

Jamaican Teas LTD.



December 2019
Unaudited Results



Board of Directors' Commentary on First Quarter Results to December 2019

The Jamaican Teas Ltd Group experienced mixed results for the first quarter which began on 1 October 2019. The manufacturing division experienced strong growth in sales and profits. Export sales rose by 37 per cent compared to the prior year's quarter. On the other hand at QWI Investments Ltd (QWI) experienced a significant unrealized investment loss from its investments.

Net profit attributable to Jamaican Teas for the quarter was \$27.7 million, a decline of \$22.1 million from the previous year. Earnings per share from continuing operations was 4.0 cents (2018/9 – 7.3 cents).

In the manufacturing operations, domestic sales increased by 2 per cent and exports rose by 37 per cent lifting total manufacturing revenues by over 17 percent. The increased export sales largely reflect the return to our previous levels in the USA following a temporary decline for destocking in 2018/19.

The Groups' gross profits increased by 29 per cent in the quarter due to higher revenues and an increase in the gross profit margin from 24 to 27 percent.

During the quarter QWI experienced unrealized investment losses on some of its Jamaican equity positions primarily on a large holding of shares in a financial company acquired at a significant discount to its then market value in September 2019 whose share price declined to our acquisition cost in this quarter. This decline was exacerbated by a revaluation of the Jamaican dollar in December which resulted in a foreign exchange translation loss on the company's overseas investments.

Construction of H Mahfood and Sons Limited's new apartment complex in the Manor Park area continued to progress and we will commence sales of units in the building in February 2020. This will result in additional revenue and profits during the second half of the year.

REVENUES | JTL's total revenues for the quarter increased almost 15 percent for the quarter from \$378.2 million to \$433.0 million due to increased export sales in the manufacturing business and a 9 per cent increase in our supermarket business which became wholly owned again on October 1 2019 when Jamaican Teas Limited acquired the 50 per cent of Bay City Foods Ltd previously owned by Amalgamated (Distributors) Ltd.

There were no real estate sales this quarter or in the prior year quarter.

EXPENSES | The increase in administration expenses for the quarter primarily reflects increased staff costs and professional fees at the manufacturing business..

The increase in interest expense is primarily the result of interest on loans at QWI that did not exist in the year ago quarter as the company had yet to be incorporated.

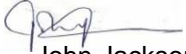
SIGNIFICANT BALANCE SHEET ITEMS | Since our September year end QWI received the proceeds from its IPO included in Other Receivables and applied this money towards the purchase of additional quoted equities. This resulted in a reduction of both Other Receivables and Accounts Payable.

The reduction in Investment Properties reflects the transfer of a property to Fixed Assets.

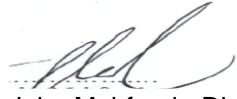
OUTLOOK | The outlook for the manufacturing and supermarket business continues to be positive. We expect our export business to continue to grow. The real estate business should contribute significantly later in the year from proceeds from the sale of apartments.

We believe that the outlook for the Jamaican stock market is positive given the number of initial public offerings (IPOs) that are planned for 2020 as well as the positive outlook for the economy. This bodes well for our investments company, QWI.

We extend our thanks to our employees, shareholders and all our customers for their support of our companies to date.



John Jackson-Director



John Mahfood - Director

3 February 2020

JAMAICAN TEAS LIMITED
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 DEC 2019

