. 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 (JTL), 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 third party manufacturers.

H Mahfood and Sons Limited (HMS), which owns real estate investment properties and develops real estate projects.

LTJ Fund Managers Limited (LTJ), formerly JRG Shoppers Delite Enterprise Limited (JRG), which owned the Shoppers Delite supermarket in Kingston up to February 2019, before it was sold to Bay City Foods Limited (BCF), an associated company. LTJ has no other operations at present.

Bay City Foods Limited (BCF), a 50 percent owned associated company up to October 2019, and operators of the Shoppers Delite supermarket in Kingston since February 2019.

KIW International Limited (KIW), formerly owners of an investment portfolio of companies listed on the Jamaica Stock Exchange (JSE), and now an intermediate holding company for some of the Group's shares in QWI Investments Limited. KIW has no other operations at present.

QWI Investments Limited (QWI), a 24 percent owned subsidiary company managed and controlled by JTL and KIW, owners of an investment portfolio of companies listed on the JSE and since September, several overseas companies listed on the US stock exchanges.

GROUP REVENUES AND PROFIT

Group Operating Revenues declined from approximately $1.8 billion in 2017/18 to almost $1.3 billion this year. This $476 million decline resulted primarily from:

- the inclusion of only four months' sales for the Shoppers Delite supermarket in 2019, following its sale to Bay City Foods Ltd, an associated company, in February 2019 versus a full twelve months of sales in 2017/18.
- $25 million of home sales at Orchid Estates in 2019 compared to $209 million in the previous year.

In the new financial year 2019/20, the Group's operating revenues is projected to be significantly higher than in 2018/19 due to:

- the consolidation of 100 percent of the revenues from Shoppers Delite, following the purchase of 50 percent of the shares in Bay City Foods Ltd., which we did not own in October 2019.
- the commencement of real estate sales at our apartment development in the Manor Park area of Kingston.

Group Cost of Sales declined from $1.4 billion in 2018 to almost $1 billion in 2019 for the same reasons as the reduction in revenue stated above.

Gross Profits declined from $338 million to $333 million.

Non-operating Income grew from $106 million to $551 million, primarily due to the recognition of $376 million in fair value gains on securities held by QWI and an additional $72 million in revaluation gains on investment properties held by the Group.

Administration costs increased by $35 million in the period due to the consolidation of QWI for the first time, which had a much larger level of investment

Management Discussion & Analysis Continued

activity in 2019 than the Group experienced in the prior year. Finance costs increased by $10 million, mainly due to increased borrowings at QWI, which did not exist in the prior year.

As a result of the increased fair value and revaluation gains outlined above, the Group's profits before tax and net profit both more than doubled.

MANUFACTURING AND FOOD TRADING

In 2019, Jamaican Teas' export sales decreased by 8 percent as compared with 2018, which was largely due to de-stocking by our main USA distributor.

Despite the decline in Jamaican Teas' overseas shipments, the sales of our distributors to their customers continued to grow and in October and November 2019, our export shipments rebounded over the same months of 2018. Exports continued to represent more than 50 percent of Jamaican Teas' total revenues in 2019 and exceeded the levels in 2017 by almost 15 percent.

Local sales increased 9 percent in 2019. The fastest growing products during the year were non teas manufactured by third parties under contract. A large number of the products not manufactured by the Company carry the lowest profit margins. This caused a continued shift in the product mix and

Management Discussion & Analysis Continued

resulted in a decline in the gross profit margin from 31 percent in 2018 to 29 percent in 2019.

As a result of these margin declines, the Company has begun a process of changing suppliers and also the contractual terms on which non-manufactured products are purchased from existing suppliers. These changes, along with other measures to be executed in 2020, are expected to reverse the decline in margins suffered over the last two years.

During 2019, we introduced four new premium herbal teas under a new Caribbean Dreams Select brand. These new tea infusions with choice blends of tropical flavours such as Pineapple Coconut, Lychee Ginger, Chocolate Mint Truffle, and Apricot Passion Fruit were created to evoke the warmth of the Caribbean with an international appeal.

Caribbean Dreams Select is aimed at balancing consumer need for wellness, delectable taste and fulfilment. Plans are in train to have the line showcased in main tea aisles of major retail stores in North America, moving away from traditional West Indian aisles. The product is packed locally at JTL's Bell Road HACCP and Kosher-certified plant. Products have already been exported to the USA, Canada and the Caribbean.

For the coming year, new black and green teas blended with vitamins and minerals will be introduced under the Tetley Super Teas brand. This is in keeping with growing demand and the embrace of health and wellness products among all demographics across global markets.

Soups and pasta have also been added to JTL's impressive line-up of goods for the export market and the plant has been outfitted with machinery to package the soups.

RETAILING

In February 2019, our associated company, Bay City Foods Limited (BCF), purchased the Kingston supermarket business from JRG for approximately $34 million. The supermarket building and car park, which are owned by H Mahfood and Sons Limited, were not included in the sale, and the existing lease to JRG was assigned by them to BCF as part of the sales transaction.

A solar energy system was partially installed at the premises during 2019 and additional components of this system will be installed in 2020. These supplemental investments are expected to result in reduced electricity costs.


Caribbean Dreams Select
Caribbean Dreams Select

Management Discussion & Analysis Continued

Subsequent to year end in October 2019, Jamaican Teas acquired the 50 percent of BCF's outstanding shares, which it did not own, from Amalgamated Distributors Limited. BCF is now a wholly owned subsidiary of the Group. The acquisition will result in the company's revenue, expenses, profit, assets and liabilities being fully consolidated into the Group's results.

TRADE SHOWS

As part of our export strategic thrust to enter the Latin American market, Jamaican Teas Limited participated in the LAC Flavours Trade Show and Hosted Buyer programme held in Cali, Colombia in early September 2019. The Company's objectives for its participation in the trade show were to: -

- Obtain a distributor for markets in Latin America, and gain market intelligence on the trade in Colombia and competitor activities
- Conduct prearranged B2B meetings with at least four (4) interested distributors
- Attend conferences and networking events

Not only was the trade show a success, but we secured seven (7) positive leads with strong prospects for exports to the region.

LAC Flavours is one of the most important food and beverage business matchmaking events in Latin America and the Caribbean. Once per year, the event brings together exporters from the region and international buyers, to foster new business opportunities through one-to-one meetings.

JTL's eye on the export market also extended to Canada in 2019. The Company participated in the SIAL Canada Trade Show in May, which provided the opportunity to seek out distribution channels in the major chain stores in Western Canada.

REAL ESTATE

The Group's rental properties in Kingston and land holdings were revalued during the year by a valuator, resulting in revaluation gains as reflected in the Profit & Loss Statement.

Construction began in August 2018 on Portview Manor, a complement of 18 super studios on lands owned in the Manor Park area. The 650 sq. ft. units are expected to be completed and sold in 2020, from which the Group expects to realise a profit.

INVESTMENTS

Between February and March 2019, QWI Investments purchased approximately $424 million of listed securities sold in the market by Jamaican Teas and KIW. Arising from additional purchases of securities, the portfolio realised investment gains of $376 million in the subsequent months, and by September, QWI had increased the value of that portfolio to almost $1.4 billion.

QWI raised approximately $1.2 billion from its Initial Public Offering (IPO) of shares on the main market of the Jamaica Stock Exchange. Since year end, the company has reduced its borrowings and made additional purchases of securities locally and overseas.

Management Discussion & Analysis Continued

Portview Manor - Near completion, Portview Manor houses 18 Super Studios averaging 650 sq. ft. and boasts majestic harbour and mountain vistas.
Developer: **H Mahfood & Sons Ltd.** | Architect: **Millingen Architec**. | Contractors: **Kinetic**

Management Discussion & Analysis Continued

STATEMENT OF FINANCIAL CONDITION

In 2019, the Group added one more investment property to its portfolio. As reported elsewhere, the investment properties' portfolio appreciated strongly during 2019. In addition, the Company acquired all the outstanding loan capital of BCF not already owned at a significant discount to its face value.

The Group's portfolio of listed investments more than doubled in size during the year, arising from market appreciation and the purchase of new investments at QWI.

The increase in inventories during the year primarily reflects the additions relating to H Mahfood's Manor Park real estate project under development at a value of $146 million at September.

Almost all of the increase in the Group's trade and other receivables of $1.2 billion are mainly the proceeds from QWI's IPO, which were subsequently received in October 2019. Similarly, most of the $600 million increase in the Group's current liabilities in 2019, resulted from QWI's investment activities during the second half of the year, and most of these payables were liquidated in October 2019.

Consolidated shareholders' equity grew from $1.4 billion to almost $3 billion including non-controlling interest. This growth arose primarily from the new shareholders who joined the Group as a result of QWI's IPO as well as the Group's profits.

The share price of Jamaican Teas Limited was $4.85 at 28 September 2018 and $6.15 as at 30 September 2019.

AWARDS

Jamaican Teas Limited commitment to its founding vision, and consistency in growing and developing its brand was recognised yet again with the President's Award for Champion Medium Manufacturing Exporter 2018 by the Jamaica Manufacturers' and Exporters' Association (JMEA).

The Company's CEO, John Mahfood, attributes the Company's rise as a household brand and annual recognition from prestigious entities such as the JMEA, to the dedication of his team, from the factory to the boardroom … as "together we continue to make it possible".

Charles Barrett, Marketing, JTL, accepts the Company's JMEA award for Champion Medium Manufacturing Exporter 2018, from Richard Pandhoie, President of the JMEA.

Management Discussion & Analysis Continued

JTL's largest Caribbean Partners decked out in protective gear before touring Company's Bell Road plant.

The Company was also nominated for awards in other categories, namely: -

- Corporate Social Responsibility
- Quality & Standards, and
- Best Packaging

REGIONAL STRATEGY MEETING

Post year end, JTL staged its inaugural strategic marketing meeting bringing together representatives from its regional export business partners in the Caribbean, to discuss ways in which to aggressively boost export revenue sales. As part of its strategic goal, the Company has targeted growth of 20 percent in export revenue sales over FY2019, and believes that this new thrust will energise its partners, streamline activities across the region and result in increased market share for the Tetley and Caribbean Dreams brands.

The meeting, held in Kingston, Jamaica from January 20-22, 2020, had the following objectives: -

- To develop a regional marketing strategy for both our Tetley and Caribbean Dreams brands
- To detail market specific tactics and implementation plans
- To improve coordination, communication and relations between regional business partners
- To share best practices and improve networking

Countries from the region in attendance were Antigua, Barbados, Belize, Grenada, Guyana, Suriname and Trinidad. The meeting will become an annual event on JTL's calendar.

OUTLOOK

Preliminary results for the 2020 first quarter show that manufacturing revenues increased fourteen percent (14%) over 2019. The rate of sales growth at the supermarket was less than 10 percent. Efforts will continue to accelerate our domestic tea sales growth and export business for the 2020 financial year.

In the investment arena, QWI has already applied most of the IPO proceeds received in October 2019 towards the acquisition of additional quoted equities in Jamaica and the USA, and has also reduced its short term borrowings.

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.

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, Bay City Foods Limited, operators of a supermarket in Kingston, QWI Investments Limited, our investment company and KIW International Limited, now an investment holding company with17.95 percent ownership of QWI.

The Board of Directors of Jamaican Teas Limited, 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 in the community in which it operates
- 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 fulfilment 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.

Shareholders are also kept well-informed by way of detailed analysis of Quarterly Reports on the Jamaica Stock Exchange (JSE) website, the Company's corporate website, as well as paid advertising in the local newspapers.

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, creditors, employees, suppliers, customers and local communities. The Company is also compliant with international regulators in keeping with its US FDA-approved status for exports and HACCP and Kosher certifications.

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, Chairman, John Mahfood, Marcos Dabdoub, Duncan Davidson and Suzette Smellie-Tomlinson. 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;
- Is not in an employment relationship with the Company or its subsidiaries.

Only one of the Company's Board member has substantial shareholdings in any of the Group's companies or an employment relationship with the Company.

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	√	√	•	√	√

The Company's Directors were selected because of their expertise in particular areas required by the Company.

All, but one, of the Company's Directors attended the Company's 2019 Annual General Meeting (AGM) held in March 2019 and met with shareholders.

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.

The Board is required to meet at least 5 times per year, and whenever else necessary, to review the budget and quarterly reports. Members also attend the Company's Annual Retreat, along with the Operations Management Team - a forum which facilitates discussion and feedback on ongoing activities, plans and projects for implementation.

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 the Company Secretary is determined by the Board. The present Company Secretary for Jamaican Teas Limited is Cameron Burnet.

