

Jamaican Teas LTD.



June 2020 Unaudited Results



Board of Directors' Commentary

Third Quarter Results to June 2020

The Directors of Jamaican Teas Limited (JTL), present our report for the third quarter and nine months ended 30 June 2020.

OVERVIEW | Our results reflect a strong performance for the third quarter ended 30 June 2020. It should be borne in mind that this period represented the height of the Covid-19 pandemic. The pandemic has had a devastating impact on Jamaica and the rest of the world with massive down turns in businesses and resultant employee layoffs.

Our manufacturing operations had good results during the quarter with sales improving by 33% to \$386 Million. The main contributor to this was the increase in our export sales which saw an increase of 56% over the prior year. However, our domestic sales were essentially flat compared with the prior year, increasing by only 4%. Exports accounted for 68% of total sales in the quarter. We believe that this positive trend in exports will continue through to the end of our financial year.

We completed our real estate project in Manor Park and have signed sale agreements for 15 of the 18 units. The proceeds and profits from these sales will start to be realized in the fourth quarter.

During this quarter the sharp fall in the prices of stocks on the Jamaican and New York Stock Exchanges up to March 2020 began to reverse. This has resulted in an unrealized investment gain for QWI Investments Ltd (QWI) of \$115 million this third quarter. Our expectation is that we will see a continuation of this trend in the next quarter.

We continue to take action to protect the health and welfare of our staff in order to minimize the risk of exposure to the Covid-19 virus. We also continue to support the children and families associated with Whitfield All Age School

REVENUES | JTL's total revenues for the quarter increased by \$189 million from \$316.7 million to \$506 million or almost 60%. \$117 million of this increase arose because in the year ago quarter, our supermarket was operated by Bay City Foods Ltd, which at that time was only 50% owned by the Group and accordingly was not consolidated. The remaining \$72 million increase in sales reflects the increases in export and domestic sales in the manufacturing business referred to above. The jump in exports reflects in part, a reversal of the temporary customer de-stocking that took place last year, and in part strong sales increases to our final consumers, particularly in the USA.

There were no real estate sales this quarter vs two home sales in the year ago quarter.

The large profits included in Other Income, this quarter and a year ago mainly reflect the un-realized investment gains of QWI referred to above.

For the nine months, the 40% increase in sales reflected a 42% increase in export sales, a 4% increase in domestic sales and the inclusion of nine months' supermarket sales compared with four months in 2018/19.

EXPENSES | The increase in Cost of Sales for the quarter and nine months matches the increased revenues already mentioned.

The increase in marketing expenses for the quarter resulted from the inclusion of three months marketing expenses for the supermarket versus no inclusion in the year ago quarter. For the nine months the increase in marketing costs is a result of the inclusion of the supermarket for nine months vs four months in the year ago period.

The decrease in administration expenses for the quarter primarily reflects reduced expenses at all member companies including QWI partly offset by the inclusion of three months' supermarket operations this quarter. For the nine months the increase in administration costs is mainly a result of the inclusion of the supermarket for nine months vs four months in the year ago period.

The decrease in interest expense is primarily the result of lower interest rates on Jamaican Teas loans and lower borrowings at QWI. For the nine months the increase in interest costs is mainly a result of higher borrowings at QWI in the first half of this period compared with the year ago first half.

Board of Directors' Commentary

(Continued)

NET PROFIT | Net profit attributable to Jamaican Teas for the quarter was \$107 million, a decline of 9 % from the \$118 million profit in the previous year quarter. Total attributable comprehensive income per share was 15 cents (2018/9 – earnings of 17 cents).

For the nine months net profit attributable to Jamaican Teas was \$84.9 million, a decline of 60 % from the \$220 million profit in the previous year quarter. Total attributable comprehensive income per share was 12 cents (2018/9 – earnings of 32 cents). This profit decline arose from the unrealized investment losses experienced by QWI in the first half of the year offset in part by strong profits growth at the manufacturing operations.

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 | Our AGM which was originally scheduled for 20 March 2020 was held in June 2020.

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

At the supermarket, sales have since April 2020 have declined over 2019 as a result of the restrictions placed on our operating hours from the varying curfew hours in Kingston. The rate of sales decline has declined as the curfew restrictions have been loosened.

