

# Jamaican Teas LTD.



## March 2020 Unaudited Results



## Board of Directors' Commentary

### Second Quarter Results to March 2020

The Directors of Jamaican Teas Limited (JTL), present our report for the second quarter and half year ended 31 March 2020.

**OVERVIEW** | During the Company's second quarter the world witnessed the most wide-ranging impact that the Coronavirus has had on individuals and businesses, including the serious economic impact of Covid-19 on the people of Jamaica by way of the significant loss of jobs that has occurred.

At the same time, we commend the Government on the swift action taken to contain the virus and minimise its impact on the health of our people. It is now important that the authorities act quickly in order to get people back to work in a safe and orderly manner.

We as a Company have been very fortunate so far, in being able to manage without significant adverse effects. Our manufactured products are in strong demand both domestically and on the export market.

We have also completed our latest real estate development, an apartment complex in Manor Park, without taking on any debt and we have sufficient cash on hand to meet all our obligations. We have commenced sales of the apartments and contracted several sales already. We will recognize the income from these sales when each contract is completed. We have not recognized any income from real estate sales in this quarter but we project gross sales from this development, of \$370 million during the third and fourth quarter of the current financial year.

The most negative development for us this quarter has been the sharp fall in the prices of stocks on the Jamaican Stock Exchange. This has resulted in significant unrealized investment losses for QWI Investments Ltd (QWI). Most of these losses are not attributable to the shareholders of JTL but to the non-controlling interests in QWI. \$117 million of QWI's net loss for the quarter is included in JTL's Group results, triggering an attributable loss for the quarter of \$46.7 million. QWI has taken steps to minimise further losses by repaying its debt and adjusting its securities portfolio. The losses incurred by QWI Investments are primarily unrealized losses and while they impact the net assets of the Company and the Group, they are not a major risk to our liquidity.

We have taken action to protect the health and welfare of our staff and have put in place all the appropriate measures to minimise the risk of employees being exposed to the virus.

We have also developed contingency plans to ensure that we as a Company can survive any extended period of shutdown, while at the same time being able to pay our staff.

It is very important to us that we have the ability to manage through this crisis while protecting our staff and not having to seek financial assistance from the Government.

As a responsible Corporate Citizen, and recognizing our obligation to assist the less fortunate, we have stepped up our outreach programmes, including assisting the families of the students at Whitfield All-Age School in Whitfield Town, with donations of food.

**REVENUES** | JTL's total revenues for the quarter increased by \$159 million from \$314.2 million to \$473.3 million or almost 50%. \$105.3 million of this increase arose because in February and March 2019, our supermarket was operated by Bay City Foods Ltd, which at that time was only 50% owned by the Group. These two months' sales were not reflected in last year's consolidated sales. The remaining \$53.7 million increase in sales reflects a 30% increase in export sales and a 9% increase in domestic sales in the manufacturing business. The jump in exports reflects a reversal of the temporary customer de-stocking that took place last year.

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

The large loss in Other Income reflects the fair value losses of QWI referred to above.

For the half year, the 31% increase in sales reflected a 33% increase in export sales, a 5% increase in domestic sales and the inclusion of six months' supermarket sales compared with four months in 2018/19.

## Board of Directors' Commentary (Continued)

**EXPENSES** | The increase in Cost of Sales reflects the increased revenues already mentioned. The Group's gross profits increased by 37% in the quarter, due to higher revenues offset in part by a decrease in the gross profit margin from 32% to 28%. The reduction in the profit margin is a result of the inclusion of a bigger proportion of the Group's revenues with lower margin supermarket sales this quarter as compared to a year ago.

The decrease in marketing expenses for the quarter resulted from the shifting of programmed domestic spending to the first quarter to allow for launches of the Caribbean Select Teas in that period.

The \$15 million increase in administration expenses for the quarter (\$30 million for the half year) primarily reflects the exclusion of two months' supermarket operations and operations at QWI in the year ago quarter.

The increase in interest expense is primarily the result of interest on QWI loans that did not exist in the year ago quarter.

Net loss attributable to Jamaican Teas for the quarter was \$46.7 million, a decline of \$101.3 million from the \$54.6 million profit in the previous year quarter. Loss per share from continuing operations was 6.7 cents (2018/9 – earnings of 7.9 cents).

**SIGNIFICANT BALANCE SHEET ITEMS** | Since our September year end, QWI received the proceeds from its IPO which was included in Other Receivables and applied this money towards the purchase of additional quoted equities and reducing its Accounts Payable.