MENTOR

JTL is mandated by the Jamaica Stock Exchange Junior Market Rules to have a Mentor on its Board, throughout its tenure as a Junior Market company. John Jackson has held this position since 2010.

The Mentor, whose competency is approved by the JSE, has the relevant skills, knowledge and expertise required, to carry out the responsibilities and functions as set out in Rule 503(2) of the Junior Market Rules. The skills, knowledge and expertise would have been attained through professional qualifications, work executed for companies listed on the JSE or other stock exchanges, or other relevant experience.

The Mentor is a key adviser to the Board, ensuring that the Company has in place the framework, procedures, systems and policies for good fiscal discipline and corporate governance. The Mentor's responsibilities are administered at all times in the best interest of the Company, its shareholders and stakeholders.

BOARD COMMITTEES

There are two established committees, namely:

- Compensation & Marketing
- Audit & Finance

Corporate Governance Continued

Role of the Compensation & Marketing Committee (CMC)

The Compensation & Marketing Committee comprises independent non-executive Directors: - Chairperson, 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. The Committee also reviews and recommends remuneration and terms of employment for new management staff.

The Committee also:

- Assessed the performance of the 2019/20 marketing plan and expenditure;
- Reviewed and provided feedback on different activities in progress from the Knowledge Management Framework Plan;
- Assessed the continued performance of the Caribbean Dreams Brand Development Plan 2018-2021, including potential staffing for expected business growth, and activities being implemented or in the process of being implemented;
- Reviewed the 2020/21 Strategic Marketing Plan to provide insight and approve same and the marketing budget. The Plan provides strategic direction for the next two years with a focus on increasing sales volumes and the number of channel partners, market intelligence and development, product development and market penetration strategies and attendant programmes.
- Reviewed market research strategies for instruments to be designed to conduct field research on top of consumers' perceptions and feedback on various products.
- Held separate meetings outside of the Committee meetings to review documents and provide individual feedback or approval. For example, on the website upgrade, social media opportunities and launch of the Caribbean Dreams Select brand of teas.

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 adherence by the Group member companies to applicable accounting standards and applicable governance codes, 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 all independent except for John Mahfood. John Jackson is Chairman, along with Suzette Tomlinson-Smellie, John Mahfood, and Joan Brown, a Chartered Accountant, who joined the Committee in July 2019.

Corporate Governance Continued

Board & Committee Meetings/Attendance

During the year, there were five (5) Compensation & Marketing Committee meetings, six (6) Audit & Finance meetings and seven (7) Board meetings.

Directors/Members	*Board Meetings*	*Audit & Finance Committee Meeting*	*Compensation & Marketing Committee Meeting*
John Jackson	6	6	•
Suzette Smellie-Tomlinson	7	6	5
John Mahfood	4	3	•
Duncan Davidson	6	•	5
Marcos Dabdoub	7	•	5
Joan Brown	•	3	•

Regulatory Responsibilities

Over the last twelve months, the Audit Committee met with the Company's Independent Auditors. During the last 12 months, there were no reports of any regulatory breach, including:

- The Securities Act or its insider trading regulations
- Regulations relating to the disclosure of transactions with any related party
- The Listing Rules of the Jamaica Stock Exchange

All the Company's unaudited Quarterly Reports and Audited Financial Statements were filed within the periods required by the Listing Rules of the Jamaica Stock Exchange, and the Financial Services Commission.

On 16 December 2019, KPMG, Independent Auditors of the Company, issued an unqualified audit opinion on the Company's 2019 annual financial statements.

Compensation of Directors

Each Director of the Company is paid an annual fee for his or her membership of the Board of Directors, and each member of a Committee of the Board is paid an annual fee for his or her membership in such Committee. Directors who perform the functions of Chairperson, whether of the Board or a Committee, are paid additional fees.

For the year ended 30 September 2019, the total fees paid by the Company to its Directors was $3.5 million (2018 - $2.425 million). These fees are subject to the approval of the shareholders of the Company at the Annual General Meeting (AGM) and the fees proposed for 2019, will be put to the shareholders for approval at the Company's next AGM.

In addition to an annual fee, each Director of the Company is entitled to participate in the Company's share option schemes, which are described in detail in Note 14 of the Company's Audited Financial Statements. These share option schemes were approved by the Company's shareholders at the 2016 Annual General Meeting.

Share Options for Employees

At its 2011 AGM, the Company approved a stock option plan for its employees, which is described in Note 14 of its Annual Financial Statements. During 2019, 2.1 million shares were issued to staff, pursuant to this scheme, resulting in the allotment of $3.388 million in shares.

Evaluation and Training of Directors

The Company does not presently have procedures pursuant to which the Directors evaluate either their own performance or the performance of their fellow Directors. The Directors recognise that the absence of such procedures is undesirable.

In 2020, external consultants will be engaged to establish such procedures and to perform an external evaluation of the Board's performance.

Corporate Governance Continued

In 2019, the Directors did not participate collectively in any specific training programme relating to their functions as Directors of the Company.

Role of Subsidiary Company Directors

Bay City Foods Limited

The Directors of Bay City Foods Limited (BCF) are John Mahfood, Charles Barrett and Jonathan Mahfood. They are not considered to be independent as all three are full time employees of Jamaican Teas. The Directors do not consider it necessary to have committees, as management services are carried out by the JTL Board. All three Directors serve BCF without remuneration from that company.

H Mahfood and Sons Limited

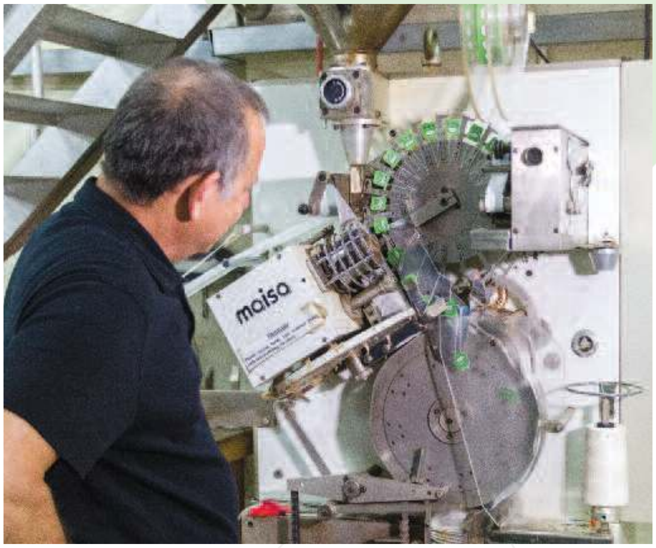
The Directors of H Mahfood and Sons Limited are John Mahfood, John Jackson, Duncan Davidson and Oliver Goldsmith. Messrs Jackson and Davidson are considered to be independent. The Directors do not deem it necessary to have committees, as management services are carried out by the JTL Board. All four Directors serve the company without remuneration from that company.

KIW International Limited

The Directors of KIW International Limited are John Mahfood, John Jackson, (Chairman), Karl Wright and Kemilee McLymont. All Directors, except John Mahfood, are considered to be independent. Since KIW disposed of its investment portfolio to QWI, the services of the sub-committees were discontinued.

Each KIW Director is paid an annual fee and during 2019, John Jackson, along with two other non-Directors, were paid an incentive remuneration fee for their services as Investment Committee members in managing the company's investments.

The total fees paid to KIW Directors in 2019 was $1.2 million. These fees are subject to the approval of the shareholders of the company at the Annual General Meeting and the fees proposed for 2019, will be put to the shareholders for approval at the Company's next AGM.



JTL's CEO John Mahfood is actively involved in ensuring the highest standards at the Company's Bell Road plant.

QWI Investments Limited

The Directors of QWI Investments Limited (QWI) are John Jackson (Chairman), John Mahfood, Cameron Burnet, David Stephens, Carl Carby and Malcolm McDonald. Messrs Carby, McDonald and Stephens are considered to be independent Directors.

QWI has an Audit Committee chaired by Carl Carby with members Malcolm McDonald, Cameron Burnet and David Stephens. The Audit Committee is therefore independent.

QWI also has an Investment Committee responsible for the management of the company's investments. This committee comprises John Jackson (Chairman), Cameron Burnet, and David Stephens, who is the only independent.

The total fees paid to QWI's Directors in 2019 was $5.5 million. These fees are subject to the approval of the shareholders of QWI at the Annual General Meeting and the fees proposed for 2019, will be put forward for approval at the Company's next AGM.

HISTORICAL
FINANCIAL DATA

BALANCE SHEET	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Shares Issued -'000	695,083	686,033	682,033	674,833	674,833	674,833	674,833	674,833	674,833	674,833	570,852
$'000											
Shareholders' equity	1,554,092	1,246,554	1,063,167	878,103	725,278	634,115	586,937	511,403	471,561	392,146	267,667
Long Term Liabilities	208,726	163,333	0	188,257	292,504	200,179	11,283	35,677	25,059	8,390	14,414
Total Gearing	373,645	236,695	240,798	281,362	404,461	303,269	250,101	103,308	40,486	10,967	19,647
Fixed Assets	307,395	328,434	305,237	291,234	287,251	274,269	124,109	125,701	52,556	31,724	33,616
Current Assets	1,954,931	722,655	848,087	683,523	698,786	554,344	594,334	298,146	214,375	206,819	236,888
Current Liabilities	810,294	200,641	378,117	174,265	176,390	203,856	306,450	120,544	42,858	32,684	42,117
Inventories	344,026	285,497	391,552	446,014	389,280	288,906	176,696	131,352	95,814	84,299	58,958
Receivables	1,463,428	298,268	383,313	182,946	277,927	219,644	279,491	100,343	80,833	74,646	71,433
Cash & Equivalent	146,317	135,569	73,222	31,320	22,900	14,657	93,643	1,217	24,066	17,466	5,913
Investments	1,363,148	461,737	227,357	157,789	117,571	101,523	150,654	185,165	231,468	191,412	113,356
PROFIT & LOSS											
Total Revenue	1,291,192	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
Yearly Change	-26.92%	13.72%	15.27%	-1.24%	16.89%	-5.79%	46.22%	26.03%	45.00%	42.39%	29.97%
Gross Profit	333,104	337,611	330,158	306,145	259,129	204,146	220,849	150,014	147,067	124,538	115,417
Yearly Change	-1.33%	2.26%	7.84%	18.14%	26.93%	-7.56%	47.22%	2.00%	18.09%	7.90%	50.34%
Pretax Profit	589,728	202,849	219,160	165,275	78,381	51,369	99,208	66,897	85,511	68,626	95,318
Yearly Change	190.72%	-7.44%	32.60%	110.86%	52.58%	-48.22%	48.30%	-21.77%	24.60%	-28.00%	128.08%
Aftertax Profit	483,117	193,259	196,128	146,509	72,201	51,609	93,256	74,749	82,232	58,102	72,498
Yearly Change	149.98%	-1.46%	33.87%	102.92%	39.90%	-44.66%	24.76%	-9.10%	41.53%	-19.86%	155.11%
IMPORTANT RATIOS											
Equity to Debt ratio	4.16	5.27	4.42	3.12	1.79	2.09	2.35	4.95	11.65	35.76	13.62
Current Assets ratio	2.41	3.60	2.24	3.92	3.96	2.72	1.94	2.47	5.00	6.33	5.62
Return on equity-%	34.50	16.73	20.21	18.28	10.62	8.45	16.98	15.21	19.04	17.61	31.00
Revenues to Inventories	3.75	6.19	3.97	3.02	3.51	4.04	7.01	6.45	7.02	5.50	5.52
Revenues to Receivables	0.88	5.92	4.05	7.37	4.91	5.32	4.43	8.45	8.32	6.21	4.56
Gross Profit Margin	26%	19%	21%	23%	19%	17%	18%	18%	22%	27%	35%
Return on Assets	19%	12%	14%	12%	6%	5%	10%	11%	15%	13%	22%
Price Book Ratio	2.75	2.67	2.49	1.50	0.72	0.88	1.15	1.29	1.40	1.57	0.00
Price Sales Ratio	3.31	1.88	1.70	0.98	0.38	0.48	0.54	0.78	0.98	1.33	0.00
Cash/Invest Per Share	2.17	0.87	0.44	0.28	0.21	0.17	0.36	0.28	0.38	0.31	0.21
Net Asset Per Share	2.24	1.82	1.56	1.30	1.07	0.94	0.87	0.76	0.70	0.58	0.47
Earnings Per Share ($)	0.57	0.29	0.29	0.22	0.11	0.08	0.14	0.11	0.13	0.10	0.26
Closing Stock Price ($)	6.15	4.85	3.88	1.95	0.78	0.83	1.00	0.98	0.98	0.91	0.00
P.E. Ratio	11.39	16.72	13.38	9.07	7.21	10.65	7.27	8.86	7.80	9.36	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
AS AT 30 SEPTEMBER 2019

