

Jamaican Teas LTD.



September 2020 Unaudited Results



H Mahfood
and Sons

BAY CITY
Foods



Board of Directors' Commentary

Fourth Quarter Results to September 2020

The Jamaican Teas Group enjoyed rising sales and profit, marking an outstanding 2020 fiscal year, with the exception of the investment division. There are positive indications however, that during the first quarter of the new financial year, the Group will benefit from plans and strategies implemented during earlier periods.

The investment division had a bumper 2019 but faltered in 2020 as a result of the impact of COVID-19 on the economy, which depressed the local stock market as well as the value of stocks worldwide. Share prices in these markets have only recovered partially to date.

The Group benefited from a strong fourth quarter with excellent export sales and profit from the real estate division.

Manufacturing Division

The highlight of the quarter was the strong gain in our export sales which rose 65 percent over the prior year. This was an acceleration in the growth rate seen up to our third quarter.

Exports accounted for 65 percent of total sales in the quarter, meeting one of the objectives set at the time the Company went public in 2010. Early indications and feedback from our overseas customers point to a continuation of the positive trend in exports in our 2021 financial year. Although exports were dominant, domestic sales did well against the background of a slow growing economy that suffered a sharp fall in the second half of our fiscal year. With strong and continued focus on our domestic market, local manufacturing sales increased 17 percent compared with the previous year. Overall, sales climbed 44 percent to \$407 million in the final quarter of the year.

Real Estate Division

The year was a successful one as we completed the development of Violet's View Manor - studio units in the Manor Park area - and signed agreements for the sale of 17 of the 18 units. The proceeds and profits from 12 of these units are included in the fourth quarter, with the balance to be reflected in the 2021 financial year. The project was a profitable one.

Retail Division

The retail operations functioned for the year as a wholly owned subsidiary, versus only four months in the previous financial year. Consequently, there are no comparative revenues for the fourth quarter in the prior year.

For the 2020 fourth quarter, the division recorded revenues of \$129 million and for the year to date, \$538 million versus \$173 million for the limited period in the 2019 financial year. The division remains profitable and a critical asset of the Group.

Investment Division

During the fourth quarter, prices on the Jamaica and New York Stock Exchanges continued to show improvement over the depressed prices in the March quarter. This resulted in investment gains for QWI Investments (QWI) of \$31 million. Our expectation is that the trend will continue into the new financial year

Board of Directors' Commentary

(Continued)

as economic performance, locally and overseas, gradually recovers from the dislocations in 2020.

Revenues

Total Group revenues for the quarter increased by a robust \$502 million, from \$285 million to \$787 million. The increase includes \$129 million generated in 2020 from the retail business. There were no retail revenues in the corresponding 2019 quarter as our supermarket was operated by our then associated company - Bay City Foods, which at that time was 50 percent owned by the Group and not consolidated.

The sale of 12 units at the Manor Park complex contributed \$248 million to the total revenue in 2020. There were no comparable sales in the prior year. The remaining \$125 million growth in sales reflects the increase in export and domestic sales in the manufacturing business. The jump in exports was mainly due to strong demand from the final consumers, particularly in the USA. The trend continues beyond the year end.

For the year, the 70 percent increase in sales included a 49 percent increase in export sales, 7 percent increase in domestic sales, the inclusion of 12 months' supermarket sales compared with 4 months in 2018/19 and the sales of the Manor Park apartments, for which there were no comparable sales last year.

The reversal in Investments and Other Income from \$553 million to a loss of \$433 million, primarily resulted from the heavy unrealised losses QWI experienced in its shareholdings in financial businesses during the second quarter, due to COVID-19 and its negative impact on many business operations.

Expenses

The increase in Cost of Sales for the quarter and full year, largely matches the growth in revenues, but lower administration expenses for the quarter were largely due to reduced expenses at QWI.

The fall in interest expense during the quarter resulted from lower borrowings at QWI. For the full year, the increase in interest costs is mainly a result of higher borrowings at QWI in the first half of this period, compared with the first half of the prior year.

Net Profit

Net profit attributable to Jamaican Teas for the quarter was \$131 million, a decline of 27 percent from the \$180 million profit in the corresponding quarter of the previous year. This decline in profit arose from lower stock market gains in the investment portfolio in the 2020 fourth quarter versus that of the previous year, which was a very strong one. The decline was partly offset by higher profits from the manufacturing operations, as well as profits from the real estate division.

For the full year, net profit attributable to Jamaican Teas was \$210 million, a decline of 47 percent from the \$400 million generated in the previous year.

Total attributable Comprehensive Income per share was 19 cents (2018/19 – 26 cents) for the quarter, and 30 cents per share (2018/19 – 58 cents) for the year.