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

**AGM** | We had to postpone our AGM which was originally scheduled for 20 March 2020, due to the limit of ten persons placed on public gatherings. We hope to reschedule the meeting as soon as possible and are researching whether we can hold the meeting virtually. We will advise shareholders and the public on this soon.

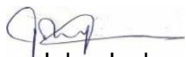
**OUTLOOK** | The outlook for manufacturing continues to be positive so long as we are able to continue our operations without interruption from the effects of COVID-19. In July 2020 the income tax concession we have enjoyed under the rules of the junior market of the Jamaica Stock Exchange will expire and we will return to the full 25% corporate tax rate.

At the supermarket, sales declined over 15% in April as a result of the restrictions placed on our operating hours from the 6:00 p.m. to 6:00 a.m. curfew in Kingston.

The real estate business should contribute significantly later in the year from proceeds from the sale of apartments.

The Net Asset Value (NAV) per share of QWI Investments Ltd ended the month of April at \$0.96, which compares to \$0.95 at the end of March 2020, indicating that the investment decline may have abated.

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



John Jackson - Chairman



John Mahfood – Chief Executive Officer/Director

7 May 2020

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Period ended 31 March 2020**

		2nd Quarter		Year to Date	
		2019/20	2018/19 Restated	2019/20	2018/19 Restated
<b>OPERATING REVENUES</b>	Note 5	473,274,621	314,216,267	906,167,323	692,449,268
<b>COST OF GOODS SOLD</b>		<u>336,590,208</u>	<u>214,374,107</u>	<u>650,936,448</u>	<u>500,832,257</u>
<b>GROSS PROFIT</b>		136,684,413	99,842,160	255,230,875	191,617,011
<b>OTHER (LOSS) / INCOME</b>	6	<u>(508,141,619)</u>	<u>31,651,947</u>	<u>(610,398,808)</u>	<u>64,567,379</u>
<b>(LOSS) / PROFIT BEFORE OTHER EXPENSES</b>		(371,457,206)	131,494,107	(355,167,933)	256,184,390
Sales and Marketing costs		12,728,096	17,867,682	26,531,819	28,440,208
Administration cost		<u>60,864,476</u>	<u>45,691,087</u>	<u>117,328,681</u>	<u>87,560,428</u>
		<u>73,592,574</u>	<u>63,558,769</u>	<u>143,860,500</u>	<u>116,000,636</u>
<b>OPERATING (LOSS) / PROFIT</b>		(445,049,780)	67,935,338	(499,028,433)	140,183,754
Finance costs		(8,749,134)	(3,442,819)	(18,822,704)	(8,673,598)
Share of associated Company Profit		0	<u>317,419</u>	0	<u>317,419</u>
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		(453,798,99)	64,809,938	(517,851,137)	131,827,575
<b>TAXATION CREDIT/(CHARGE)</b>	7	<u>42,138,642</u>	<u>(9,679,215)</u>	<u>61,534,633</u>	<u>(15,704,713)</u>
<b>(LOSS) / PROFIT AFTER TAX</b>		<u>(411,660,357)</u>	<u>55,130,723</u>	<u>(456,316,504)</u>	<u>116,122,862</u>
<b>Net (loss) / profit attributable to :</b>					
Owners of Jamaican Teas Limited		(46,710,414)	54,632,679	(19,192,924)	103,868,707
Non-controlling interest		<u>(364,949,943)</u>	<u>498,044</u>	<u>(437,123,580)</u>	<u>12,254,155</u>
		<u>\$(411,660,357)</u>	<u>55,130,723</u>	<u>(456,316,504)</u>	<u>116,122,862</u>
Shares outstanding		<u>695,083,459</u>	<u>688,733,459</u>	<u>695,083,459</u>	<u>687,483,460</u>
(Loss )/ Earnings per share		<u>\$(0.067)</u>	<u>0.079</u>	<u>(0.028)</u>	<u>0.151</u>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<b>MARCH 2020</b>	<b>AUDITED SEPTEMBER 2019</b>
<b>FIXED ASSETS</b>	351,354,651	307,395,000
<b>INVESTMENT PROPERTY</b>	275,224,678	287,465,000
<b>INVESTMENTS - QUOTED EQUITIES ASSOCIATED COMPANY</b>	1,412,492,226	1,363,148,000
	-	80,969,000
<b>DEFERRED TAX ASSETS</b>	64,609,816	-
<b>CURRENT ASSETS</b>		
Inventories	262,533,926	197,983,000
Housing under construction	223,316,674	146,043,000
Trade Receivables	258,920,959	208,135,000
Other Receivables	116,126,218	1,255,293,000
Intangibles	1,687,329	239,000
Taxation recoverable	15,238,188	1,160,000
Cash & Short term investments	<u>137,033,905</u>	<u>146,317,000</u>
<b>Total Current Assets</b>	<u>1,014,857,199</u>	<u>1,955,170,000</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	174,885,465	437,959,000
Income tax payable	40,572,698	23,141,000
Deferred tax	363,941	65,393,000
Short Term Borrowings	198,910,980	267,852,000
Bank Overdraft	35,375,474	53,470,000
Current portion - Long Term Loan	<u>20,000,000</u>	<u>27,872,000</u>
<b>Total Current Liabilities</b>	<u>470,108,558</u>	<u>875,687,000</u>
<b>NET CURRENT ASSETS</b>	544,748,641	1,079,483,000
	<u>\$2,648,430,012</u>	<u>\$3,118,460,000</u>
<b>EQUITY &amp; NON-CURRENT LIABILITIES</b>		
<b>STOCKHOLDERS' EQUITY</b>	1,533,337,465	1,554,092,000
<b>NON-CONTROLLING INTEREST</b>	<u>981,759,222</u>	<u>1,421,035,000</u>
	2,515,096,687	2,975,127,000
<b>LONG-TERM LOAN</b>	<u>133,333,325</u>	<u>143,333,000</u>
	<u>\$2,648,430,012</u>	<u>\$3,118,460,000</u>