The real estate business should contribute significantly later in the year from proceeds from the sale of apartments and revaluation gains on the investment properties owned.

The Net Asset Value (NAV) per share of QWI Investments Ltd ended the month of June at \$1.03 and has continued to rise to \$1.06 up to the end of July 2020.

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.

The Jamaican authorities have done a commendable job in containing the spread of the virus and this has allowed the local economy to start opening up. However, our economy is heavily dependent on tourism for both foreign exchange and employment. While we do not expect that the opening of tourism will have a significant impact on the economy this year, it will make a positive contribution.

Our hope is that the authorities will be able to maintain adequate controls on the spread of the virus for the remainder of the year.

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

11 August 2020

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
PERIOD ENDED 30 JUNE 2020

		3rd Quarter		Year to date	
		2019/20	2018/19	2019/20	2018/19
OPERATING REVENUES	Note 5	505,963,476	316,674,465	1,412,130,799	1,009,123,733
COST OF GOODS SOLD		<u>366,583,762</u>	<u>229,336,846</u>	<u>1,017,520,590</u>	<u>730,169,103</u>
GROSS PROFIT		139,379,714	87,337,619	394,610,209	278,954,630
OTHER INCOME	6	<u>135,182,940</u>	<u>141,926,018</u>	<u>(475,219,443)</u>	<u>206,920,715</u>
PROFIT / (LOSS) BEFORE OTHER EXPENSES		274,562,654	229,263,637	(80,609,234)	485,875,345
Sales and Marketing costs		15,285,864	11,631,060	41,817,683	40,071,268
Administration cost		<u>49,046,677</u>	<u>52,965,670</u>	<u>166,375,358</u>	<u>140,925,937</u>
		<u>64,332,541</u>	<u>64,596,730</u>	<u>208,193,041</u>	<u>180,997,205</u>
OPERATING PROFIT / (LOSS)		210,230,113	164,666,907	(288,802,275)	304,878,140
Finance costs		<u>5,147,955</u>	<u>7,127,496</u>	<u>23,970,658</u>	<u>15,828,573</u>
		205,082,158	157,539,411	(312,772,933)	289,049,567
Share of associated company profit		0	<u>55,950</u>	0	<u>373,369</u>
PROFIT / (LOSS) BEFORE TAXATION		205,082,158	157,595,361	(312,772,933)	289,422,936
TAXATION (EXPENSE) / CREDIT	7	<u>(11,939,080)</u>	<u>(5,965,339)</u>	<u>49,595,933</u>	<u>(21,670,052)</u>
TOTAL COMPREHENSIVE INCOME		<u>193,143,078</u>	<u>151,630,022</u>	<u>(263,177,000)</u>	<u>267,752,884</u>
Total comprehensive income attributable to :					
Owners of Jamaican Teas Limited		107,544,109	118,135,462	84,927,357	220,130,338
Non-controlling interest		<u>85,598,969</u>	<u>33,494,560</u>	<u>(348,104,357)</u>	<u>47,622,546</u>
		<u>\$193,143,078</u>	<u>151,630,022</u>	<u>(263,177,000)</u>	<u>267,752,884</u>
Shares outstanding		<u>695,083,459</u>	<u>689,983,459</u>	<u>695,083,459</u>	<u>687,900,126</u>
Total comprehensive income per share attributable to owners of Jamaican Teas Limited		0.15	0.17	0.12	0.32