| | Note | 2019/20 | 2018/19 |
|--|------|----------------------|--------------------|
| OPERATING REVENUES | 5 | 433,079,184 | 378,233,001 |
| COST OF GOODS SOLD | | <u>314,346,240</u> | <u>286,458,150</u> |
| GROSS PROFIT | | 118,732,944 | 91,774,851 |
| OTHER INCOME | 6 | <u>(102,257,102)</u> | <u>32,915,432</u> |
| PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES | | 16,475,842 | 124,690,283 |
| Sales and Marketing costs | | 13,803,723 | 10,572,526 |
| Administration cost | | <u>56,464,205</u> | <u>41,439,002</u> |
| | | <u>70,267,928</u> | <u>52,011,528</u> |
| OPERATING (LOSS)/PROFIT | | (53,792,086) | 72,678,755 |
| Finance costs | | <u>10,073,570</u> | <u>5,225,479</u> |
| (LOSS)/PROFIT BEFORE TAXATION | | (63,865,656) | 67,453,276 |
| TAXATION CREDIT/(CHARGE) | | <u>19,395,991</u> | <u>(5,733,444)</u> |
| (LOSS)/PROFIT AFTER TAX | | (44,469,665) | 61,719,832 |
| TOTAL COMPREHENSIVE (LOSS)/ INCOME | | <u>(44,469,665)</u> | <u>61,719,832</u> |
| Net profit attributable to : | | | |
| Owners of Jamaican Teas Limited | | 27,703,972 | 49,804,347 |
| Non-controlling interest | | <u>(72,173,637)</u> | <u>11,915,485</u> |
| | | <u>(44,469,665)</u> | <u>61,719,832</u> |
| Total comprehensive income attributable to : | | | |
| Owners of Jamaican Teas Limited | | 27,703,972 | 49,804,347 |
| Non-controlling interest | | <u>(72,173,637)</u> | <u>11,915,485</u> |
| | | <u>(44,469,665)</u> | <u>61,719,832</u> |
| Shares outstanding | | 691,258,459 | 686,233,460 |
| Earnings per share from continued operations | | 0.040 | 0.073 |
| Total comprehensive income per share | | 0.040 | 0.073 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | <u>December</u> <u>2019</u> | <u>Audited</u> <u>SEPT 2019</u> |
|---|--------------------------------|------------------------------------|
| FIXED ASSETS | 356,619,579 | 307,395,000 |
| INVESTMENT PROPERTY | 270,154,778 | 287,465,000 |
| INVESTMENTS - EQUITIES | 1,940,456,248 | 1,363,148,000 |
| ASSOCIATED COMPANY | - | 80,969,000 |
| DEFERRED TAX ASSETS | 64,609,816 | 0 |
| CURRENT ASSETS | | |
| Inventories | 249,903,134 | 197,983,000 |
| Housing under construction | 185,355,231 | 146,043,000 |
| Trade Receivables | 208,644,680 | 208,135,000 |
| Other Receivables | 172,009,765 | 1,255,293,000 |
| Intangibles | 1,847,130 | 239,000 |
| Taxation recoverable | 20,058,718 | 1,160,000 |
| Cash & Short term investments | <u>180,495,767</u> | <u>146,317,000</u> |
| Total Current Assets | <u>1,018,314,425</u> | <u>1,955,170,000</u> |
| CURRENT LIABILITIES | | |
| Accounts Payable | 149,256,267 | 437,959,000 |
| Income tax payable | 46,313,613 | 23,141,000 |
| Deferred tax | 54,219,107 | 65,393,000 |
| Short Term Borrowings | 312,268,933 | 267,852,000 |
| Bank Overdraft | 232,290 | 53,470,000 |
| Current portion - Long Term Loan | <u>20,000,000</u> | <u>27,872,000</u> |
| Total Current Liabilities | <u>582,290,210</u> | <u>875,687,000</u> |
| NET CURRENT ASSETS | 436,024,215 | 1,079,483,000 |
| | <u>\$3,067,864,636</u> | <u>\$3,118,460,000</u> |
| EQUITY & NON-CURRENT LIABILITIES | | |
| STOCKHOLDERS' EQUITY | 1,578,556,246 | 1,554,092,000 |
| NON-CONTROLLING INTEREST | <u>1,350,975,065</u> | <u>1,421,035,000</u> |
| | 2,929,531,311 | 2,975,127,000 |
| LONG-TERM LOAN | <u>138,333,325</u> | <u>143,333,000</u> |
| | <u>\$3,067,864,636</u> | <u>\$3,118,460,000</u> |

Approved for issue by the Board of Directors on 3 February 2020 and signed on its behalf by:



John Jackson - Director



John Mahfood - Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
QUARTER ENDING 31 DEC 2019**

