

Jamaican Teas LTD.



September 2021 Unaudited Results



Board of Directors' Commentary

Fourth Quarter Results to September 2021

The Jamaican Teas Group enjoyed rising sales and profit this last year resulting in an outstanding 2021 fiscal year, particularly at the investment division.

The investment division enjoyed strong gains in the year and reversed the losses suffered in 2020 arising from the impact of COVID-19 on the economy.

REVENUES | JTL's total revenues for the quarter decreased \$262 million, from \$787 million to \$524 million. \$248m of this decrease resulted from the sale of 12 of the studios at the Manor Park complex in the year ago quarter vs no real estate sales this quarter. The remaining \$16 million sales reduction mainly reflects a decrease in export sales partly offset by an increase in domestic sales in the manufacturing business.

The increase in Other Income mainly resulted from higher realised investment gains and dividend income at QWI and reduced gains on the Group's Investment Properties compared with the year ago period.

For the year, the 4 percent increase in group sales reflects a 17 percent increase in export manufacturing sales, 10 percent increase in domestic manufacturing, a 2 percent drop in supermarket sales and the completion of only six sales of the Manor Park studios compared with twelve last year.

The increase in Other Income primarily resulted from higher realized investment gains at QWI. The reversal from Fair Value Losses on Investments of \$482 million to Gains of \$354 million arose from the significant recovery QWI experienced in its shareholdings during the year, as the effects of COVID-19 on many business operations began to reverse. This process is still ongoing, particularly in Jamaica, where the economic recovery has still to be completed.

EXPENSES | The changes in Cost of Sales for the quarter and full year, largely match the changes in revenues, but there was a significant deterioration in the gross profit margins of the manufacturing division during the fourth quarter due to heavy increases in sea freight costs and increases in costs of raw materials. We expect to begin recovering some of these cost increases during the first half of 2021/22.

The reductions in sales costs resulted from curtailed activity in some of our overseas markets due to COVID related travel restrictions which limited our ability to implement certain overseas sales programmes.

The increases in interest expense during the quarter and full year resulted from higher borrowings at QWI.

NET PROFIT | Net profit attributable to Jamaican Teas for the quarter was \$78 million, a decline of \$53 million or 40 percent from the almost \$132 million profit in the previous year's quarter. Total attributable comprehensive income per share was 4 cents (2019/20 – earnings of 6 cents-split adjusted). \$61m of this decline in profit arose from lower profits at the real estate division due to the completion of sales at Violets View and a write down in the value of 132 Harbour Street. The remainder of the decline arose from a decline in the profits of the manufacturing division due to the sales declines and cost increases referred to earlier. These declines were partly offset by gains in QWI's investment portfolio in the 2021 fourth quarter versus that of the previous year's quarter.

For the full year, net profit attributable to Jamaican Teas was \$391 million, an increase of 76 percent from the \$222 million in the previous year. Total attributable comprehensive income per share was 19 cents (2019/20 – earnings of 11 cents-split adjusted).

Manufacturing Division | The highlight for the quarter was a gain in our local sales which rose 13 percent over the prior year. This was an acceleration in the growth rate seen in the three prior quarters.

Exports accounted for 59 percent of total sales in the quarter and declined 12 percent from the year ago quarter. Feedback from our overseas customers indicates that the current slowdown in shipments is a result of our distributors reducing their inventories in certain lines and does not reflect an overall slowdown in their sales to the final consumers.

Real Estate Division | The year was a successful one as we completed our sale of the remaining Violet's View Manor studios. The proceeds and profits from six of these units are included in the 2021 financial year. There were no sales in the quarter just finished.

Board of Directors' Commentary (Continued)

Development of our latest project on Belvedere Road, Red Hills comprising thirty studios and one bedroom apartments is proceeding apace and the complex is more than 50 percent completed. Physical completion is expected during the first half of calendar 2022.

Retail Division | For 2021, revenues amounted to \$127 million for the fourth quarter (2020 - \$129 million). The division recorded revenues of \$520 million for the year versus \$534 million in 2019/20. The retail operation was affected by COVID 19 and the imposition of "no movement" days during the quarter as well as the closure of schools.

Investment Division | During this quarter, the improvement in the prices of stocks on the Jamaica and New York Stock Exchanges seen earlier in the year, was reversed. Notwithstanding this negative development, the division was still able to improve on its performance compared with the year ago quarter. This improved performance resulted from increased realized gains on the sale of shares, an exchange gain on the overseas portfolios and stronger dividend income. Our expectation is that the trend of higher share prices will continue into the new financial year, as economic performance, locally and overseas, gradually recovers from the dislocations of 2020. This is reflected in the rise of QWI's Net Asset value to \$1.41 recently up from \$1.33 at the end of the fiscal year.