Approved for issue by the Board of Directors on 7 May 2020 and signed on its behalf by:



**John Jackson**  
Chairman



**John Mahfood**  
CEO/Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Period ended 31 March 2020

**Attributable to the Company's owners**

	<b>Share Capital</b>	<b>Capital Reserves</b>	<b>Fair Value Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>
Balance as at 30 September 2018	161,161,000	216,179,000	61,978,000	807,236,000	1,246,554,000
Impact of IFRS 9 Adjustments	-	-	(61,978,000)	43,861,662	(18,296,338)
Balance as at October 1 2018	161,161,000	216,179,000	0	850,917,662	1,228,257,662
Capital distribution paid		(20,461,004)			(20,461,004)
Net Profit				103,868,707	103,868,707
Realised gains to P & L / Other				11,877,159	11,877,159
Shares issued	15,461,858				15,461,858
Balance as at 31 March 2019	<u>\$176,622,858</u>	<u>195,717,996</u>	<u>-</u>	<u>966,663,528</u>	<u>1,339,004,382</u>
Balance as at 30 September 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 (Loss)/Profit				(19,192,924)	(19,192,924)
Realised gains to P & L / Other				19,290,893	19,290,893
Balance as at 31 March 2020	<u>\$185,149,000</u>	<u>154,039,496</u>	<u>0</u>	<u>1,194,148,969</u>	<u>1,533,337,465</u>

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**

Period ended 31 March 2020

	YTD Mar-20	YTD Mar-19
Net (loss)/profit for the period to date	(456,316,504)	116,122,862
Adjustments for:		
Gain on Sale of Investments	(31,633,576)	(28,760,124)
Fair Value Loss/ (Gain) on Investments	653,928,904	(26,153,544)
Tax (credit) / expense	(61,534,633)	15,704,713
Depreciation	11,126,453	11,547,840
Other	134,696	20,525,620
Operating cash flows before movements in working capital	115,705,340	108,997,368
Changes in operating assets and liabilities	525,451,264	(10,934,145)
<b>Net cash provided by operating activities</b>	<b>641,156,604</b>	<b>98,063,223</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase/(Sale ) of fixed assets	55,086,104	(13,270,451)
Purchase /(Sale) of Investment Properties	12,240,322	(11,344,207)
Purchases of Quoted Equities (Net)	(703,273,130)	2,738,273
Due from/(to) Associated Company	80,969,000	(46,766,494)
Deferred tax assets	(64,609,816)	(347,614)
<b>Net cash( used in) investing activities</b>	<b>(619,587,520)</b>	<b>(68,990,493)</b>
	21,569,084	29,072,730
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Financing activities	(30,852,179)	(3,091,535)
Net cash provided by/ (used in) financing activities	(30,852,179)	(3,091,535)
<b>Increase /(decrease) in cash and cash equivalent</b>	<b>(9,283,095)</b>	<b>25,981,195</b>
Cash and cash equivalent at beginning of the period	146,317,000	121,930,000
Cash and cash equivalent at the end of period	<u>\$137,033,905</u>	<u>147,911,195</u>

## 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 Limited processes local teas which it packages along with imported teas and other foods 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 Limited became an investment holding Company in March 2019.
- QWI Investments Limited is an investment holding and management Company.
- Bay City Foods Limited 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 Limited, 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 recognized 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.