Attributable to the company's owners

| | Share Capital | Capital Reserves | Fair Value Reserves | Retained Earnings | Total |
|--------------------------------------|--------------------------|-----------------------------|--------------------------------|------------------------------|----------------------|
| Bal as at 30 Sept 2018 | 161,161,000 | 216,179,000 | 61,978,000 | 807,236,000 | 1,246,554,000 |
| Initial impact of IFRS 9 Adjustments | | | | (18,296,338) | (18,956,338) |
| Bal as at Oct 1 2018 | 161,161,000 | 216,179,000 | 61,978,000 | 788,939,662 | 1,228,257,662 |
| Capital distribution paid | | (20,461,004) | | | (20,461,004) |
| Net Profit | | | | 49,804,397 | 49,804,397 |
| Realised gains to P & L / Other | | 8,003,575 | | | 8,003,575 |
| Balance at 31 Dec 2018 | <u>161,161,000</u> | <u>203,721,571</u> | <u>61,978,000</u> | <u>838,744,009</u> | <u>1,265,604,580</u> |
| | | | | | |
| Balance as at 30 Sept 2019 | \$185,149,000 | 174,892,000 | - | 1,194,051,000 | 1,554,092,000 |
| Capital distribution paid | | (20,852,504) | | | (20,852,504) |
| Net Profit | | | | 27,703,972 | 27,703,972 |
| Realised gains to P & L / Other | | | | 17,612,778 | 17,612,778 |
| Balance at 31 December 2019 | <u>\$185,149,000</u> | <u>154,039,496</u> | <u>-</u> | <u>1,239,367,750</u> | <u>1,578,556,246</u> |

CONSOLIDATED STATEMENT OF CASHFLOWS
QUARTER ENDED 31 DECEMBER 2019

| | YTD Dec-19 | YTD Dec-18 |
|---|---------------|---------------|
| Net (loss)/profit for the period to date | (44,469,665) | 61,719,832 |
| Adjustments for: | | |
| Gain on Sale of Investments | (18,488,812) | (1,931,476) |
| Fair Value Loss on Investments | 111,085,479 | (26,711,836) |
| Tax (credit) / expense | (19,395,991) | 5,733,444 |
| Depreciation | 5,520,989 | 6,151,122 |
| Other | (10,341,813) | 3,382,822 |
| Operating cash flows before movements in working capital | 23,910,187 | 48,343,908 |
| Changes in operating assets and liabilities | 677,637,552 | 11,610,944 |
| Net cash provided by operating activities | 701,547,739 | 59,954,852 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net cash(used in) investing activities | (711,576,728) | (44,375,436) |
| | (10,028,989) | 15,579,416 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Financing activities | 44,207,756 | (4,999,673) |
| Net cash provided by/ (used in) financing activities | 44,207,756 | (4,999,673) |
| Increase /(decrease) in cash and cash equivalent | 34,178,767 | 10,579,743 |
| Cash and cash equivalent at beginning of the period | 146,317,000 | 121,930,000 |
| Cash and cash equivalent at the end of period | \$180,495,767 | 132,509,743 |

NOTES TO FINANCIAL STATEMENTS

1. IDENTIFICATION:

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

- Jamaican Teas Ltd processes local teas which it packages along with imported teas and distributes for the Jamaican and overseas markets.
- LTJ Fund Managers Limited (formerly JRG Shoppers Delite Enterprise Ltd) is presently dormant
- H Mahfood & Sons Limited is in the business of rental and development of properties.
- KIW International Ltd became a holding company in March 2019.
- QWI Investments Limited is a new company that began trading in February 2019.
- Bay City Foods Ltd since February 2019 operates a supermarket in Kingston.

2. BASIS OF CONSOLIDATION:

The consolidated financial statements combine the financial position, results of operations and cash flows of the company and its subsidiaries JRG Shoppers Delite Ltd, KIW International Limited, Bay City Foods Ltd, QWI Investments Limited and H Mahfood & Sons Limited.

3. ACCOUNTING POLICIES:

A) Basis of Preparation

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board and comply with the provisions of the Jamaican Companies Act. The principal accounting policies applied in the preparation of these unaudited financial statements are consistent with those used in the audited financial statements for the year ended September 30, 2019 and comply with the requirements of the International Financial Reporting Standards (IAS 34, interim Financial Reporting).

Revised IAS 1 was considered in preparing these financial statements.

B) New Standards effective in the current year

IFRS 9 “Financial Instruments”

IFRS 9 replaced IAS 39 concerning the recognition, classification and measurement of financial assets. The adoption of IFRS 9 from Oct 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. In accordance with the transitional provisions of the standard, comparative figures have not been restated.

All investments in equity instruments presently held by the Group are held for trading and accordingly are now measured at fair value through profit or loss (FVPL). Changes in the fair value of financial assets at FVPL are recognized in the income statement. Dividends from such investments continue to be recognize in profit or loss when the group’s right to receive payments is established.

All debt instruments held by the Group are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest. Such assets are measured at amortised cost. Interest income from these financial assets is included in the income statement using the effective interest rate method. Impairment losses are presented as a separate line item in the income statement.