Investments

QWI received the proceeds from its IPO in October 2019, which were included in Receivables at the end of September 2019. The funds were invested in additional quoted equities as well as in reducing Accounts Payables related to the IPO.

Board of Directors' Commentary

(Continued)

The amount held in Investment Properties as at the end of the 2019 financial year declined during the year to September 2020, due to the transfer of a parcel of land that was used for the construction of apartments for resale.

Outlook

The Jamaican economy is heavily dependent on tourism for both foreign exchange as well as employment, and its impact on the wider economy with its linkages to locally produced goods and services.

Subsequent to the year end, overall sales increased by 47 percent in October 2020, with export sales increasing 85 percent and a 10 percent increase in domestic sales. We have good orders in hand for November and these developments, along with booking of more real estate sales and hopefully, improvement in the investment portfolio, should result in a good first quarter for the financial year 2021.

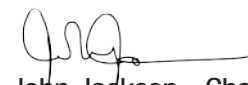
We paid a Capital Distribution of 6 cents per share in October 2020. This amount represents the combination of the usual two dividends paid per year.

The Group is also looking to embark on a major expansion of the factory to meet and prepare for continued growth.

Annual General Meeting

Our Annual General Meeting (AGM) held in June 2020 was adjourned after some items were deferred to be dealt with at a later date. The AGM to be reconvened on 17 November 2020 will consider the deferred items. An Extraordinary General Meeting (EGM) will be held immediately afterwards to consider the stock split and a new share option plan for Directors and Executive Staff.

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



John Jackson - Chairman



John Mahfood – Chief Executive Officer/Director

30 October 2020



Unaudited Consolidated Statement of Comprehensive Income

Period Ended 30 September 2020

		4th Quarter		Year to date	
		2019/20	2018/19 (* See below)	2019/20	2018/19 (Audited)
Operating revenues	Note 5	786,740,358	282,068,267	2,198,871,157	1,291,192,000
Cost of goods sold		<u>576,575,379</u>	<u>201,906,852</u>	<u>1,596,619,611</u>	<u>958,088,000</u>
Gross profit		210,164,979	54,149,370	602,251,546	333,104,000
Investment & other income/(loss)	6	<u>42,002,776</u>	<u>344,027,123</u>	<u>(433,215,778)</u>	<u>550,948,000</u>
Profit before administration and other expenses		252,167,755	398,176,493	169,035,768	884,052,000
Sales and marketing costs		11,014,712	10,721,732	52,832,395	50,793,000
Administration cost		<u>68,614,504</u>	<u>75,497,901</u>	<u>232,617,155</u>	<u>216,424,000</u>
		<u>79,629,216</u>	<u>86,219,633</u>	<u>285,449,550</u>	<u>267,217,000</u>
Operating profit/(loss)		172,538,539	311,776,860	(116,413,782)	616,655,000
Finance costs		<u>7,797,018</u>	<u>12,353,427</u>	<u>31,617,631</u>	<u>28,182,000</u>
		164,741,521	299,423,433	(148,031,413)	588,473,000
Share of associated company profit		<u>0</u>	<u>881,631</u>	<u>0</u>	<u>1,255,000</u>
Profit/(loss) before taxation		164,741,521	300,305,064	(148,031,413)	589,728,000
Taxation	7	<u>(27,130,335)</u>	<u>(84,940,948)</u>	<u>16,318,140</u>	<u>(106,611,000)</u>
Total comprehensive income/(loss)		137,611,186	215,364,116	(131,713,273)	483,117,000
Non-controlling interest		<u>(5,959,227)</u>	<u>(38,458,504)</u>	<u>342,016,049</u>	<u>(87,334,727)</u>
Total comprehensive income attributable to Shareholders of Jamaican Teas		<u>\$131,651,959</u>	<u>176,905,612</u>	<u>210,302,776</u>	<u>395,758,000</u>
Shares outstanding		<u>695,083,459</u>	<u>695,083,459</u>	<u>695,083,459</u>	<u>689,155,127</u>
Total comprehensive income per share attributable to Shareholders of Jamaican Teas		<u>\$0.19</u>	<u>\$0.26</u>	<u>\$0.30</u>	<u>\$0.57</u>

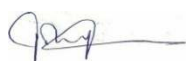
*The 4th quarter 2018/19 figures are derived from the audited 2019 figures, after deducting interim 3rd quarter results.