OUTLOOK | The Jamaican economy is showing good signs of recovery from the declines in 2020, with noticeable recovery in the tourism industry and continued growth in remittances. The fall in the unemployment rate bodes well for improvement in consumer consumption. Jamaica is heavily dependent on tourism and remittances for foreign exchange and employment and they impact the wider economy with their linkages to locally produced goods and services. The steady increases in stopover arrivals and reopening of cruise shipping routes to Jamaica over the last few months is good news for the local economy in 2022. Offsetting these favourable developments are the possibilities of further increases in interest rates in Jamaica which, if continued, may dampen the ongoing recovery of the local stock market and limit the possibilities for further portfolio growth at QWI.

The Group has now, finally received planning approval for a major expansion of the factory to meet and prepare for continued growth and this project is expected to begin construction in 2022. Also next year the manufacturing division will relocate its soup and spices activities from Bell Road to a new location in the Richmond Park area of Kingston.

We paid an interim, split adjusted, dividend of 1 cent per share in June 2021.

AGM | Our Annual General meeting (AGM) was successfully held on 20 October 2021 and was, for the first time, conducted in an electronic, virtual meeting format due to the current COVID restrictions in Jamaica, which limit assemblies at Annual General Meetings to 50 people. An Extraordinary General Meeting (EGM) was held immediately before the AGM and approved the adoption of new company Articles of Incorporation and the transfer of the manufacturing division to our new subsidiary company, Caribbean Dreams Foods Ltd. Planning for this transfer is well underway.

Our Financial Controller, Oliver Goldsmith died in August 2021 as a result of contracting Covid-19. Oliver had been with the group for over twenty years and we will miss him. Over 80% of our staff members have received at least one dose of the vaccine for Covid-19. We intend to encourage all our staff to be vaccinated and anticipate that we will eventually achieve a 100% level of vaccination.

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

12 November 2021

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		4th Quarter		Year to date	
	Note	2020/21	2019/20	2020/21	2019/20 (Audited)
OPERATING REVENUES	6	524,657,240	786,740,358	2,273,287,535	2,195,006,000
COST OF GOODS SOLD		<u>413,081,731</u>	<u>576,575,379</u>	<u>1,711,795,017</u>	<u>1,610,119,000</u>
GROSS PROFIT		111,575,509	210,164,979	561,492,518	584,887,000
OTHER INCOME FAIR VALE GAINS ON INVESTMENTS	7	35,471,882	20,997,062	157,796,163	78,542,000
	7	<u>25,919,401</u>	<u>21,005,714</u>	<u>354,723,275</u>	<u>(482,220,000)</u>
PROFIT BEFORE OTHER EXPENSES		172,966,792	252,167,755	1,074,011,956	181,209,000
Sales costs		7,537,243	11,014,712	34,652,432	51,729,000
Administration costs		<u>57,244,071</u>	<u>68,614,504</u>	<u>243,948,947</u>	<u>233,169,000</u>
		<u>64,781,314</u>	<u>79,629,216</u>	<u>278,601,379</u>	<u>284,898,000</u>
OPERATING PROFIT		108,185,478	172,538,539	795,410,577	(103,689,000)
Finance costs		<u>10,101,132</u>	<u>7,797,018</u>	<u>36,020,379</u>	<u>31,746,000</u>
PROFIT BEFORE TAX		98,084,346	164,741,521	759,390,198	(135,435,000)
TAXATION	8	<u>6,159,577</u>	<u>(27,130,335)</u>	<u>(154,382,066)</u>	<u>65,715,000</u>
TOTAL COMPREHENSIVE INCOME (TCI)		<u>104,243,923</u>	<u>137,611,186</u>	<u>605,008,132</u>	<u>(69,720,000)</u>
TCI attributable to:					
Owners of Jamaican Teas Limited		78,445,989	131,651,959	391,084,839	222,395,000
Non-controlling interest		<u>25,797,933</u>	<u>5,959,227</u>	<u>213,923,292</u>	<u>(292,115,000)</u>
		<u>\$104,243,923</u>	<u>137,611,186</u>	<u>605,008,132</u>	<u>(69,720,000)</u>
Weighted average Shares outstanding		<u>2,114,349,201</u>	<u>2,076,299,745</u>	<u>2,093,549,201</u>	<u>2,087,750,376</u>
Basic Earnings per share		<u>\$0.04</u>	<u>\$0.06</u>	<u>\$0.19</u>	<u>\$0.11</u>
Weighted average Shares outstanding-diluted		<u>2,321,549,201</u>	<u>2,173,899,744</u>	<u>2,300,749,201</u>	<u>2,192,450,376</u>
Diluted Earnings per share		<u>\$0.03</u>	<u>\$0.06</u>	<u>\$0.17</u>	<u>\$0.10</u>