10 LARGEST PRIMARY ACCOUNT HOLDERS

Name	Units
John Mahfood	182,199,613
Jennifer Ann Mahfood	19,675,000
Violet Helen Mahfood	200,792,840
Nancy D. Milne	39,250,000
Mayberry Jamaican Equities Limited	30,368,829
JCSD Trustee Services Ltd. A/C 76579-02	19,269,784
SJLIC for Scotiabridge Retirement Scheme	10,509,320
GraceKennedy Pension Fund Custodian Ltd. for GraceKennedy 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	6,206,843
Total Percentage of Shareholdings	**77.03%**

DIRECTORS AND CONNECTED PARTIES SHAREHOLDINGS

Name	Position	Units
John Mahfood	Chief Executive Officer	182,199,613
	Connected Party Holdings	19,675,000
	Combined Holdings	201,874,613
Duncan Davidson	Director	20,000
Marcos Dabdoub	Director	4,000,000
John Jackson	Director	183,352
	Connected Party Holdings	4,888,072
	Combined Holdings	5,071,424
Suzette Smellie-Tomlinson	Director	225,683

SENIOR MANAGERS AND CONNECTED PARTIES SHAREHOLDINGS

Name	Position	Units
Norman Russell	Senior Manager	1,000,000
Oliver Goldsmith	Senior Manager	NIL
Tanisha Samuels	Senior Manager	800,000
Charles Barrett	Senior Manager	434,360
Cameron Burnet	Senior Manager	NIL
	Connected Party Holdings	201,000
Jonathan Mahfood	Senior Manager	60,000

Corporate
Social Responsibility

"Doing Good for Humanity"

Our Company's Corporate Social Responsibility Policy is enveloped in community development aimed at Education & Sports, Social & Economic Justice, Crime & Violence Prevention and Advocacy. In addition, as one of the most admired natural beverage companies in the world, we are also focussing on Sustainable Sourcing, Climate Change and Waste Management.

The year 2019 was another positive and impactful one for our DREAM Initiative, which focused its work on Education, Human Rights and assisting the most vulnerable in our society. We are delighted to share with you a few of the positive programmes that have impacted our communities and people for the better across Jamaica.

Whitfield All Age

– A labour of commitment

In January 2018, our CEO John Mahfood, was appointed Chairman of Whitfield All Age school in Whitfield Town, St Andrew. The school, located in an inner-city community, had deteriorated over a number of years. In its prime in the 1960's, Whitfield All Age had a very good scholastic reputation with close to 1,000 students. By 2018 however, the student population had plummeted to less than 100 and only catered to grades 1 through 6.

John believes that the key to developing our youth is through education and that all children can excel in school, aided by a strong family support system and dedicated teachers. The school's Principal, Nadine Bennett-Hibbert, and the teachers proved to be very

Students are engaged in fun learning activities to help to develop and improve their literacy, numeracy, motor and social skills.

Corporate Social Responsibility Continued

Principal Nadine Bennett-Hibbert, (centre) and her staff L-R, Suzette Walcott, Nola Jackson, Leighton Smith, Maria Reid-Walker and Stephen Henry discuss the well-being of Whitfield Infant School.

motivated and had the determination, but lacked the support to improve the school's educational and structural facilities.

The Principal also believed, in order to advance, the addition of an infant department was crucial. A dedicated infant department would allow the school to better prepare the students for grade 1, thus improving their performance in primary school and achieving the best scores in PEP.

Together, we at JTL started on a programme to repair and renovate the school's physical infrastructure. We set out to lobby the Ministry of Education (MOE) to allow us to create an infant department, and on 17 July 2019, permission was granted as well as funding from the MOE to begin building.

The work entailed renovating classrooms, building bathroom facilities, preparing a fully equipped playground, recruiting teachers, and more. We also had to demonstrate to the community that we had made these improvements in their best interest and encourage them to register their children at Whitfield All Age once again.

We are proud to say that we were able to accomplish our goal, and on 2 September 2019, we opened with 2 classrooms and 40 children in attendance. The completion of this project showed us that when we

Corporate Social Responsibility Continued

all pull together, we can achieve our goals and make an impact.

Early Childhood Commission

– Improving the Learning Environment

Jamaican Teas Limited (JTL), through its Dream Initiative, donated 500 play mats to The Early Childhood Commission. The Company is actively engaged in improving the learning environment of children in less fortunate communities across Jamaica, by strengthening the Developmental/ Educational Programmes of the 12 Operating Standards of the Early Childhood Commission (ECC). The mats were distributed to approximately 150 Early Childhood Institutions (ECI), including special education schools and ECI's in need of mats, and were apportioned based on the following criteria: -

- 50% to poor and vulnerable communities
- 15% to schools for children with special needs
- 20% to schools in the vicinity of the office and factory
- 15% in the communities where factory staff live

At the handing over ceremony held at the ECC's head office on 14 February 2019, Charles Barrett, Marketing Manager, noted that "the donation of these play mats is just one of many efforts by Jamaican Teas to contribute to the development of our people by targeting the young ones, in essence the future."

Chairperson of the Early Childhood Commission, Trisha Williams Singh also commended Jamaican Teas' efforts to move from - "rhetoric to action, in fostering our nation's education system". In addition, Community Relations Manager at the Early Childhood Commission, Tanisha Miller said "the play mats will help children with improving their literacy and numeracy skills, ... cognitive skills, problem solving skills and the development of their fine motor skills."

Slipe Leased Primary

– a Jamaican Teas Dream Initiative Project

At the ceremony, it was also announced that 146 Early Childhood Institutions (ECIs) are now certified under the ECC's 12 Operating Standards, with Slipe Leased Primary school being the most recent to be accredited. Fittingly, in 2017, Jamaican Teas launched its Dream Initiative at Slipe Leased Primary, in the rural farming community of Slipe in South Western St. Elizabeth.

The Company invested generously in infrastructural work aimed at the school's learning environment. Members of the Jamaican Teas 'Dream Team', along with volunteers, implemented a number of refurbishing activities including the erection of walls to demarcate classrooms, the replacement of old

JTL's Marketing Manager Charles Barrett interacts with a child of the Union Gardens Basic School, while Trishanna Dayes, a teacher, looks on.

Corporate Social Responsibility Continued

chalkboards with new whiteboards and the painting of the interior and exterior walls of the school.

MATH ROCK

– Bridging the Learning Gap in our Nation's Children

Implementing programmes that will enhance our student's preparation for higher learning is an important part of pedagogy. In its thrust to improve performance in mathematics, the York Town Primary School, in collaboration with JTL, staged Numeracy Day in March 2019 entitled "MATH ROCK".

Students got the opportunity to be involved in mathematical, fun activities such as treasure hunt, board games, mock shop, and skipping, in addition to a six-a-side football competition. The activities on Numeracy Day highlighted the importance of mathematics to academic and professional achievement, its practical applications, and the fact that one can have fun engaging in mathematical functions and activities.

It is hoped that this initiative will continue as we engender a passion for mathematics in our young ones from an early age, leading to better learning and performance outcomes.

Inclusivity, Equality & Human Rights

– Run for Rights… Community Makes a Difference

The Jamaican Network of Seropositives (JN+), in collaboration with JTL, hosted the Annual World AIDS Day Run/Walk under the theme "Run for Rights… Community Makes a Difference" on 30 November 2019 at the UWI, Mona. The event was open not only to members of the PLHIV (People Living with HIV) community, but also to other civil society groups, policymakers, parliamentarians and other key influencers.

JN+ is a national non-profit advocacy organization, established in 1997 to provide peer support and support groups for Persons Living with HIV (PLHIV) and their affected families in Jamaica. The organization collaborates locally, regionally and globally with other networks, stakeholders and partners in the HIV response. It is also the recognized

Warm up exercises for the event.

Corporate Social Responsibility Continued

voice of PLHIV affiliated to Caribbean Regional Network of Persons Living with HIV (CRN+).

The goals for the walk/run event were:

- To increase awareness and create relationships
- To increase education around HIV and health
- Donor engagement and acquisition
- Social responsibility

Swinging into Charity Golf Tournament

In August 2019, a fire of unknown origin destroyed sections of the Jamaica National Children's Home in Papine, St Andrew, a facility that provided care and protection for youth rescued from poverty and neglect. Approximately 44 children were left homeless and according to firefighters, the damage at the facility was an estimated $300 million.

JTL partnered with a reputable non-profit organisation to raise funds for the immediate needs of the wards. The fund-raiser - ***Swinging into Charity Golf Tournament*** - held at the Constant Spring Golf Club raised significant sums for the children's home.

We will continue to support the children's home directly and indirectly in the coming years as we continue to do good for humanity.

Caribbean Dreams Supports Mixed Martial Arts

Our company has been one of the first locally to support this growing sport, ***Rough Fight League Mixed Martial Arts.*** The sport encourages young men and women to engage in physical activity that develops good work ethics, discipline, anger management and self-confidence.

There were three competitions in 2019, which brought together internal and local fighters who are building their international reputation and their competitive fighting skills.

We believe the sport has been growing in Jamaica and we are proud that many young people have found a constructive outlet for managing pent up energies and aggression, while improving overall health and well-being.

Climate Change, Sustainable Sourcing and Waste Management

Jamaican Teas Group will be playing a leadership role this year in the areas of climate change, sustainable sourcing and waste management, while pursuing its growth aspirations and enhancing shareholder value.

The Group will measure its carbon footprint and strive to:

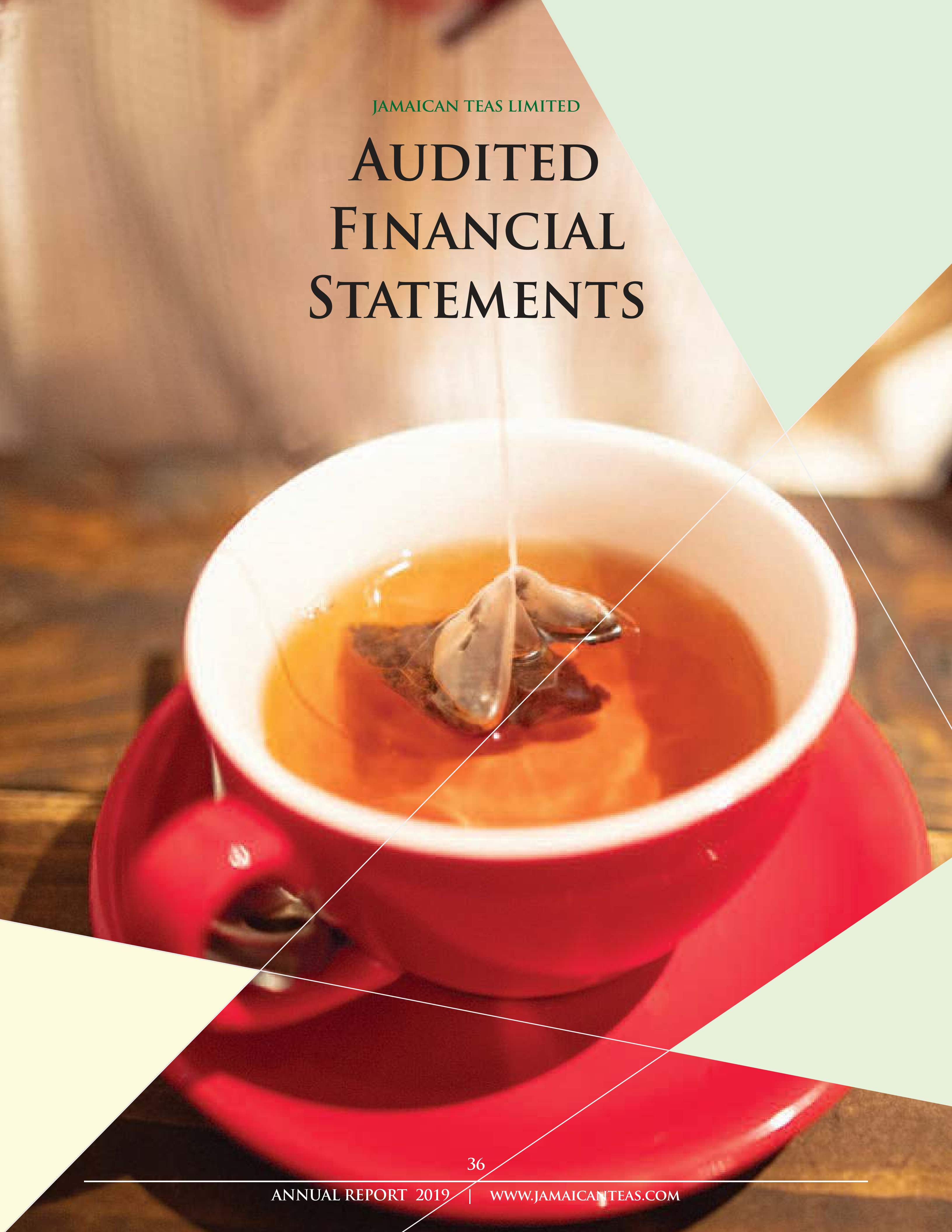
- be the benchmark in our segment industry on the carbon footprint for our plants and operations
- engage actively in climate change advocacy and the shaping of regulations in different business sectors and
- incorporate 'green' perspective in key organizational processes.