Unaudited Consolidated Statement of Financial Condition

Year Ended 30 September 2020

	September 2020	September 2019 (Audited)
NON-CURRENT ASSETS		
Fixed Assets	360,696,655	307,395,000
Investment property	258,284,711	287,465,000
Investments - quoted equities	1,629,020,577	1,363,148,000
Associated company	-	80,969,000
Deferred tax assets	64,609,816	-
CURRENT ASSETS		
Inventories	302,075,673	197,983,000
Housing under construction	183,407,598	146,043,000
Receivables - Note 8	427,895,994	1,464,827,000
Cash & short-term investments	<u>306,278,293</u>	<u>146,317,000</u>
Total current assets	<u>1,219,657,558</u>	<u>1,955,170,000</u>
CURRENT LIABILITIES		
Accounts payable	191,918,364	437,959,000
Income tax payable	81,600,781	23,141,000
Deferred tax	363,941	65,393,000
Borrowings - Note 9	<u>293,598,488</u>	<u>349,194,000</u>
Total current liabilities	<u>567,481,574</u>	<u>875,687,000</u>
NET CURRENT ASSETS	<u>652,175,984</u>	<u>1,079,483,000</u>
	<u>\$2,964,787,743</u>	<u>\$3,118,460,000</u>
EQUITY & NON-CURRENT LIABILITIES		
STOCKHOLDERS' EQUITY	1,792,334,699	1,554,092,000
NON-CONTROLLING INTEREST	<u>1,049,119,722</u>	<u>1,421,035,000</u>
	2,841,454,421	2,975,127,000
LONG-TERM LOAN - Note 9	<u>123,333,322</u>	<u>143,333,000</u>
	<u>\$2,964,787,743</u>	<u>\$3,118,460,000</u>

Approved for issue by the Board of Directors on 30 October 2020 and signed on its behalf by:



John Jackson - Chairman



John Mahfood – Chief Executive Officer, Director

Consolidated Statement of Changes in Equity

Year Ended 30 September 2020

Attributable to the Company's Owners

	Share Capital	Capital Reserves	Fair Value Reserves	Retained Earnings	Total
Balance as at 30 September 2018	161,161,862	216,178,436	61,978,000	807,236,000	1,246,554,298
Initial impact of IFRS 9 Adjustments			<u>(61,978,000)</u>	<u>43,022,000</u>	<u>(18,956,000)</u>
Balance as at 1 October 2018	161,161,862	216,178,436	0	850,258,000	1,227,598,298
Shares issued	23,987,858				23,987,858
Net Profit				395,758,000	395,758,000
Reductions of NCI /Other				(51,965,000)	(51,965,000)
Capital distribution paid		<u>(41,287,000)</u>			<u>(41,287,000)</u>
Balance as at 30 September 2019	<u>\$185,149,720</u>	<u>174,891,436</u>	0	<u>1,194,051,000</u>	<u>1,554,092,156</u>
Balance as at 30 September 2019	185,149,720	174,891,436		1,194,051,000	1,554,092,156
Capital distribution paid		(20,852,504)			(20,852,504)
Net profit				210,302,776	210,302,776
Reductions of NCI/Other				<u>48,792,271</u>	<u>48,792,271</u>
Balance as at 30 September 2020	<u>\$185,149,720</u>	<u>154,038,932</u>	0	<u>1,453,146,047</u>	<u>1,792,334,699</u>

Consolidated Statement of Cash Flows

Year Ended 30 September 2020

	September 2020	September 2019 (Audited)
Net profit for the period to date	(131,713,273)	483,117,000
Adjustments for:		
Gain on sale of investments	(26,680,487)	(69,390,737)
Fair value gain on investments	517,489,046	(377,266,225)
Revaluation gain- investment properties	(8,452,476)	(72,339,909)
Tax expense	(16,318,140)	106,611,000
Depreciation	30,747,512	33,193,000
Tax paid and other	5,315,242	476,964,783
Changes in operating assets and liabilities	<u>652,297,368</u>	<u>(951,239,000)</u>
Net cash provided by operating activities	1,022,684,792	(370,350,088)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(84,049,167)	(30,320,000)
Sale/(Purchase) of investment properties	29,180,289	(31,932,000)
Purchases of quoted equities (Net)	(783,361,623)	(953,376,000)
Due from / (to) associated company	80,969,000	(53,168,000)
Deferred taxation & Other	<u>(64,609,816)</u>	<u>3,782,088</u>
Net cash (used in) investing activities	<u>(821,871,317)</u>	<u>(1,065,013,912)</u>
Cash Flow before Financing Activity	200,813,475	(1,435,364,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans (repaid) / received	(19,999,678)	255,832,000
Shares issued minus capital distributions	<u>(20,852,504)</u>	<u>1,190,280,000</u>
Net cash provided by/ (used in) financing activities	<u>(40,852,182)</u>	<u>1,446,112,000</u>
Increase in cash and cash equivalents	<u>159,961,293</u>	<u>10,748,000</u>
Cash and equivalents at beginning of the period	<u>146,317,000</u>	<u>135,569,000</u>
Net Cash and equivalents at the end of period	<u>\$306,278,293</u>	<u>146,317,000</u>