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL
CONDITION**

	<u>Sept 2021</u>	<u>Audited September 2020</u>
FIXED ASSETS	383,122,826	330,750,000
INVESTMENT PROPERTY	297,999,999	282,071,000
QUOTED INVESTMENTS	2,154,322,614	1,599,124,000
DEFERRED TAX	52,819,274	103,424,000
CURRENT ASSETS		
Inventories	358,513,864	287,171,000
Housing under construction	295,754,009	187,185,000
Receivables and Intangibles	392,276,113	407,283,000
Cash & Short term investments	<u>184,903,085</u>	<u>321,701,000</u>
Total Current Assets	<u>1,231,447,071</u>	<u>1,203,340,000</u>
CURRENT LIABILITIES		
Accounts Payable	187,837,051	219,401,000
Income tax payable	38,697,646	58,060,000
Deferred tax	40,426,167	
Current borrowings	<u>77,869,346</u>	<u>303,762,000</u>
Total Current Liabilities	<u>344,830,210</u>	<u>581,223,000</u>
NET CURRENT ASSETS	886,616,862	622,117,000
	<u>3,774,881,575</u>	<u>2,937,486,000</u>
EQUITY & NON- CURRENT LIABILITIES STOCKHOLDERS' EQUITY	2,061,284,934	1,722,069,000
NON-CONTROLLING INTEREST	<u>1,259,014,477</u>	<u>1,092,083,000</u>
	3,320,299,411	2,814,152,000
LONG-TERM LOAN	454,582,164	123,334,000
	<u>\$3,774,881,575</u>	<u>\$2,937,486,000</u>

Approved for issue by the Board of Directors on 12 November 2021 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 2021

	Attributable to the company's owners				
	Share Capital	Capital Reserves	Treasury Shares	Retained Earnings	Total
Balance at 30 Sept 2019	185,149,000	174,892,000	0	1,194,051,000	1,554,092,000
Capital distribution paid		(21,099,000)			(21,099,000)
Net Profit				222,395,000	222,395,000
Reductions of NCI / Other					0
Treasury shares purchased - cost		(957,000)	(37,962,000)		(38,919,000)
Shares issued	5,600,000				5,600,000
Balance at 30 September 2020	<u>\$190,749,000</u>	<u>\$152,836,000</u>	<u>\$(37,962,000)</u>	<u>\$1,416,446,000</u>	<u>\$1,722,069,000</u>
Balance at 30 Sept 2020	190,749,000	152,836,000	(37,962,000)	1,416,446,000	1,722,069,000
Treasury shares purchased - net			(25,334,663)		(25,334,663)
Capital distribution paid		(63,359,511)			(63,359,511)
Net Profit				391,084,839	391,084,839
Reductions of NCI / Other				(13,774,731)	(13,774,731)
Shares issued	50,600,000				50,600,000
Balance at 30 September 2021	<u>\$241,349,000</u>	<u>\$89,476,489</u>	<u>\$(63,296,663)</u>	<u>\$1,793,756,108</u>	<u>\$2,061,284,934</u>

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 September 2021

	YTD Sep-21	YTD Sep-20 (Audited)
Net profit for the period to date	605,008,132	(69,720,000)
Adjustments for:		
Gain on Sale of Investments	(96,259,411)	122,188,000
Fair Value (Gain)/ Loss on Investments	(354,723,275)	360,032,000
Tax expense/(credit)	154,382,066	(65,715,000)
Depreciation	23,805,490	31,056,000
Other	(23,502,540)	(6,110,000)
Operating cashflows before movements in working capital	<u>308,710,462</u>	<u>371,731,000</u>
Changes in operating assets and liabilities	<u>(441,723,943)</u>	<u>700,410,000</u>
Net cash provided by operating activities	(133,013,481)	1,072,141,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Fixed Assets	(76,180,294)	(55,711,000)
Purchase/(sale) of Investment Property	(25,284,769)	(61,153,000)
Purchases of Quoted Investments - Net	(200,475,339)	(718,196,000)
Due from associated company	<u>0</u>	<u>80,969,000</u>
		<u>29,382,000</u>
Deferred taxation / other	<u>0</u>	<u>0</u>
Net cash (used in) investing activities	<u>(296,938,424)</u>	<u>(724,709,000)</u>
	(429,951,905)	347,432,000
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities	<u>293,153,990</u>	<u>(172,048,000)</u>
Net cash provided by/ (used in) financing activities	<u>293,153,990</u>	<u>(172,048,000)</u>
Increase /(decrease) in cash and cash equivalent	<u>(136,797,915)</u>	<u>175,384,000</u>
Cash and cash equivalent at beginning of the period	<u>321,701,000</u>	<u>146,317,000</u>
Cash and cash equivalent at the end of period	<u><u>\$184,903,085</u></u>	<u><u>321,701,000</u></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 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 and 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 (40% 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 LTJ Managers Ltd, KIW International Limited, Bay City Foods Limited, QWI Investments Limited, H Mahfood and Sons 2020 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, 2020 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.