JTL is committed to optimizing consumer packaging, efficiently utilize resources and reduce environmental impact without compromising on product quality and safety. Sustainable packaging is fit for purpose, resource efficient, made from low impact materials, and reusable or recyclable at the end of its life.

At JTL, we understand the challenges and are collaborating with other stakeholders to find sustainable packaging solutions, while managing packaging wastes holistically. Landfill waste must also be efficiently reduced by using simple and ingenious methods. Consequently, some of our teabags are without strings, tags and envelopes so as to help to reduce the amount of waste in our landfills.

JAMAICAN TEAS LIMITED

Audited Financial Statements



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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 47 to 108, which comprise the group's and company's statements of financial position as at September 30, 2019, 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, 2019, 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.

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

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

1 Measurement of Expected Credit Losses

Key Audit Matter	*How the matter was addressed in our audit*
IFRS 9, *Financial Instruments*, was implemented by the group effective October 1, 2018. The standard is new and complex and requires the group to recognise expected credit losses ('ECL') on financial assets measured at amortised cost. The determination of ECL is highly subjective and requires management to make significant judgements and estimates and the application of forward-looking information. [see notes 3, 12 and 31(a)] of the consolidated financial statements	Our audit procedures in response to this matter, included: • Obtaining an understanding of the model used by management for the calculation of expected credit losses on financial assets. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records. • Assess the appropriateness of the group's impairment methodology, management's assumptions and compliance with the new requirements of IFRS 9, *Financial Instruments*. • Involving our financial risk management specialists, to review the ECL model. • Involving our financial risk management specialists to evaluate the appropriateness of economic parameters including the use of forward looking information.

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

1 Measurement of Expected Credit Losses (continued)

Key Audit Matter	*How the matter was addressed in our audit*
	Our audit procedures in response to this matter, included (continued): • Testing the accuracy of the ECL calculation. • Testing the group's recording and ageing of accounts receivable. • Assessing the adequacy of the disclosures of the key assumptions and judgements as well as the details of the transition adjustment for compliance with IFRS 9.

2 Consolidation of QWI Investments Limited

Key Audit Matter	*How the matter was addressed in our audit*
Consequent on QWI Investments Limited (QWI) issuing 66% of its ordinary shares to the public on September 9, 2019, the group, through direct and indirect holdings controls 24.34% of the shares of QWI. The directors of QWI are appointed by the company, the members of the investment committee of QWI are appointed by the board of QWI and the administrative affairs of QWI are controlled by the company under a formal management agreement.	Our audit procedures in response to this matter, included: • Inspecting the Articles of Incorporation and considering the legal and regulatory environment of QWI to determine the basis of the control of the relevant activities, with reference to voting rights and the appointment of directors;

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2 Consolidation of QWI Investments Limited (continued)

Key Audit Matter	*How the matter was addressed in our audit*
In management's view, these circumstances had the effect of allowing the group to have control over the relevant activities (i.e., those that affect exposure or rights to variable returns) of QWI and thereby meeting the requirements for consolidation in accordance with IFRS 10 *Consolidated Financial Statements*. The decision by management to consolidate QWI involves significant judgement, having regard to the company's effective shareholding and its ability to direct the relevant activities through its representation on the Board, commercial relationships and other relevant factors. See [notes 2(c)(i) and 4 (a)(i)] of the consolidated financial statements.	Our audit procedures in response to this matter, included (continued): • Evaluating management's analysis of the relevant considerations and assessed the company's ability to exercise control, given the specific governance and commercial arrangements with QWI based on the requirements of IFRS 10 *Consolidated Financial Statements*. • Applying our knowledge and experience with reference to relevant accounting guidance and use our own professional practice department, to form our conclusion as to whether the accounting is appropriate. • Assessing the adequacy of the disclosures of the judgements made by management in determining control.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

3 Consolidation of Bay City Foods Limited

Key Audit Matter	*How the matter was addressed in our audit*
The group, through direct and indirect holdings holds 50% of the shares of Bay City Foods Limited (BCFL). This was previously accounted for as an associated company. On December 18, 2018, the company's subsidiary, JRG's Shoppers Delite Enterprise Limited and BCFL entered into an agreement whereby BCFL purchase the assets and undertaking comprising JRG's Shoppers Delite Supermarket business. This transaction was effective, February 1, 2019 and was accounted for as purchase of assets. Subsequent to the transaction, the group continues to account for BCFL as an associate in accordance with IAS 28 *Investments in Associates and Joint Ventures*. In management's view, this transaction did not have the effect of allowing the group control over the relevant activities of BCFL (i.e., power over the investee) and thereby did not meet the requirements for consolidation in accordance with IFRS 10 *Consolidated Financial Statements*.	Our audit procedures in response to this matter, included: • Inspecting the Articles of Incorporation and considered the legal and regulatory environment of BCFL to determine the basis of the control or significant influence over the relevant activities, with reference to voting rights, representation on the board and participation in the policy making process; • Evaluating management's analysis of the relevant considerations and assessed the company's ability to exercise control or significant influence, given the specific governance and commercial arrangements with BCFL. • Applying our knowledge and experience with reference to relevant accounting guidance and use our own professional practice department, to form our conclusion as to whether the accounting is appropriate.

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To the Members of
JAMAICAN TEAS LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

3 Consolidation of Bay City Foods Limited (continued)

Key Audit Matter	*How the matter was addressed in our audit*
Management's assessment of whether control exists, involves significant judgement, having regard to the company's effective shareholding, and its inability to direct the relevant activities through its representation on the Board, commercial relationships and other relevant factors. See [notes 2(c)(i) and 4(a)(iv)] of the consolidated financial statements.	Our audit procedures in response to this matter, included (continued): • Assessing the adequacy of the disclosures of judgements made by management in determining control.

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.

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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 45 to 46, forms part of our auditors' report.

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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.

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Chartered Accountants
Kingston, Jamaica

December 16, 2019

To the Members of
JAMAICAN TEAS LIMITED

Appendix to the Independent Auditors' Report

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.

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

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

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

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

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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

Year ended September 30, 2019

	Notes	2019 $'000	2018 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	5	307,395	328,434
Investment properties	6	287,465	183,496
Intangible assets	7	239	1,496
Investment in associate	8	80,969	26,546
Investments	9	1,363,148	461,737
Deferred tax asset	10	-	12,261
		2,039,216	1,013,970
CURRENT ASSETS			
Inventories	11	344,026	285,497
Trade and other receivables	12	1,463,428	298,268
Taxation recoverable		1,160	3,321
Cash and cash equivalents	13	146,317	135,569
		1,954,931	722,655
TOTAL ASSETS		3,994,147	1,736,625
EQUITY			
Share capital	14	185,149	161,161
Capital reserves	15	174,892	216,179
Investment revaluation reserve	16	-	61,978
Retained earnings		1,194,051	807,236
		1,554,092	1,246,554
NON-CONTROLLING INTERESTS	17	1,421,035	126,097
		2,975,127	1,372,651
NON-CURRENT LIABILITIES			
Long-term loans	18	143,333	163,333
Deferred tax liability	10	65,393	-
		208,726	163,333
CURRENT LIABILITIES			
Trade and other payables	19	437,959	100,538
Current portion of long-term loans	18	27,872	20,000
Short-term borrowings	20	83,577	39,723
Bank overdraft	21	53,470	13,639
Margin loan payable	22	184,275	-
Taxation payable		23,141	26,741
		810,294	200,641
TOTAL EQUITY AND LIABILITIES		3,994,147	1,736,625

The financial statements on pages 47 to 108 were approved for issue by the Board of Directors on December 16, 2019 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.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended September 30, 2019

	Notes	2019 $'000	2018 $'000
Gross operating revenue	23	1,291,192	1,766,758
Cost of operating revenue	24(a)	(958,088)	(1,429,147)
Gross profit		333,104	337,611
Fair value gains from revaluation of investments at FVTPL	4(h)	376,244	-
Other income	25	174,704	106,172
		884,052	443,783
Administrative, selling and distribution expenses:			
Administrative expenses	24(b)	(214,496)	(179,087)
Selling and distribution	24(c)	(50,973)	(42,308)
		(265,469)	(221,395)
Impairment losses on trade receivables	12	(1,928)	(1,645)
Operating profit		616,655	220,743
Finance costs – Interest on loans		(28,182)	(18,745)
Share of results of associated company	8	1,255	851
Profit before taxation		589,728	202,849
Taxation	27	(106,611)	(9,590)
Profit for the year		483,117	193,259
Other comprehensive income:			
Item that may be reclassified to profit or loss:			
Unrealised gain on FVOCI investments, net of tax		-	47,661
Total comprehensive income for the year		483,117	240,920
Profit attributable to:			
Owners of the company		395,758	198,549
Non-controlling interests		87,359	(5,290)
		483,117	193,259
Total comprehensive income attributable to:			
Owners of the company		395,758	217,170
Non-controlling interests	17	87,359	23,750
		483,117	240,920
Earnings per share:			
Earnings per ordinary stock unit	28(a)	0.57	0.29
Diluted earnings per ordinary stock unit	28(b)	0.54	0.27

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

Consolidated Statement Of Changes in Equity

Year ended September 30, 2019

	Attributable to stockholders of the company					
	Share capital (note 14) $'000	Capital reserves (note 15) $'000	Investment revaluation reserves (note 16) $'000	Retained earnings $'000	Non-controlling interests (note 17) $'000	Total $'000
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 loss on available-for-sale Investments, net of tax	-	-	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 29)	-	(40,924)	-	-	(5,457)	(46,381)
Issue of shares (note 14)	7,141	-	-	-	-	7,141
	7,141	(40,924)	-	-	(5,457)	(39,240)
Change in ownership interest:						
Reduction in non-controlling interest	-	-	-	-	(3,162)	(3,162)
	7,141	209,120	18,621	(51,495)	15,131	198,518
Balances at September 30, 2018	161,161	216,179	61,978	807,236	126,097	1,372,651
Adjustments on initial application of IFRS 9, net of tax (note 3)	-	-	(61,978)	43,022	-	(18,956)
Adjusted balances as at October 1, 2018	161,161	216,179	-	850,258	126,097	1,353,695
Profit for the year, being total comprehensive income for the year	-	-	-	395,758	87,359	483,117
Transaction with owners:						
Non-controlling interest [note 4(a)]	-	-	-	(51,965)	-	(51,965)
Capital distribution (note 29)	-	(41,287)	-	-	-	(41,287)
Issue of shares (note 14)	15,000	-	-	-	-	15,000
Share option exercised (note 14)	8,988	-	-	-	-	8,988
	23,988	(41,287)	-	(51,965)	-	(69,264)
Change in ownership interest:						
Increase in non-controlling interest [note 4(a)]	-	-	-	-	1,207,579	1,207,579
	23,988	(41,287)	-	343,793	1,294,938	1,621,432
Balance at September 30, 2019	185,149	174,892	-	1,194,051	1,421,035	2,975,127