Notes to Financial Statement

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 W.I. 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 and H Mahfood & Sons 2020 Limited are in the real estate business.
- KIW International Limited became an investment holding Company in March 2019.
- QWI Investments Limited is an investment holding and management Company (35.28% 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, H Mahfood & Sons 2020 Limited & 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 October 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.

Notes to Financial Statement

3. Accounting Policies (Continued)

(b) New Standards effective in the current year

IFRS 9 “Financial Instruments”

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.



Notes to Financial Statement

3. Accounting Policies (Continued)

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:

	4th Quarter		Year to date	
	2019/20	2018/19	2019/20	2018/19
SALES				
Local - Manufacturing	141,640,165	121,244,349	546,507,108	509,273,583
Foreign - Manufacturing	265,666,336	161,253,821	859,584,433	577,938,000
Retail	129,493,857	0	538,339,616	173,443,441
Sales of Homes	248,350,000	0	248,350,000	25,256,879
Rental income-HMS	<u>1,590,000</u>	<u>2,370,000</u>	<u>6,090,000</u>	<u>8,080,000</u>
TOTAL SALES	<u>\$786,740,358</u>	<u>284,868,170</u>	<u>2,198,871,157</u>	<u>1,293,991,903</u>

Notes to Financial Statement

6. INVESTMENT & OTHER INCOME:

	4th Quarter		Year to date	
	2019/20	2018/19	2019/20	2018/19
Interest Income	1,679,340	4,893,670	4,879,224	15,490,282
Dividend Income	5,081,221	3,260,094	22,901,147	9,342,371
Misc. Income	1,012,217	3,360,559	6,969,509	8,898,095
Realised Gains on Sale of Investments	10,043,844	8,262,623	26,680,487	69,390,737
Foreign Exchange Gain(loss)	(5,272,036)	3,715,901	14,390,425	1,001,218
Fair Value Gain (Loss) on Investments	21,005,714	250,975,203	(517,489,046)	377,266,225
Appreciation of Investment Properties	<u>8,452,476</u>	<u>72,339,909</u>	<u>8,452,476</u>	<u>72,339,909</u>
	<u>\$42,002,776</u>	<u>346,807,959</u>	<u>(433,215,778)</u>	<u>553,728,837</u>

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 is tax exempt for the first five years and is subject to taxation at 50% of the standard corporate rate during the second five years which ended in July 2020.

8. RECEIVABLES:

	September 2020	September 2019 (Audited)
Trade Receivables	349,933,247	208,135,000
Other Receivables	62,411,566	1,255,293,000
Intangibles	1,370,844	239,000
Taxation recoverable	<u>14,180,337</u>	<u>1,160,000</u>
Total Receivables and Intangibles	<u>\$427,895,994</u>	<u>1,464,827,000</u>