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>June 2020</u>	<u>June 2019</u>	<u>Audited Sept 2019</u>
FIXED ASSETS	364,041,564	332,310,191	307,395,000
INVESTMENT PROPERTY INVESTMENTS - QUOTED EQUITIES	276,315,643	195,721,091	287,465,000
	1,398,314,233	732,298,509	1,363,148,000
ASSOCIATED COMPANY	-	72,831,050	80,969,000
DEFERRED TAX ASSETS	64,609,816	12,608,614	0
CURRENT ASSETS			
Inventories	284,048,367	204,118,029	197,983,000
Housing under construction	246,982,473	109,274,817	146,043,000
Receivables and Intangibles- Note 9	498,016,767	306,063,058	1,464,827,000
Cash & Short term investments	<u>137,104,747</u>	<u>140,128,744</u>	<u>146,317,000</u>
Total Current Assets	<u>1,166,152,354</u>	<u>759,584,648</u>	<u>1,955,170,000</u>
CURRENT LIABILITIES			
Accounts Payable	167,923,495	232,737,547	437,959,000
Income tax payable	49,777,277	43,341,558	23,141,000
Deferred tax	363,941	2,609,177	65,393,000
Borrowings - Note 10	<u>204,693,957</u>	<u>63,148,308</u>	<u>349,194,000</u>
Total Current Liabilities	<u>422,758,670</u>	<u>341,836,590</u>	<u>875,687,000</u>
NET CURRENT ASSETS	<u>743,393,684</u>	<u>417,748,058</u>	<u>1,079,483,000</u>
	<u>\$2,846,674,940</u>	<u>\$1,763,517,513</u>	<u>\$3,118,460,000</u>
EQUITY & NON-CURRENT LIABILITIES			
STOCKHOLDERS' EQUITY	1,664,608,196	1,448,281,506	1,554,092,000
NON-CONTROLLING INTEREST	<u>1,053,733,421</u>	166,902,680	<u>1,421,035,000</u>
	2,718,341,617	1,615,184,186	2,975,127,000
LONG-TERM LOAN	<u>128,333,323</u>	<u>148,333,327</u>	<u>143,333,000</u>
	<u>\$2,846,674,940</u>	<u>\$1,763,517,513</u>	<u>\$3,118,460,000</u>

Approved for issue by the Board of Directors on 11 August 2020 and signed on its behalf by:



John Jackson
Chairman



John Mahfood
CEO/Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 June 2020

	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			<u>61,978,000</u>	<u>43,681,662</u>	<u>(18,296,338)</u>
Bal as at Oct 1 2018	161,161,000	216,179,000	0	850,917,662	1,228,257,662
Shares issued	15,461,858				15,461,858
Net Profit				220,130,338	220,130,338
Realised gains to P & L				25,592,156	25,592,156
Capital distribution paid	<u>0</u>	<u>(41,160,508)</u>	<u>0</u>	<u>0</u>	<u>(41,160,508)</u>
Balance as at 30 June 2019	<u>\$176,622,858</u>	<u>175,018,492</u>	<u>0</u>	<u>1,096,640,156</u>	<u>1,448,281,506</u>
Bal 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				84,927,357	84,927,357
Reductions of NCI / Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>46,441,343</u>	<u>46,441,343</u>
Balance as at 30 June 2020	<u>\$185,149,000</u>	<u>\$154,039,496</u>	<u>0</u>	<u>1,325,419,700</u>	<u>\$1,664,608,196</u>

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 June 2020

	YTD Jun-20	YTD Jun-19
Net (Loss)/ Profit for the period to date	(263,177,000)	267,752,884
Adjustments for:		
(Gain) on Sale of Investments	(16,636,643)	(61,128,114)
Fair Value Loss / (Gain) on Investments	538,494,760	(126,291,108)
Tax (credit)/expense	(49,595,933)	21,670,052
Depreciation	23,079,475	16,736,678
Tax paid /Other	<u>28,447,638</u>	<u>14,048,758</u>
Operating cash flows before movements in working capital	260,612,297	132,789,150
Changes in operating assets and liabilities	<u>391,906,122</u>	<u>122,702,949</u>
Net cash provided by operating activities	652,518,419	255,492,099
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Fixed Assets	(79,726,039)	(15,424,031)
Purchase / (Sale) of Investment Properties	11,149,357	(12,225,091)
Purchases of Quoted Equities (Net)	(573,660,993)	(144,270,401)
Due from/(to) Associated Company	80,969,000	(46,285,050)
Deferred taxation / Other	<u>(64,609,816)</u>	<u>(347,700)</u>
Net cash (used in) investing activities	<u>(625,878,491)</u>	<u>(218,552,273)</u>
	26,639,928	36,939,826
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities	<u>(35,852,181)</u>	<u>(19,998,819)</u>
Net cash provided by/ (used in) financing activities	<u>(35,852,181)</u>	<u>(19,998,819)</u>
Increase /(decrease) in cash and cash equivalent	(9,212,253)	16,941,007
Cash and cash equivalent at beginning of the period	<u>146,317,000</u>	<u>121,930,000</u>
Cash and cash equivalent at the end of period	<u>\$137,104,747</u>	<u>138,871,007</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 Managers Limited (formerly JRG Shoppers Delite Enterprise Ltd) is an investment company.
- 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 (34.53% owned)
- 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:

	3rd Quarter		Year to date	
	2019/20	2018/19	2019/20	2018/19
SALES				
Local - Manufacturing	123,551,166	120,962,478	404,866,943	388,029,234
Foreign - Manufacturing	262,916,120	168,085,108	593,918,097	416,684,179
Retail	117,906,190	0	408,845,759	173,443,441
Sales of Homes	0	25,256,879	0	25,256,879
Rental income-HMS	<u>1,590,000</u>	<u>2,370,000</u>	<u>4,500,000</u>	<u>5,710,000</u>
TOTAL SALES	<u>\$505,963,476</u>	<u>316,674,465</u>	<u>1,412,130,799</u>	<u>1,009,123,733</u>

6. OTHER INCOME:

	3rd Quarter		Year to date	
	2019/20	2018/19	2019/20	2018/19
Interest Income	1,556,993	5,311,383	3,199,884	10,596,612
Dividend Income	2,401,899	2,429,864	17,819,926	6,082,277
Misc Income	3,040,837	2,510,260	5,956,403	5,537,374
Realised Gain /(Loss) on Sale of Investments	(14,996,933)	32,367,991	16,636,643	61,128,114
Foreign Exchange Gain/(Loss)	27,745,999	(830,958)	19,662,461	(2,714,684)
Fair Value Gain on Investments	<u>115,434,144</u>	<u>100,137,478</u>	<u>(538,494,760)</u>	<u>126,291,022</u>
TOTAL OTHER INCOME	<u>\$135,182,939</u>	<u>141,926,018</u>	<u>(475,219,443)</u>	<u>206,920,715</u>

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:

	June 2020	September 2019 Audited
Bank of Nova Scotia Jamaica Ltd - Loan	148,333,323	171,205,000
Current portion	<u>(20,000,000)</u>	<u>(27,872,000)</u>
Total loans less short term portion	<u>\$128,333,323</u>	<u>143,333,000</u>

9. RECEIVABLES:

	June 2020	Sept 2019 Audited
Trade Receivables	284,260,404	208,135,000
Other Receivables	201,202,207	1,255,293,000
Intangibles	1,527,528	239,000
Taxation recoverable	<u>11,026,628</u>	<u>1,160,000</u>
Total Receivables and Intangibles	<u>\$498,016,767</u>	<u>1,464,827,000</u>

10. BORROWINGS:

	June 2020	Sept 2019 Audited
Short Term Borrowings	84,709,702	83,577,000
Margin Loan payable	75,494,712	184,275,000
Bank Overdraft	24,489,543	53,470,000
Current portion - Long Term Loan	<u>20,000,000</u>	<u>27,872,000</u>
Borrowings	<u>\$204,693,957</u>	<u>349,194,000</u>

11. EXCHANGE RATES:

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

June 30 2020 – \$140.01 (June 30 2019 -\$131.07)
 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
OPERATING REVENUES	\$998,785,040	408,845,759	4,500,000		1,412,130,799
Results before tax	<u>\$189,748,290</u>	<u>25,809,849</u>	<u>(2,059,183)</u>	<u>(526,271,889)</u>	<u>(312,772,933)</u>
Segment Assets	<u>\$1,022,618,473</u>	<u>119,541,745</u>	<u>617,147,416</u>	<u>1,510,125,974</u>	<u>3,269,433,608</u>
Segment Liabilities	<u>\$410,750,550</u>	<u>38,507,404</u>	<u>11,934,174</u>	<u>89,899,865</u>	<u>551,091,993</u>

2018/19 Unaudited

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$804,713,413	173,443,441	30,966,879		1,009,123,733
Results before tax	<u>\$141,257,424</u>	<u>6,806,627</u>	<u>(4,238,220)</u>	<u>145,597,105</u>	<u>289,422,936</u>
Segment Assets	<u>\$983,665,162</u>	<u>34,050,282</u>	<u>350,309,323</u>	<u>737,329,336</u>	<u>2,105,354,103</u>
Segment Liabilities	<u>\$344,464,504</u>	<u>4,147,506</u>	<u>2,809,403</u>	<u>138,748,504</u>	<u>490,169,917</u>



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