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

JAMAICAN TEAS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2019

	Notes	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit for the year		483,117	193,259
Adjustments for:			
Increase in fair value of investment properties	6,25	(72,037)	(18,826)
(Loss)/gain on disposal of property, plant and equipment	25	(55)	140
Share of loss/(profit) from associate	8	(1,255)	(851)
Depreciation	5	32,770	23,110
Amortisation	7	423	703
Interest expense		29,638	18,745
Interest income	25	(14,019)	(2,393)
Dividend income	25	(9,342)	(5,994)
Taxation	27	106,611	9,590
		555,851	217,483
Changes in operating assets and liabilities:			
Inventories		(58,529)	130,958
Trade and other receivables		(1,186,824)	85,045
Directors' current account		-	(305)
Trade and other payables		335,022	(19,567)
Interest received		14,019	2,393
Interest paid		(27,239)	(18,745)
		(367,700)	397,262
Tax paid		(27,688)	(16,965)
Net cash (used)/provided by operating activities		(395,388)	380,297
CASH FLOWS FROM INVESTING ACTIVITIES			
Investments purchased, net		(953,376)	(186,719)
Proceeds from disposal of intangible assets		877	-
Proceeds from disposal of property, plant and equipment		18,644	1,224
Addition of investment properties	6	(31,932)	(57,197)
Additions of property, plant and equipment	5	(30,320)	(38,363)
Addition of intangible assets	7	(43)	(44)
Dividend received		9,342	5,994
Investment in associate, net	8	(53,168)	3,660
Net cash used by investing activities		(1,039,976)	(271,445)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from share issue, net	14	23,988	7,141
Loan, net		31,726	(1,054)
Acquisition of non-controlling interest		1,207,579	(3,162)
Margin loan payable		184,275	-
Bank overdraft		39,831	(3,049)
Capital distribution paid	29	(41,287)	(46,381)
Net cash provided/(used) by financing activities		1,446,112	(46,505)
INCREASE IN CASH AND CASH EQUIVALENTS		10,748	62,347
Cash and cash equivalents at beginning of year		135,569	73,222
Cash and cash equivalents at end of year		146,317	135,569

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

COMPANY STATEMENT OF FINANCIAL POSITION

YEAR ENDED SEPTEMBER 30, 2019

	Notes	2019 $'000	2018 $'000
NON-CURRENT ASSETS			
Property, plant and equipment	5	260,981	263,039
Investment properties	6	55,000	50,000
Intangible assets	7	239	546
Investment in subsidiaries	4(a)(i)	295,775	76,365
Investment in associate	8	48,718	27,835
Due from subsidiaries	30(a)	498,206	365,130
Investments	9	-	227,575
Deferred tax asset	10	2,360	-
		1,161,279	1,010,490
CURRENT ASSETS			
Inventories	11	197,983	184,020
Trade and other receivables	12	266,245	292,837
Cash and cash equivalents	13	145,499	130,984
		609,727	607,841
TOTAL ASSETS		1,771,006	1,618,331
EQUITY			
Share capital	14	185,149	161,161
Capital reserves	15	70,421	111,708
Investment revaluation reserve	16	-	39,229
Retained earnings		1,125,399	962,919
		1,380,969	1,275,017
NON-CURRENT LIABILITIES			
Long-term loans	18	143,333	163,333
Deferred taxation	10	-	347
		143,333	163,680
CURRENT LIABILITIES			
Trade and other payables	19	111,642	60,079
Due to subsidiary	30(b)	-	25,383
Current portion of long-term loan	18	27,872	20,000
Short-term borrowings	20	83,577	39,723
Bank overdraft	21	2,886	13,315
Taxation payable		20,727	21,134
		246,704	179,634
TOTAL EQUITY AND LIABILITIES		1,771,006	1,618,331

The financial statements on pages 47 to 108, were approved for issue by the Board of Directors on December 16, 2019 and signed on its behalf by:

______________________ Chief Executive Officer
John Mahfood

______________________ Director
John Jackson

Company Statement of Profit or Loss and Other Comprehensive Income

Year ended September 30, 2019

	Notes	2019 $'000	2018 $'000
Gross operating revenue	23	1,087,212	1,094,465
Cost of operating revenue	24(a)	(768,079)	(754,838)
Gross profit		319,133	339,627
Other income	25	55,772	94,654
		374,905	434,281
Administrative, selling and distribution expenses:			
Administrative expenses	24(b)	(140,275)	(126,106)
Selling and distribution expenses	24(c)	(50,973)	(42,308)
		(191,248)	(168,414)
Impairment losses on trade receivables	12	(1,928)	(1,366)
Operating profit		181,729	264,501
Finance costs – Interest on loans		(16,937)	(17,881)
Profit before taxation		164,792	246,620
Taxation	27	(22,585)	(16,990)
Profit for the year		142,207	229,630
Other comprehensive income			
Item that may be reclassified to profit or loss:			
Unrealised loss on FVOCI investments, net of tax		-	(5,555)
Total comprehensive income for the year		142,207	224,075

COMPANY STATEMENT OF CHANGES IN EQUITY

YEAR ENDED SEPTEMBER 30, 2019

	Share capital (note 14) $'000	Capital reserves (note 15) $'000	Investment revaluation reserve (note 16) $'000	Retained earnings $'000	Total $'000
Balances at September 30, 2017	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, net of tax	-	-	(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 29)	-	(40,924)	-		(40,924)
Issue of shares (note 14)	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
Adjustments on initial application of IFRS 9, net of tax (note 3)	-	-	(39,229)	20,273	(18,956)
Adjusted balances as at October 1, 2018	161,161	111,708	-	983,192	1,256,061
Profit for the year, being total comprehensive income for the year	-	-	-	142,207	142,207
Transaction with owners:					
Capital distribution (note 29)	-	(41,287)	-	-	(41,287)
Issue of shares (note 14)	15,000	-	-	-	15,000
Share option exercised (note 14)	8,988	-	-	-	8,988
	23,988	(41,287)	-	-	(17,299)
Balance at September 30, 2019	185,149	70,421	-	1,125,399	1,380,969

JAMAICAN TEAS LIMITED

Consolidated Statement of Cash Flows

Year ended September 30, 2019

	Notes	2019 $'000	2018 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		142,207	229,630
Adjustments for:			
(Loss)/gain on disposal of property, plant and equipment	25	(55)	140
Increase in fair value of investment properties	25	(5,000)	(6,000)
Depreciation	5	29,723	18,650
Amortisation	7	307	355
Interest expense		16,937	17,881
Interest income	25	(14,019)	(2,954)
Dividend income	25	(1,474)	(3,377)
Taxation	27	22,585	16,990
Operating profit before change in working capital		191,211	271,315
Changes in operating assets and liabilities:			
Inventories		(13,963)	(41,008)
Trade and other receivables		4,929	(63,182)
Related companies		(158,459)	58,523
Trade and other payables		51,563	(1,407)
Interest received		2,909	2,954
Interest paid		(16,937)	(17,881)
Cash generated from operations		61,253	209,314
Tax paid		(22,992)	(14,180)
Net cash provided by operations		38,261	195,134
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in associate, net		(9,773)	3,660
Proceeds from disposal of property, plant and equipment		1,757	850
Additions of property, plant and equipment	5	(29,367)	(30,085)
Investment in subsidiary companies		590	(682)
Acquisition of subsidiary		(220,000)	-
Dividend received		1,474	3,377
Investments sold/(purchased), net		227,575	(59,765)
Net cash used by investing activities		(27,744)	(82,645)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issue. net	14	23,988	7,141
Loans, net		31,726	(1,054)
Bank overdraft		(10,429)	(3,373)
Capital distribution	29	(41,287)	(40,924)
Net cash provided/(used) by financing activities		3,998	(38,210)
Net increase in cash in cash and cash equivalents		14,515	74,279
Cash and cash equivalents at the beginning of the year		130,984	56,705
Cash and cash equivalents at end of year		145,499	130,984

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 4(a)(i)].

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

2. Statement of compliance and basis of preparation

(a) Statement of compliance:

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

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

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the group's annual financial statements in which IFRS 9, *Financial Instruments,* and IFRS 15, *Revenue from Contracts with Customers,* have been applied from October 1, 2018. Changes to significant accounting policies are described in note 3.

New and amended standards and interpretations not yet effective:

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

- 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.

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

(a) Statement of compliance (continued):

New and amended standards and interpretations not yet effective (continued):

- IFRS 16*, Leases* (continued)

  The group plans to apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balances of retained earnings as of October 1, 2019 with no restatement of comparative information.

- Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

  (i) Prepayment features with negative compensation:

  Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

  (ii) Modifications to financial liabilities:

  If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

- Amendment to IAS 28*, Investments in Associates and Joint Ventures* is effective for annual periods beginning on or after January 1, 2019 and addresses equity-accounted loss absorption by long-term interests. It will affect companies that finance associates and joint ventures with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests) and involves the dual application of IAS 28 and IFRS 9, *Financial Instruments*.

  The group is required to apply both IFRS 9 and IAS 28 in a three-step annual process:

  1. Apply IFRS 9 independently - prior years' IAS 28 loss absorption is ignored.
  2. If necessary, prior years' IAS 28 loss allocation is trued-up in the current year, because the IFRS 9 carrying value may have changed.
  3. Any current year IAS 28 losses are allocated to the extent that the remaining long-term interests balance allows. Any unrecognised prior years' losses are reversed by current year IAS 28 profits.

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

(a) Statement of compliance (continued):

New and amended standards and interpretations not yet effective (continued):

- 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 that tax treatments that have yet to be accepted by tax authorities are to be applied in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty.

  If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.

  If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

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

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

- Annual Improvements to IFRS Standards 2015-2017 cycle contain amendments to IFRS 3, *Business Combinations*, IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs* that are effective for annual periods beginning on or after January 1, 2019.

  (i) The amendments to IFRS 3 and IFRS 11 clarify how an increased interest in a joint operation should be accounted for. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, this is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

  (ii) IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently (either in profit or loss, OCI or equity) with the transactions that generated the distributable profits.

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

(a) Statement of compliance (continued):

New and amended standards and interpretations not yet effective (continued):

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

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

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

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

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

The group is assessing the impact that these new and amended standards, and interpretations will have on its financial statements when they become effective.

(b) Basis of preparation and functional currency:

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

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

(c) Use of estimates and judgements:

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

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

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

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

(i) Judgements:

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

Classification of financial assets:

Applicable from October 1, 2018

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

Impairment of financial assets:

Applicable from October 1, 2018

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

Determination of control in equity investees:

Determining whether the group has de facto control or significant influence over certain investee's relevant activities involves significant judgement whether or not the company hold majority shares in the investee. Basis of consolidation is further detailed in note 4(a).

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

Allowance for impairment losses on financial assets:

Applicable from October 1, 2018

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 4(i) which also set out key sensitivities of the ECL to changes in these elements.

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

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

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

Allowance for impairment losses on financial assets:

Applicable from October 1, 2018

Measurement of the expected credit loss allowance

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

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

Applicable before October 1, 2018

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, caused for example, by default or 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 observable on significant receivables with similar characteristics, such as credit risks.

(iii) Net realisable value of inventories:

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

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

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

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

(iv) Fair value of investment properties:

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

3. Changes in significant accounting policies

The group has initially adopted IFRS 9 *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* from October 1, 2018.

A number of other new standards were also effective from October 1, 2018 but they do not have a material effect on the group's financial statements.

Due to the transition method chosen by the group in applying IFRS 15 and IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect the requirements of these new standards.

The effect of initially applying these standards is mainly attributed to the following:

– additional disclosures related to IFRS 9 [see notes 4(h), 12 and 31(a)];
– additional disclosures related to IFRS 15 [see note 4(q)].

Except for the changes below, the company has consistently applied the accounting policies as set out in note 4 to all periods presented in these financial statements.

IFRS 15 *Revenue from Contract with Customers*

Under IFRS 15, an entity recognises revenue to reflect the transfer of promised goods or services to customers exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was adopted on October 1, 2018, and supersedes all existing guidance on revenue recognition.

3. Changes in significant accounting policies (continued)

IFRS 15 *Revenue from Contract with Customers (continued)*

The adoption of IFRS 15 did not impact the timing or amount of sales from contracts with customers and the related assets and liabilities recognised by the group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

IFRS 9 *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented separately in the statement of profit or loss and OCI.

Additionally, the group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

The impact, net of tax, of transition to IFRS 9 on the opening retained earnings and investment revaluation reserves as at October 1, 2018 is as follows:

	Retained earnings	
	Group $'000	Company $'000
Closing balance under IAS 39 (September 30, 2018)	807,236	962,919
Recognition of expected credit losses under IFRS 9:		
Trade receivables	(12,026)	(12,026)
Other receivables	(9,637)	(9,637)
Transfers from investment revaluation reserves	61,978	39,229
Related deferred tax effect	2,707	2,707
	43,022	20,273
Opening balance under IFRS 9 (October 1, 2018)	850,258	983,192

	Investment revaluation reserves	
	Group $'000	Company $'000
Closing balance under IAS 39 (September 30, 2018)	61,978	39,229
Reclassification of changes in classification of investments from Available-for-sale to FVTPL	(61,978)	(39,229)
Opening balance under IFRS 9 (October 1, 2018)	-	-

3. Changes in significant accounting policies (continued)

IFRS 9 *Financial Instruments* (continued)

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's financial assets as at October 1, 2018. The effect of adopting IFRS 9 on the carrying amount of financial assets at October 1, 2018 relate soley to the new impairment requirements. There is no change to the classification of financial liabilities.