Impairment

From October 1, 2018 the Group assesses the recognition of impairment provisions associated with its financial assets on a forward-looking basis based on expected credit losses (ECL) rather than incurred credit losses as previously required under IAS 39 “Financial Instruments: Recognition and Measurement”. It applies to financial assets classified as trade receivables and other receivables. Impairment provisions does not apply to financial assets classified as FVPL.

Application of the Simplified Approach.

For trade receivables and other receivables, the Group applies the simplified approach permitted by IFRS 9, which requires that the impairment provision is measured at initial recognition and throughout the life of the receivables using a lifetime ECL.

The lifetime ECLs are determined by taking into consideration historical rates of default for each segment of aged receivables as well as the estimated impact of forward-looking information.

4. USE OF ESTIMATES AND JUDGEMENTS:

(a) Property, plant and equipment

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

(b) Depreciation

Depreciation is recognized on profit or loss on the straight-line basis, over the estimated useful lives of property, plant and equipment.

(c) Borrowings

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

5. OPERATING REVENUE:

| | 2019/20 | 2018/19 |
|-------------------------|--------------------|--------------------|
| SALES | | |
| Local - Manufacturing | 143,940,094 | 141,050,866 |
| Foreign - Manufacturing | 145,524,899 | 105,943,873 |
| Retail | 142,294,191 | 129,918,262 |
| Rental income-HMS | <u>1,320,000</u> | <u>1,320,000</u> |
| TOTAL SALES | <u>433,079,184</u> | <u>378,233,001</u> |

6. OTHER INCOME:

| | 2019/20 | 2018/19 |
|--|----------------------|-------------------|
| Interest Income | 286,622 | 756,903 |
| Dividend Income | 7,649,827 | 1,989,995 |
| Miscellaneous Income | 1,597,025 | 1,933,003 |
| Realised Gain /(Loss) on Sale of Investments | 18,488,812 | 1,931,476 |
| Foreign Exchange (Loss) | (19,193,909) | (407,782) |
| Fair Value Gain on Investments | (111,085,479) | 26,711,836 |
| | <u>(102,257,102)</u> | <u>32,915,431</u> |

7. LONG TERM LOANS:

| | Dec 2019 | Sept 2019 Audited |
|---|----------------------|------------------------------|
| Bank of Nova Scotia Jamaica Ltd. - Loan | 158,333,325 | 171,205,000 |
| Current portion | <u>(20,000,000)</u> | <u>(27,872,000)</u> |
| Total loans less short term portion | <u>\$138,333,325</u> | <u>143,333,000</u> |

SEGMENT RESULTS – 2019/20 UNAUDITED

| | Manufacturing | Retailing | Property | Investments | TOTAL |
|---------------------------|----------------------|--------------------|--------------------|----------------------|----------------------|
| OPERATING REVENUES | \$289,464,993 | 142,294,191 | 1,320,000 | | 422,079,184 |
| Results before tax | <u>\$52,883,684</u> | <u>6,779,142</u> | <u>(1,381,099)</u> | <u>(122,137,383)</u> | <u>(63,865,656)</u> |
| Segment Assets | <u>\$927,946,718</u> | <u>137,475,649</u> | <u>490,799,187</u> | <u>2,093,933,292</u> | <u>3,650,154,846</u> |
| Segment Liabilities | <u>\$357,792,281</u> | <u>53,379,182</u> | <u>870,652</u> | <u>308,581,420</u> | <u>720,623,535</u> |

SEGMENT RESULTS – 2018/19 -UNAUDITED

| | Manufacturing | Retailing | Property | Investments | TOTAL |
|---------------------------|------------------------|-------------------|--------------------|--------------------|----------------------|
| OPERATING REVENUES | \$246,944,739 | 129,918,262 | 1,320,000 | | 378,233,001 |
| Results before tax | <u>\$42,357,462</u> | <u>8,448,101</u> | <u>(5,187,517)</u> | <u>21,835,230</u> | <u>67,453,276</u> |
| Segment Assets | <u>\$1,113,398,413</u> | <u>72,290,298</u> | <u>320,244,619</u> | <u>253,078,776</u> | <u>1,759,012,106</u> |
| Segment Liabilities | <u>\$299,012,137</u> | <u>50,317,918</u> | <u>4,653,003</u> | <u>2,904,203</u> | <u>356,887,261</u> |

Jamaican Teas LTD.

A graphic of three green tea leaves with a stem, positioned to the right of the word 'Teas' in the company logo.

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