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 STATEMENTS

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:

	2020/21	2019/20	2020/21	2019/20 (Audited)
SALES				
Local - Manufacturing	159,883,874	141,640,165	600,597,109	546,507,000
Foreign - Manufacturing	<u>233,993,091</u>	<u>265,666,336</u>	<u>1,009,765,821</u>	<u>859,585,000</u>
	<u>393,876,965</u>	<u>407,306,501</u>	<u>1,610,362,930</u>	<u>1,406,092,000</u>
Retail	127,215,275	129,493,857	520,683,125	534,474,000
Sales of Apartments	0	248,350,000	133,250,000	248,350,000
Rental income	<u>3,565,000</u>	<u>1,590,000</u>	<u>8,991,480</u>	<u>6,090,000</u>
TOTAL SALES	<u>\$524,657,240</u>	<u>\$786,740,358</u>	<u>\$2,273,287,535</u>	<u>\$2,195,006,000</u>

NOTES TO FINANCIAL STATEMENTS

6. INVESTMENT & OTHER INCOME:

	2020/21	2019/20	2020/21	2019/20 (Audited)
Fair Value Gain/(Loss) on Investments	<u>25,919,401</u>	<u>21,005,714</u>	<u>354,723,275</u>	<u>(482,220,000)</u>
OTHER INCOME:				
Interest Income	433,350	1,679,340	4,285,222	5,409,000
Dividend Income	10,211,353	5,081,221	34,180,205	22,901,000
Realised Investment Gains	28,971,917	10,043,844	96,259,411	0
Gain on acquisition of subsidiary				21,028,000
Foreign Exchange (Loss)/Gain	(1,354,288)	(5,272,036)	16,287,474	13,115,000
Miscellaneous Income	1,565,320	1,012,217	11,139,621	7,636,000
Appreciation of Investment Properties	<u>(4,355,770)</u>	<u>8,452,476</u>	<u>(4,355,770)</u>	<u>8,453,000</u>
OTHER INCOME	<u><u>\$35,471,882</u></u>	<u><u>20,997,062</u></u>	<u><u>157,796,163</u></u>	<u><u>78,542,000</u></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. LONG TERM LOANS:

	Sept 2021	Sept 2020 (Audited)
Bank of Nova Scotia Ja. Ltd. - Loan	137,083,318	143,405,000
Victoria Mutual Investments- Loan	<u>337,498,846</u>	<u>0</u>
Current portion	<u>(20,000,000)</u>	<u>(20,071,000)</u>
Total loans less short term portion	<u><u>\$454,582,165</u></u>	<u><u>\$123,334,000</u></u>

SEGMENT RESULTS**Unaudited to September 2021**

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$1,601,362,930	520,683,125	142,241,480		2,273,287,535
Results before tax	<u>\$285,222,378</u>	<u>25,563,469</u>	<u>19,464,080</u>	<u>429,140,271</u>	<u>750,679,984</u>
Segment Assets	<u>\$1,185,297,891</u>	<u>133,329,848</u>	<u>615,215,636</u>	<u>2,206,851,011</u>	<u>4,140,694,386</u>
Segment Liabilities	<u>\$356,211,651</u>	<u>46,096,523</u>	<u>7,681,684</u>	<u>410,405,117</u>	<u>820,394,975</u>

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>

Jamaican Teas LTD.

A graphic of three green tea leaves with small white flowers, positioned to the right of the word 'Teas' in the company name.

2 Bell Road, Kingston 11

T: 876 656 9491-2 | F: 876 764 8015

info@jamaicanteas.com

www.jamaicanteas.com