The Group

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at September 30, 2018	Remeasurement	IFRS 9 carrying amount at October 1, 2018
Financial assets			**$'000**	**$'000**	**$'000**
Cash and cash equivalents	Loans and receivables	Amortised cost	135,569	-	135,569
Trade receivables	Loans and receivables	Amortised cost	234,062	(12,026)	222,036
Other receivables	Loans and receivables	Amortised cost	33,803	(9,637)	24,166
Investments in quoted equities	Available-for-sale	FVTPL	461,737	-	461,737
Total financial assets			865,171	(21,663)	843,508
Financial liabilities					
Long-term loans	Amortised cost	Amortised cost	183,333	-	183,333
Short-term borrowings	Amortised cost	Amortised cost	39,723	-	39,723
Trade and other payable	Amortised cost	Amortised cost	100,538	-	100,538
Bank overdraft	Amortised cost	Amortised cost	13,639	-	13,639
Total financial liabilities			337,233	-	337,233

3. Changes in significant accounting policies (continued)

IFRS 9 *Financial Instruments* (continued)

Classification and measurement of financial assets and financial liabilities (continued)

The Company

	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at September 30, 2018	Remeasurement	IFRS 9 carrying amount at October 1, 2018
Financial assets			**$'000**	**$'000**	**$'000**
Cash and cash equivalents	Loans and receivables	Amortised cost	130,984	-	130,984
Trade receivables	Loans and receivables	Amortised cost	233,676	(12,026)	221,650
Other receivables	Loans and receivables	Amortised cost	30,178	(9,637)	20,541
Investments in quoted equities	Available-for-sale	FVTPL	227,575	-	227,575
Due from subsidiaries	Loans and receivables	Amortised cost	365,130	-	365,130
Total financial assets			987,543	(21,663)	965,880
Financial liabilities					
Long-term loans	Other financial liabilities	Amortised cost	183,333	-	183,333
Short-term borrowings	Other financial liabilities	Amortised cost	39,723	-	39,723
Trade and other payables	Other financial liabilities	Amortised cost	60,079	-	60,079
Bank overdraft	Other financial liabilities	Amortised cost	13,315	-	13,315
Due to subsidiary	Other financial liabilities	Amortised cost	25,383	-	25,383
Total financial liabilities			321,833	-	321,833

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

For an explanation of how the group classifies and measures financial instruments under IFRS 9, see note 4(h).

3. Changes in significant accounting policies (continued)

IFRS 9 *Financial Instruments* (continued)

Impairment of financial assets

IFRS 9 replaced the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39. Impairment of financial assets is further detailed at note 4(i).

Transition

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The group has determined that application of IFRS 9's impairment requirements at October 1, 2018 resulted in an additional allowance for impairment as follows:

	The Group and the Company $'000
Loss allowance at September 30, 2018 under IAS 39	1,755
Increase in impairment recognised at October 1, 2018:	
Trade receivables	12,026
Other receivables	9,637
Loss allowance at October 1, 2018 under IFRS 9	23,418

Transition (continued)

Additional information about how the group measures allowance for impairment is described in notes 4(i) and 31(a).

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at October 1, 2018. Accordingly, the information presented for 2018, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

4. Significant accounting policies

(a) Basis of consolidation:

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

4. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(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 2019	2018
Subsidiaries:			
LTJ Fund Managers Limited (Formally JRG Shoppers Delite Enterprise Limited)**	Registrar and Management services	100	100
H Mahfood & Sons Limited	Real Estate	100	100
KIW International Limited	Holding Company	45.43	45.43
QWI Investment Limited*	Investments	24.34	-
Associate:			
Bay City Foods Limited**	Retail Distribution	50	50

* QWI Investments Limited was formed on December 18, 2018 with initial ownership of 49% by Jamaican Teas Limited and 51% by KIW International Limited. On May 6, 2019 the Board of Directors approved the allocation of 20,000,000 additional ordinary shares of QWI Investments Limited to KIW International Limited. Consequently, KIW International Limited's ownership of QWI Investments Limited was increased to 53% and the remaining 47% held by Jamaican Teas Limited.

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

The principal activity of QWI Investments Limited is the holding of and investing in quoted securities.

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

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

The subsidiaries and associated company are incorporated in Jamaica.

4. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(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.

(iii) 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.

(iv) Associate

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

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

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

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.

4. Significant accounting policies (continued)

(b) Segment reporting:

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

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

(c) Property, plant and equipment:

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

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

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

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

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

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

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

(d) Investment properties:

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

4. Significant accounting policies (continued)

(d) Investment properties (continued):

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

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

(e) Intangible assets:

Computer software:

Acquired computer software licenses are capitalized on the basis of the cost incurred to acquire and bring to use the specific software. These costs are 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.

(f) Related parties:

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

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

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

(ii) has significant influence over the group; or

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

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

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

(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.

4. Significant accounting policies (continued)

(f) Related parties (continued):

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

(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.

(g) Investment in subsidiary companies:

Investments in subsidiary companies are measured at cost.

(h) Financial instruments:

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

(i) Recognition and initial measurement

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

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

4. Significant accounting policies (continued)

(h) Financial instruments (continued):

(i) Recognition and initial measurement (continued)

Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost which results in an accounting loss being recognised in profit or loss when an asset is newly originated.

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

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from October 1, 2018

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

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

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

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

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

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

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

4. Significant accounting policies (continued)

(h) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from October 1, 2018 (continued)

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

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

Business model assessment

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

The information considered includes:

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

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

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

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

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

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

4. Significant accounting policies (continued)

(h) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from October 1, 2018 (continued)

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

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

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

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

Financial liabilities

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

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

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

4. Significant accounting policies (continued)

(h) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial liabilities (continued)

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

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

Financial assets and liabilities– Policy applicable before October 1, 2018

(a) Financial assets

The group classifies its financial instruments as “loans and receivables”, depending on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and reevaluates this designation at each reporting date. At the reporting date, financial assets include cash and cash equivalents, trade and other receivables, investments and related party receivables.

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 was based on their quoted market closing price at the reporting date. Where a quoted market price was not available, fair value was estimated using discounted cash flow techniques.

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

(b) Financial liabilities

The group’s financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. At the reporting date, short-term borrowings, trade and other accounts, bank overdrafts, related party payables and long-term loans were classified as financial liabilities.

4. Significant accounting policies (continued)

(h) Financial instruments (continued):

(iii) Derecognition

Financial asset and liabilities – Policy applicable from October 1, 2018

Financial assets

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

Financial liabilities

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

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

(iv) Offsetting

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

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

(i) Impairment:

Financial assets

Policy applicable from October 1, 2018

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

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

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

4. Significant accounting policies (continued)

(i) Impairment (continued):

Financial assets (continued)

Policy applicable from October 1, 2018 (continued)

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

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

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

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

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

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

Measurement of ECLs

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

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

Credit-impaired financial assets

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

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

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

4. Significant accounting policies (continued)

(i) Impairment (continued):

Financial assets (continued)

Policy applicable from October 1, 2018 (continued)

Presentation of allowance for ECL in the statement of financial position

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

Write-off

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

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

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

Policy applicable before October 1, 2018

A provision for impairment is established if there is objective evidence that the company will not be able to collect all amounts due according to the original contractual terms. The amount of the provision is the difference between the carrying amount and the recoverable amount.

Non-financial assets

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

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

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

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

4. Significant accounting policies (continued)

(j) Inventories:

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

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

(k) Trade and other receivables:

Trade and other receivables are measured at amortised cost, less impairment losses (see note 4(i).

(l) Cash and cash equivalents:

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

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

(i) Share capital:

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

(ii) Share-based payment arrangement:

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

4. Significant accounting policies (continued)

(n) Dividends and capital distributions:

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

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

(o) Trade and other payables:

Trade and other payables are measured at amortised cost.

(p) Borrowings:

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

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

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

(q) Revenue:

The effect of initially applying IFRS 15 on the group's revenue from contracts is described in note 3.

Revenue recognition under IFRS 15 (applicable after October 1, 2018)

Performance obligations and revenue recognition policies:

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

4. Significant accounting policies (continued)

(q) Revenue (continued):

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

Type of product or services	*Nature and timing of satisfaction of performance obligations, including significant payment terms*	*Revenue recognition under IFRS 15 (applicable from October 1, 2018)*
Packaged teas for export and domestic sales and retail products	Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated at that point in time. Invoices are usually payable within 30 days. Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered. The company gives rebates to select customers based on the volume of purchase made. Rebates are included in other payables and payments are made to the customers.	Revenue is recognised at the point in time when the goods are delivered and have been accepted by customers. For the sale of retail products, the group allocate a portion of the consideration received to loyalty points which are then given to customers as rebates on future purchases. The amount allocated to the loyalty points is deferred and is recognised as revenue when the loyalty points are redeemed or the likelihood of the customers redeeming the loyalty point is remote. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.
Sale of real estate	The customer obtains control of housing units when the units have been delivered.	Revenue is recognised at the point in time when the housing units are delivered and accepted by the customers.
Rental income	Invoices are issued according to contract terms and are payable within 30 days.	Revenue is recognised over time as the customer benefits from occupying the property.

4. Significant accounting policies (continued)

(q) Revenue (continued):

Revenue recognition under IAS 18 (applicable before October 1, 2018)

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.

(r) Taxation:

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

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

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

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

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

(s) Foreign currencies:

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

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

4. Significant accounting policies (continued)

(t) Finance income and costs

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

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

(u) Determination of fair value:

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

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

(v) Employee benefits:

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

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

(i) Short-term employee benefits:

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

(ii) Defined contribution plans:

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

(w) Expenses:

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

5. Property, plant and equipment

	The Group					
	Land and buildings $'000	Plant, equipment, furniture, fixtures and computers $'000	Motor vehicles $'000	Leasehold improvement $'000	Work-in-progress $'000	Total $'000
Cost:						
September 30, 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
Additions	3,868	18,900	7,552	-	-	30,320
Disposals	-	(23,455)	(1,990)	(12,552)	-	(37,997)
September 30, 2019	254,302	143,634	33,122	2,064	-	433,122
Depreciation:						
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
Charge for the year	5,562	20,109	6,214	885	-	32,770
Eliminated on disposal	-	(9,783)	(938)	(8,687)	-	(19,408)
September 30, 2019	28,271	79,326	16,066	2,064	-	125,727
Net book value:						
September 30, 2019	226,031	64,308	17,056	-	-	307,395
September 30, 2018	227,725	79,189	16,770	4,750	-	328,434

	The Company					
	Land and buildings $'000	Plant, equipment, furniture, fixtures and computers $'000	Motor vehicles $'000	Leasehold improvement $'000	Work-in-progress $'000	Total $'000
Cost:						
At 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)
September 30, 2018	194,260	126,815	27,560	2,064	-	350,699
Additions	3,868	17,947	7,552	-	-	29,367
Disposal	-	(2,000)	(1,990)	-	-	(3,990)
At September 30, 2019	198,128	142,762	33,122	2,064	-	376,076
Depreciation:						
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
Charge for the year	4,158	19,351	6,214	-	-	29,723
Eliminated on disposal	-	(1,350)	(938)	-	-	(2,288)
September 30, 2019	19,915	77,050	16,066	2,064	-	115,095
Net book value:						
September 30, 2019	178,213	65,712	17,056	-	-	260,981
September 30, 2018	178,503	67,766	16,770	-	-	263,039

5. Property, plant and equipment (continued)

Land and buildings include land at a cost of $43,000,000 (2018: $43,000,000) for the group and $30,000,000 (2018: $30,000,000) for the company.

The company's Bell Road property with net book value of $178,213,000 (2018: $178,503,000) is held as collateral against a loan from the Bank of Nova Scotia Jamaica Limited [note 18].

6. Investment properties

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balance at October 1	183,496	141,684	50,000	44,000
Additions	31,932	57,197	-	-
Transferred to inventories	-	(34,211)	-	-
Change in fair value (note 25)	72,037	18,826	5,000	6,000
Balance at September 30	287,465	183,496	55,000	50,000

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

Investment properties were valued in September 2019 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 18(i)].

The rental income earned on the commercial properties during the year amounted to $3,512,000 (2018: $4,070,000) for the group and $3,090,000 (2018: $2,960,000) for the company. The related expenses totalled $968,000 (2018: $357,000) for the group and $107,000 (2018: $270,000) for the company.

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

The fair value measurement for investment properties of $287,465,000 (2018: $183,496,000) for the group and $55,000,000 (2018: $50,000,000) 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.	• Details of the sales of comparable properties • Conditions influencing the sale of the comparable properties. • Comparability adjustment.	The estimated fair value would increase/(decrease) if: • Sale value of comparable properties were higher/(lower). • Comparability adjustment were higher/(lower).