## NOTES TO FINANCIAL STATEMENTS

### 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:

	2nd Quarter		Year to Date	
	2019/20	2018/19	2019/20	2018/19
<b>SALES</b>				
Local - Manufacturing	137,375,683	126,015,890	281,315,777	267,066,756
Foreign - Manufacturing	185,477,078	142,655,198	331,001,977	248,599,071
Retail	148,831,860	43,525,179	290,939,569	173,443,441
Rental income-HMS	<u>1,590,000</u>	<u>2,020,000</u>	<u>2,910,000</u>	<u>3,340,000</u>
<b>TOTAL SALES</b>	<b><u>\$473,274,621</u></b>	<b><u>314,216,267</u></b>	<b><u>906,167,323</u></b>	<b><u>692,449,268</u></b>

### 6. OTHER INCOME:

	2nd Quarter		Year to Date	
	2019/20	2018/19	2019/20	2018/19
		Restated		Restated
Interest Income	1,356,269	4,528,326	1,642,891	5,285,229
Dividend Income	7,768,200	1,662,418	15,418,027	3,652,413
Miscellaneous Income	1,318,541	1,094,111	2,915,566	3,027,114
Realised Gain on Sale of Investments	13,144,764	26,828,647	31,633,576	28,760,123
Foreign Exchange Gain/ (Loss)	11,114,032	(1,903,263)	(8,079,964)	(2,311,044)
Fair Value (Loss) / Gain on Investments	<u>(542,843,425)</u>	<u>(558,292)</u>	<u>(653,928,904)</u>	<u>26,153,544</u>
	<b><u>\$(508,141,619)</u></b>	<b><u>31,651,947</u></b>	<b><u>(610,398,808)</u></b>	<b><u>64,567,379</u></b>

## NOTES TO FINANCIAL STATEMENTS

### 7. TAXATION:

The Company was listed on the Junior Market of the Jamaica Stock Exchange in July 2010 and under the Income Tax Act (Jamaica Stock Exchange Junior Market) (Remission) Notice, 2010, the Company was 100% tax exempt for the following five years and subject to taxation at 50% of the standard corporate rate during the second five year period, ending in July 2020.

### 8. LONG TERM LOANS:

	March 2020	September 2019 Audited
Bank of Nova Scotia Jamaica Ltd - Loan	153,333,325	171,205,000
Current portion	<u>(20,000,000)</u>	<u>(27,872,000)</u>
Total loans less short term portion	<u>\$133,333,325</u>	<u>143,333,000</u>

### 9. EXCHANGE RATES:

The US\$ :J\$ selling exchange rates prevailing in the periods were as follows:

March 31 2020 - \$135.39 (March 31 2019 - \$126.47)

December 31 2019 - \$132.57 (December 31 2018 - \$127.72)

September 30 2019 - \$135.16 (September 30 2018 - \$134.65)

## SEGMENT RESULTS

### 2019/20 Unaudited

	Manufacturing	Retailing	Property	Investments	TOTAL
<b>OPERATING REVENUES</b>	\$612,317,754	290,939,569	2,910,000		906,167,323
Results before tax	<u>\$130,947,906</u>	<u>8,500,046</u>	<u>(1,013,317)</u>	<u>(656,285,772)</u>	<u>(517,851,137)</u>
Segment Assets	<u>\$973,887,129</u>	<u>119,942,432</u>	<u>534,112,054</u>	<u>1,490,596,952</u>	<u>3,118,538,567</u>
Segment Liabilities	<u>\$374,879,987</u>	<u>52,238,442</u>	<u>12,866,236</u>	<u>163,457,218</u>	<u>603,441,883</u>

### 2018/19 Unaudited

	Manufacturing	Retailing	Property	Investments	TOTAL
<b>OPERATING REVENUES</b>	\$515,665,827	173,443,441	3,340,000		692,449,268
Results before tax	<u>\$96,661,130</u>	<u>6,577,360</u>	<u>(3,441,682)</u>	<u>31,796,153</u>	<u>131,592,961</u>
Segment Assets	<u>\$944,593,189</u>	<u>35,800,504</u>	<u>334,577,437</u>	<u>494,484,629</u>	<u>1,809,455,759</u>
Segment Liabilities	<u>\$318,145,214</u>	<u>6,115,577</u>	<u>5,474,858</u>	<u>7,984,261</u>	<u>337,719,910</u>



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