9. BORROWINGS

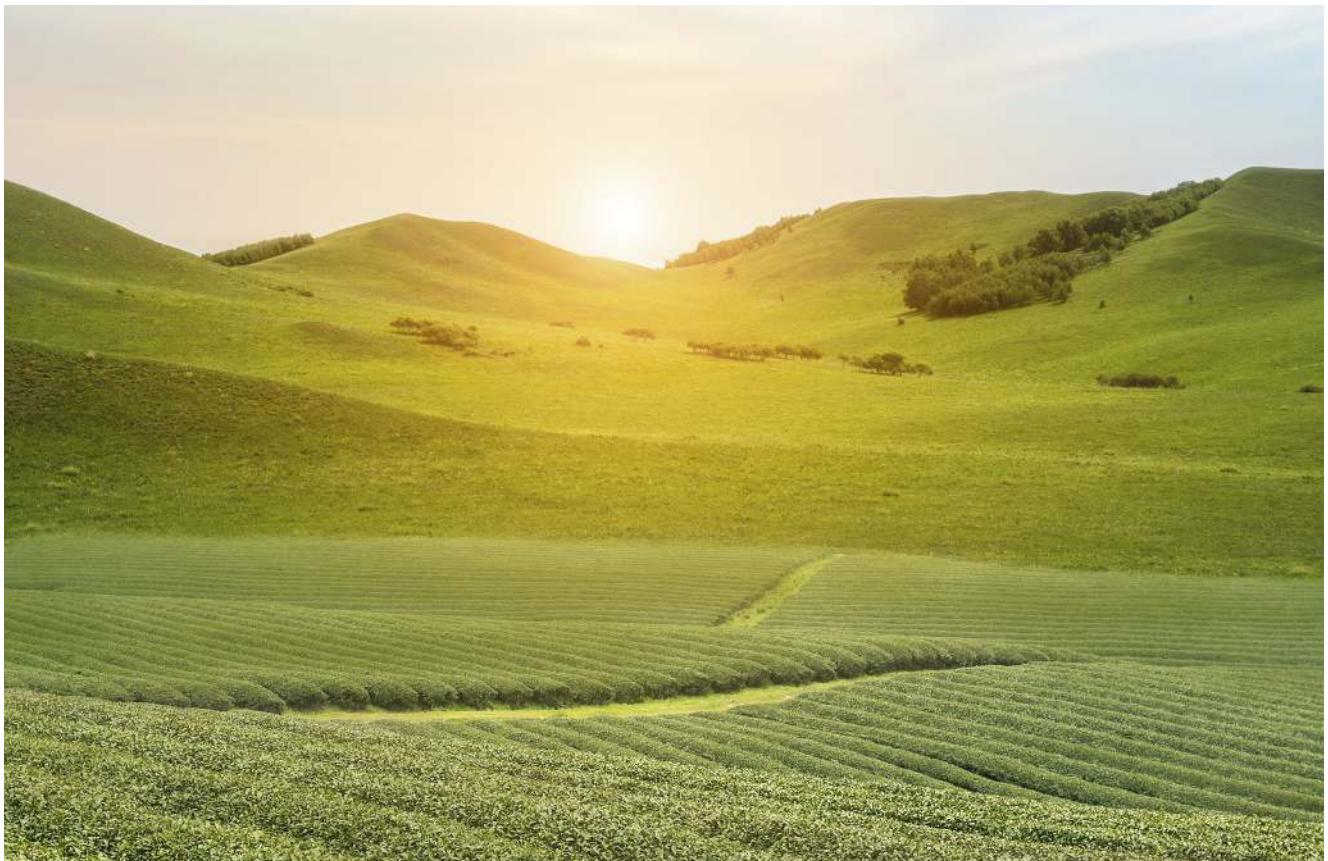
Bank of Nova Scotia Ja. Ltd.	143,333,332	183,333,000
Less Current portion	<u>(20,000,000)</u>	<u>(20,000,000)</u>
Total Long-Term Loans Less Short-Term Portion	<u>\$123,333,332</u>	<u>163,333,000</u>
Short-Term Borrowings	72,114,727	83,577,000
Margin Loan payable	199,818,935	184,275,000
Bank Overdraft	1,664,826	53,470,000
Current portion – Long-Term Loan	<u>20,000,000</u>	<u>27,872,000</u>
Total Short-Term Borrowings	<u>\$293,598,488</u>	<u>349,194,000</u>

Notes to Financial Statements

10. EXCHANGE RATES:

The rate of exchange used in the recording of foreign currencies transactions at the end of each quarter in these financial reports are selling exchange rates of the US dollar prevailing as follows:

September 2020	- \$141.25	(September 2019	- \$135.16)
June 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)



Segment Results

Unaudited to September 2020

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$1,406,091,541	538,339,616	254,440,000		2,198,871,157
Results before tax	<u>\$282,055,531</u>	<u>33,660,494</u>	<u>50,095,503</u>	<u>(513,842,941)</u>	<u>(148,031,413)</u>
Segment Assets	<u>\$1,632,611,739</u>	<u>110,218,047</u>	<u>144,899,800</u>	<u>1,644,539,731</u>	<u>3,532,269,317</u>
Segment Liabilities	<u>\$398,697,426</u>	<u>40,402,773</u>	<u>35,860,290</u>	<u>215,854,407</u>	<u>690,814,896</u>

Unaudited to September 2019

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$1,087,211,583	173,443,441	33,336,879		1,293,991,903
Results before tax	<u>\$166,718,703</u>	<u>9,122,506</u>	<u>57,790,173</u>	<u>360,783,831</u>	<u>594,415,213</u>
Segment Assets	<u>\$935,976,367</u>	<u>73,452,404</u>	<u>446,302,059</u>	<u>2,560,194,194</u>	<u>4,015,925,024</u>
Segment Liabilities	<u>\$380,889,593</u>	<u>3,277,792</u>	<u>1,810,326</u>	<u>638,392,191</u>	<u>1,024,369,902</u>

Notes

Jamaican Teas LTD.



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