6. Investment properties (continued)

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market based approach (continued): 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.		

7. Intangible assets

	Computer software licences	
	The Group $'000	The Company $'000
At cost:		
September 30, 2017	5,309	1,772
Additions	44	-
September 30, 2018	5,353	1,772
Additions	43	-
Disposals	(3,624)	-
September 30, 2019	1,772	1,772
Amortisation:		
September 30, 2017	3,154	871
Charge for the year	703	355
September 30, 2018	3,857	1,226
Charge for the year	423	307
Eliminated on disposal	(2,747)	-
September 30, 2019	1,533	1,533
Carrying value:		
September 30, 2019	239	239
September 30, 2018	1,496	546

8. 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, 2019.

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Investment at beginning of year	26,546	29,355	27,835	31,495
Addition/(reduction)	53,168	(3,660)	20,883	(3,660)
Group's share of net results	1,255	851	-	-
Investment at end of year	80,969	26,546	48,718	27,835

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.

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

	The Group	
	2019	2018
Percentage ownership interest	50%	50%
	$'000	$'000
Total assets	115,934	46,917
Total liabilities	(278,066)	(211,559)
Net liabilities (100%)	(162,132)	(164,642)
Group's share of net liabilities (50%)	(81,066)	(82,321)
Group's share associate's liabilities	162,035	108,867
Carrying amount of interest in associate	80,969	26,546
Gross operating revenue	359,171	-
Net profit (100%)	2,510	1,703
Net profit – Group's share (50%)	1,255	851

9. Investments

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Investment securities at FVTPL				
– Jamaican quoted equities	1,363,148	461,737	-	227,575

Certain of the quoted equities are held as collateral for a bank overdraft facility (notes 21 and 22).

10. Deferred taxation

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

	The Group					
	2017	Recognised in profit or loss [note 27(a)]	2018	Recognised in profit or loss [note 27(a)]	Recognised in equity (note 3)	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	-	-	-	-	(2,707)	(2,707)
Arising from acquisition	202	(202)	-	-	-	-
Trade and other receivables	-	-	-	364		364
Investments	-	-	-	94,060		94,060
Property, plant and equipment	12,485	(4,028)	8,457	3,676	-	12,133
Trade and other payables	-	(364)	(364)	(599)	-	(963)
Tax losses	(11,062)	(9,292)	(20,354)	(17,140)	-	(37,494)
	1,625	(13,886)	(12,261)	80,361	(2,707)	65,393

	The Company					
	2017	Recognised in profit or loss [note 27(a)]	2018	Recognised in profit or loss [note 27(a)]	Recognised in equity (note 3)	2019
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other receivables	-	-	-	-	(2,707)	(2,707)
Trade and other payable	-	(364)	(364)	-	-	(364)
Property, plant and equipment	3,180	(2,469)	711	-	-	711
	3,180	(2,833)	347	-	(2,707)	(2,360)

Deferred tax asset amounting to approximately $Nil (2018: $4,972,000) for a subsidiary entity in 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.

11. Inventories

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Manufacturing:				
Finished goods	66,301	68,627	66,301	68,627
Raw materials	131,682	115,393	131,682	115,393
	197,983	184,020	197,983	184,020
Retail	-	24,530	-	-
Development:				
Housing under construction	146,043	76,947	-	-
	344,026	285,497	197,983	184,020

Inventory write-offs recognised in profit or loss is $9,925,000 (2018: $8,185,000) for the group and $9,925,000 (2018: $4,252,000) for the company.

12. Trade and other receivables

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables (a)	233,481	235,817	232,228	235,431
Other receivables (b)	20,220	33,803	20,095	30,178
	253,701	269,620	252,323	265,609
Less: Impairment losses	(25,346)	(1,755)	(25,346)	(1,755)
	228,355	267,865	226,977	263,854
Due from brokers (c)	1,195,252	-	-	-
Prepayments	39,821	30,403	39,268	28,983
	1,463,428	298,268	266,245	292,837

(a) Included in trade receivables for the group and company is $52,186,000 (2018: $52,385,000) due from a related party, Amalgamated Distributors Limited in the ordinary course of business [see note 30(c)].

(b) Included in other receivables for the company is $Nil (2018: $1,769,000) due from directors in the ordinary course of business [see note 30(d)].

(c) Included in due from brokers is $1,192,000,000 which represents proceeds from initial public offer of the company's subsidiary, QWI Investments Limited's ordinary shares due from a brokerage firm, NCB Capital Markets Limited.

Impairment losses were established until September 30, 2018, based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to trade accounts receivable. Effective October 1, 2018 such allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss ("ECL") of the trade accounts receivable and are recognised over their term.

Under this ECL model, the group uses its trade receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analyses of future delinquency, that is applied to the balance of the trade receivable. The weighted average ECL rates used as at October 1, 2018 to apply against the trade receivable balance are detailed at note 31(a).

Changes in impairment losses:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables:				
Balance as at October 1	1,755	3,788	1,755	2,889
Transitional adjustment (note 3)	12,026	-	12,026	-
Recoveries	-	(3,678)	-	(2,500)
Impairment loss recognised	1,928	1,645	1,928	1,366
Balance as at September 30	15,709	1,755	15,709	1,755

12. Trade and other receivables (continued)

Changes in impairment losses (continued):

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Other receivables:				
Balance as at October 1	-	-	-	-
Transitional adjustment (note 3)	9,637	-	9,637	-
Impairment loss recognised (note 24)	-	-	-	-
Balance as at September 30	9,637	-	9,637	-
Total impairment losses	25,346	1,755	25,346	1,755

13. Cash and cash equivalents

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash in hand	100	183	100	179
Cash at bank	57,418	20,263	56,600	15,682
	57,518	20,446	56,700	15,861
Short-term deposits	88,799	115,123	88,799	115,123
	146,317	135,569	145,499	130,984

14. Share capital and share purchase plan

	The Company			
	2019		2018	
	$'000	Number of shares	$'000	Number of shares
(a) Share capital:				
Authorised ordinary shares of no par value		1,000,000,000		1,000,000,000
Stated capital:				
In issue at October 1	161,161	686,033,460	154,020	682,033,460
Issue for cash*	15,000	3,749,999	-	-
Exercise of share options [14(b)]	8,988	5,300,000	7,141	4,000,000
In issue at September 30 – fully paid ordinary shares of no par value	185,149	695,083,459	161,161	686,033,460

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

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

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

14. Share capital and share purchase plan (continued)

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

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

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

At the Annual General Meeting (AGM) held on April 12, 2017, the shareholders passed a resolution for the company to sub-divide its share capital into two (2) shares for each existing shares, resulting in the total number of authorised shares being increased to 1,000,000,000 ordinary shares at no par value and the total number of issued shares being increased to 674,833,460 of no par value with effect from April 19, 2017.

At the Annual General Meeting held on March 16, 2016, the shareholders approved a resolution for the second tranche of 8,000,000 shares before the stock split (16 million – post split) be issued to the directors at a price of $9 or $4.50 after the effect of the stock split and that the expiry date of tranches 1 and 2 shall be five years from the date each yearly allotment becomes effective.

At the Annual General Meeting held on March 2, 2011, the stockholders passed a resolution for 16,000,000 of the authorised but unissued shares of the company to set aside as part of a stock option plan for directors and a stock purchase plan for employees, to be issued in two tranches of 8,000,000 shares to be issued between June 2011 and June 2021. The shares allocated for the staff are to be priced as a 10% discount to the last stock market selling price on the date the offer is taken up. The staff will be given a specific time in each year in which to take up the offer and they can access an interest free loan for a three year term to acquire the shares.

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

15. Capital reserves

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
(a) Realised surplus:				
Gain on disposal on investment property	91,382	91,382	-	-
Gain on disposal of property, plant and equipment	6,759	6,759	-	-
Waiver of directors' loan	229	229	-	-
Gain on disposal of investments	72,552	113,839	61,908	103,195
Capital distribution received	-	-	4,543	4,543
	170,922	212,209	66,451	107,738
(b) Franked income:				
Dividend income	3,970	3,970	3,970	3,970
	174,892	216,179	70,421	111,708

16. Investment revaluation reserve

The investment revaluation reserve comprised the cumulative net change in the fair value of available-for-sale investments until the assets were derecognised or impaired. Upon adoption of IFRS 9, all reserves were reallocated to retained earnings, based on the change in classification of investment securities (note 3).

17. Non-controlling interests

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

	% interest 2019	% interest 2018
QWI Investments Limited ("QWI")*	75.66%	-
KIW International Limited ("KIW")	54.57%	54.57%

* During the year, QWI became a subsidiary of the company [note 4(a)(i)].

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

	2019				2018
	KIW	QWI	Intra group eliminations	Total	KIW
	$'000	$'000	$'000	$'000	$'000
Non-current assets	375,364	1,363,148			234,162
Current assets	916	1,195,408			4,765
Non-current liabilities	-	(135,777)			-
Current liabilities	(8,916)	(551,564)			(7,854)
Net assets	367,364	1,871,215			231,073
NCI share of subsidiary net assets	200,471	1,415,765	(195,201)	1,421,035	126,097
Revenue	151,451	394,496			59,042
Total comprehensive profit or loss for the year/period	139,025	248,601			43,522
Comprehensive profit or loss allocated to non-controlling interests	75,866	188,091	(176,598)	87,359	23,750
Cash flow from operating activities	(27,971)	(1,858,447)			130,697
Cash flow from investing activities	27,913	-			(121,425)
Cash flow from financing activities	-	1,858,604			(9,587)
Net decrease in cash and cash equivalents	(58)	(157)			(315)

18. Long-term loans

	The Group and the Company	
	2019	2018
	$'000	$'000
The Bank of Nova Scotia Jamaica Limited (BNSJ):		
8.25% loan (i)	163,333	183,333
8.00% loan (ii)	7,872	-
	171,205	183,333
Less: current portion	(27,872)	(20,000)
	143,333	163,333

The Bank of Nova Scotia Loans –

(i) In 2018, this loan was renegotiated to repay 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 5).
- 3rd legal mortgage to be stamped collateral to debenture for $45,000,000 over commercial property located at 2 Bell Road, Kingston Industrial Estate, St. Andrew (note 5).

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

19. Trade and other payables

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade payables	80,384	48,911	75,806	23,500
Due to brokers*	267,014	-	-	-
Other payables	90,561	51,627	35,836	36,579
	437,959	100,538	111,642	60,079

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

20. Short-term borrowings

	The Group and the Company	
	2019	2018
	$'000	$'000
Demand loans (i)	78,765	28,461
Other loans (ii)	4,812	11,262
	83,577	39,723

(i) These loans are due to related parties at an interest rate of 4% to 6% per annum. These loans are not secured and have no fixed repayment terms and are payable on demand [note 30(f)].

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

21. Bank overdraft

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Bank of Nova Scotia Jamaica Limited	53,470	13,639	2,886	13,315

These overdraft facilities bear interest of 13.25% and 8% per annum and are secured by the same security as outlined at note 18(i) and certain quoted investments held by the group (note 9).

22. Margin loan payable

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

23. Gross operating revenue

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Export sales – manufacturing	577,938	626,907	577,938	626,907
Domestic sales – manufacturing	509,274	467,558	509,274	467,558
Retail sales	173,443	462,641	-	-
Sale and rental of properties	30,537	209,652	-	-
	1,291,192	1,766,758	1,087,212	1,094,465

24. Nature of expenses

Profit before taxation is stated after charging:

(a) Cost of operating revenue:

	The Group 2019 $'000	The Group 2018 $'000	The Company 2019 $'000	The Company 2018 $'000
Cost of inventories recognised as expense	838,324	1,303,408	661,720	666,321
Depreciation	17,030	8,534	15,388	5,433
Amortisation	116	349	-	-
Repairs and maintenance	20,715	19,555	20,211	16,787
Staff costs (note 26)	57,737	63,354	50,669	44,647
Utilities	6,640	11,681	4,243	4,699
Other costs of operating revenue	17,526	22,266	15,848	16,951
	958,088	1,429,147	768,079	754,838

(b) Administration expenses:

	The Group 2019 $'000	The Group 2018 $'000	The Company 2019 $'000	The Company 2018 $'000
Audit fees	9,541	5,220	5,415	2,394
Repairs and maintenance	10,137	8,399	10,137	8,399
Depreciation	15,740	14,576	14,335	13,218
Amortisaion	307	355	307	355
Directors' emoluments:				
- Fees	6,249	2,425	3,500	2,425
- Management remuneration	18,946	14,612	12,246	12,401
Investment committee fees	36,118	-	-	-
Rental and security	1,632	7,441	4,155	3,841
Legal and professional fees	13,126	10,866	7,081	4,689
Utilities	3,906	4,756	3,435	3,244
Staff costs (note 26)	55,915	56,925	53,013	48,242
Insurance	7,245	8,225	6,170	5,883
Local and overseas travel	3,812	14,337	3,401	7,282
Other administration expense	31,822	30,950	17,080	13,733
	214,496	179,087	140,275	126,106

(c) Selling and distribution expenses:

	The Group 2019 $'000	The Group 2018 $'000	The Company 2019 $'000	The Company 2018 $'000
Advertising and promotions	50,973	42,308	50,973	42,308
Total administrative, selling and distribution expenses	265,469	221,395	191,248	168,414
Impairment loss recognised on trade Receivables (note 12)	1,928	1,645	1,928	1,366

25. Other income

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Interest income	14,019	2,393	14,019	2,954
Rental income	3,512	4,070	3,090	2,960
Dividend income	9,342	5,994	1,474	3,377
Gain/(loss) on sale of property, plant and equipment	55	(140)	55	(140)
Realised gain on sale of investments	67,292	59,118	18,259	56,345
Increase fair value of investment properties (note 6)	72,037	18,826	5,000	6,000
Net foreign exchange gain	1,001	9,040	980	8,337
Miscellaneous income	7,446	6,871	12,895	14,821
	174,704	106,172	55,772	94,654

26. Staff costs

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Salaries and wages	93,714	98,386	84,477	74,121
Pension	1,828	2,108	1,683	1,635
Other employee benefits	18,110	19,785	17,522	17,133
	113,652	120,279	103,682	92,889

Included in profit or loss as follows:

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Direct manufacturing labour [note 24(a)]	57,737	63,354	50,669	44,647
Administration [note 24(b)]	55,915	56,925	53,013	48,242
	113,652	120,279	103,682	92,889

27. 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	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current tax expense:				
Current tax expense - current year	48,835	47,313	45,170	43,660
- prior year	-	(2,007)	-	(2,007)
Remission of income tax @ 50%	(22,585)	(21,830)	(22,585)	(21,830)
	26,250	23,476	22,585	19,823
Deferred tax expense:				
Originating and reversal of temporary differences (note 10)	80,361	(13,886)	-	(2,833)
	106,611	9,590	22,585	16,990

27. Taxation (continued)

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

	The Group 2019 $'000	The Group 2018 $'000	The Company 2019 $'000	The Company 2018 $'000
Profit before taxation	589,728	202,849	164,792	246,620
Computed "expected" tax expense @ 25%	147,432	50,712	41,198	61,655
Difference between profits for financial statements and tax reporting purposes on:				
Disallowed expenses and capital adjustments, net	(18,236)	(17,285)	3,972	(20,828)
Adjustment for effect of tax remission [note 27(d)]	(22,585)	(21,830)	(22,585)	(21,830)
Adjustments in respect of prior year	-	(2,007)	-	(2,007)
Actual tax charge	106,611	9,590	22,585	16,990

(c) As at September 30, 2019, subject to the agreement of The Commissioner, Tax Administration Jamaica, tax losses available for offset against future taxable profits for the group was $63,811,000 (2018: $65,101,000) and for the company $Nil (2018: $Nil). As at January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utilised in any one year is restricted to 50% of the current year's taxable profits.

(d) Remission of income tax:

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

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

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

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

28. Earnings per ordinary stock unit

(a) Basic earnings per ordinary stock unit

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

	2019	2018
Net profit attributable to shareholders ($'000)	395,758	198,549
Weighted average number of stock units in issue	689,155,127	682,608,460
Basic earnings per stock unit ($)	0.57	0.29

(b) Diluted earnings per ordinary stock unit

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

	2019	2018
Net profit attributable to shareholders ($'000)	395,758	198,549
Weighted average number of stock units in issue	733,255,126	738,555,126
Diluted earnings per stock unit ($)	0.54	0.27

29. Transactions with owners

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Capital distribution:				
Capital reserve (i)	41,287	25,919	41,287	20,462
Franked income (ii)	-	20,462	-	20,462
	41,287	46,381	41,287	40,924

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

30. Related party balances and transactions

	The Group		The Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Balances:				
(a) Due from subsidiaries:				
H Mahfood & Sons Limited	-	-	438,216	331,464
JRG Shoppers Delite Enterprise Limited	-	-	19,568	32,677
KIW International Limited	-	-	1,825	989
QWI Investments Limited	-	-	38,597	-
	-	-	498,206	365,130
(b) Due to subsidiary:				
JRG Shoppers Delite Enterprise Limited	-	-	-	25,383
(c) Amalgamated Distributors Limited (ADL) [common director]*	52,186	52,385	52,186	52,385
(d) Due from director*	-	1,769	-	1,769
(e) Due to director	44,832	-	44,832	-
(f) Short-term borrowings due from a director and close family members	78,765	28,461	78,765	28,461
(g) Directors' emoluments:				
Fees	6,249	2,425	3,500	2,425
Management remuneration	18,946	14,612	12,246	12,401
(h) Transactions with related parties and subsidiaries				
Sale of goods - ADL	421,165	382,968	421,165	382,968
Management fees - Subsidiaries	-	-	8,813	9,800
Advertising and publishing - ADL	9,608	8,888	9,608	8,888
Investment Committee fee	36,118	-	-	-

* Included in trade and other receivables [see note 12(a) and (b)].

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

31. Financial risk management

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

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

31. Financial risk management (continued)

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

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

(a) Credit risk:

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally on trade and other receivables, due from related parties, cash and cash equivalents and short-term investments. There is a significant concentration of credit risk with Amalgamated Distributors Limited [see note 29(c)] and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

Due from related parties

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

Cash and cash equivalents

The group limits its exposure to credit risk by placing cash resources with substantial counterparties who are believed to have minimal risk of default.

Trade and other receivables

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

Trade receivables mainly consist of balances due from retail distributors within and outside Jamaica. The group considers that it has concentration of credit risk with one (2018: one) customer. As at September 30, 2019, amounts receivable from the customer aggregated $52,186,000 (2018: $52,385,000). This represents 22% (2018: 22%) of the trade receivables of the group and the company.

Expected credit loss assessment – Policy applicable from October 1, 2018

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

31. Financial risk management (continued)

(a) Credit risk (continued):

Expected credit loss assessment – Policy applicable from October 1, 2018 (continued)

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

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

The following table provides information about the exposure to credit risk and ECL for trade and other receivables as at September 30, 2019 (see also notes 3 and 12).

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

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

31. Financial risk management (continued)

(a) Credit risk (continued):

Policy applicable before October 1, 2018

(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.

(b) Liquidity risk:

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

31. Financial risk management (continued)

(b) Liquidity risk (continued):

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			
	2019			
	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	2 to 5 years $'000
Long-term loans	171,205	226,421	40,628	185,793
Trade and other payables	437,959	437,959	437,959	-
Margin loan payable	184,275	184,275	184,275	-
Short-term borrowings	83,577	86,920	86,920	-
Bank overdraft	53,470	53,470	53,470	-
	930,486	989,045	803,252	185,793

	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	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

	The Company			
	2019			
	Carrying amount $'000	Contractual cash flows $'000	Less than 1 year $'000	2 to 5 years $'000
Long-term loans	171,205	226,421	40,628	185,793
Trade and other payables	111,642	111,642	111,642	-
Short-term borrowings	83,577	86,920	86,920	-
Bank overdraft	2,886	2,886	2,886	-
	369,310	427,869	242,076	185,793

31. Financial risk management (continued)

(b) Liquidity risk (continued):

	The Company			
	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	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

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.

Exposure to currency risk:

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

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

31. Financial risk management (continued)

(c) Market risk (continued):

(i) Currency risk (continued):

Exposure to currency risk (continued):

	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
Exposure	170,205	1,275	250	1	3,880	39

Exchange rates as at the reporting date were; US$1: J$134.4584 (2018: US$1: J$133.46); GBP 1: J$163.8386 (2018: GBP 1: J$174.21); CAN 1: J$101.9431 (2018: 1 CAN: J$101.42); TT 1: J$19.4656.

Sensitivity analysis:

A 6% (2018: 4%) weakening of the above currencies against the J$ would increase profit for the year by $9,888,000 (2018: $6,973,000).

A 4% (2018: 2%) strengthening of the above currencies against the J$ would decrease profit for the year by $6,592,000 (2018: $3,487,000).

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2018.

(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	
	2019	2018
	$'000	$'000
Fixed rate:		
Financial assets	104,399	115,123
Financial liabilities	(492,527)	(236,694)
	(388,128)	(121,571)

31. Financial risk management (continued)

(c) Market risk (continued):

(ii) Interest rate risk (continued):

Fair value sensitivity analysis for financial instruments:

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

(iii) Equity price risk:

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

A 10% (2018: 10%) increase in the market price at the reporting date would cause an increase in the group's profit or loss and other comprehensive income of $136,315,000 (2018: $46,173,700) and in the company's profit or loss and other comprehensive income of $Nil (2018: $22,757,500). A 10% (2018: 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.

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

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

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

31. Financial risk management (continued)

(d) Capital management (continued):

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

	The Group	
	2019	2018
	$'000	$'000
Debt	492,527	236,695
Equity	1,554,092	1,246,554
Total capital	2,046,619	1,483,249
Gearing ratio	24.0%	16.0%

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

(e) Fair values:

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

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

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

Quoted equities fair values are based on the closing 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.

31. Financial risk management (continued)

(e) Fair values (continued):

Determination of fair value and fair values hierarchy

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

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

Equity investments are classified as Level 1.

32. Segment reporting

	2019				
	Manufacturing $'000	Retailing $'000	Real estate $'000	Investments $'000	Total $'000
Gross revenue	1,087,212	173,443	34,737	-	1,295,392
Inter- segment revenue	-	-	(4,200)	-	(4,200)
Revenue from external customers	1,087,212	173,443	30,537	-	1,291,192
Fair value gains from revaluation of investments at FVTPL	-	-	-	376,244	376,244
Other income	55,772	1,708	82,154	169,700	309,334
Inter-segment other income	(8,813)	-	(15,117)	(110,700)	(134,630)
	46,959	1,708	67,037	59,000	174,704
Segment profit	172,916	12,979	53,430	377,330	616,655
Finance (cost)/income	(16,937)	1,451	(143)	(12,533)	(28,182)
Profit before taxation					589,728
Taxation charge					(106,611)
Non-controlling interest					(87,359)
Profit attributable to equity holders of the parent					395,758
Segment assets	977,025	32,066	443,171	2,541,885	3,994,147
Segment liabilities	(390,037)	(3,334)	(1,811)	(623,838)	(1,019,020)
Capital expenditure	29,367	996	31,932	-	62,295
Depreciation and amortisation	(30,030)	(3,163)	-	-	(33,193)

32. Segment reporting (continued)

	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)
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)

33. Contingencies and commitments

(a) At September 30, 2019, a subsidiary has capital commitments amounting to approximately $71 million (2018: $170 million) in relation to work in progress inventory for proposed apartment complex at Manor Park, St Andrew. No provision has been made in these financial statements for the unexpended capital commitments as at reporting date although appropriate funding has been approved.

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

34. Subsequent event

On October 1, 2019, the company acquired the remaining 50% ownership of the associated company, Bay City Foods Limited.

JAMAICAN TEAS LIMITED

FORM OF PROXY

Place $100.00 stamp here

I/We……

………

of………

being a member/members of Jamaican Teas Limited hereby appoint ………………………………………………

………

of ………

………

or failing him/her……

………

of………

as my/our proxy to vote for me/us on my/our behalf, at the Annual General Meeting of the Company to be held at The Knutsford Court Hotel, 16 Chelsea Avenue, Kingston 5, on the 20th day of March, 2020 at 2:00 p.m. and at any adjournment thereof

Signed this…………………………………………… day of…………………………………20……………………

…………………………………………………………………Signature

…………………………………………………………………Signature

NOTE: To be valid:

1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a member of the Company.
2) If executed by a corporation, this proxy must be sealed. A corporate shareholder may appoint a representative in accordance with Article 87 of the Company's Articles of Association, instead of appointing a proxy.
3) This Form of Proxy must be received by the Registrar of the Company, 2 Bell Road, Kingston 11, not less than 48 hours before the time of the meeting.
4) This Form of Proxy should bear stamp duty of $100.00. Adhesive stamps are to be cancelled by the person signing the proxy.

Jamaican Teas LTD.

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