

# Jamaican Teas LTD.



## Fourth Quarter Results SEPTEMBER 2021



# 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 in the Investment Division.

The 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

Total revenues for the quarter declined \$262 million from \$787 million to \$525 million. \$248 million of this downturn resulted from the sale of 12 of the studios at the Manor Park complex in the year ago quarter versus no real estate sales this quarter. The remaining \$14 million mainly reflects lower export sales that was partly offset by an increase in domestic sales in the manufacturing business.

The growth in Other Income was largely due to 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 the Group's revenues reflect growth of 17 percent in export manufacturing sales, 10 percent in domestic manufacturing, a 2 percent fall off in supermarket sales and six Manor Park studios sold compared with twelve last year.

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 turn around. This is still ongoing locally, as economic recovery has yet to fully rebound.

#### EXPENSES

The changes in Cost of Sales for the quarter and full year largely match the changes in revenues. However, during the quarter, there was a significant deterioration in the gross profit margin of the Manufacturing Division, due to considerably higher sea freight and raw material costs. We expect to begin recovering some of these cost increases during the first half of 2021/22.

Curtailed activity in some of our overseas markets accounted for the reduction in sales costs, due to COVID-19 related travel restrictions, which limited our ability to implement certain sales programmes.

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

# Board of Directors' Commentary

(Continued)

## NET PROFIT

Net profit attributable to Jamaican Teas for the quarter was \$78 million, a decline of \$53 million or 40 percent from the \$132 million profit in the previous year's quarter. Lower profits in the Real Estate Division, due to the completion of sales of the Violet's View Manor Park units and a write down in the value of 132 Harbour Street contributed to \$61 million of the decline. However, this was partly offset by gains in QWI's investment portfolio in the 2021 fourth quarter versus that of the previous year's quarter.

For the quarter, total attributable comprehensive income per share was 4 cents (2019/20 – earnings of 6 cents - split adjusted).

For the full year, net profit attributable to Jamaican Teas was \$391 million, an increase of 76 percent from \$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 slow-down in shipments is a result of our distributors reducing their inventories in certain product lines and does not reflect an overall slow-down in their sales to consumers.

## Real Estate Division

It was a successful year as we completed our sale of the remaining Violet's View Manor Park units. The proceeds and profits from 6 of these units are included in the 2021 financial year. There were no sales in the quarter just ended.

Development of our latest project on Belvedere Road, Red Hills comprising thirty units - studios and one bedroom apartments - is proceeding apace and is more than 50 percent completed. Expectations are for completion in the first half of 2022.

## Retail Division

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 the quarter, the improvement in stock prices seen earlier in the year on the Jamaica and New York Stock Exchanges was reversed. Notwithstanding this negative development, the division was still able to improve on its performance compared with the year ago quarter. Realized gains on the sale of shares increased as well as foreign exchange gains 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 already noticeable in QWI's Net Asset Value of \$1.43, 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 a turn around in the tourism industry and continued growth in remittances, increased production and exports of alumina and reduction in unemployment.

The Group has finally received planning approval for a major expansion of the manufacturing plant to meet and prepare for continued growth. Construction is

# Board of Directors' Commentary

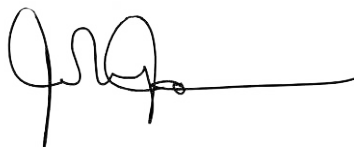
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expected to commence in 2022, in addition to the relocation of the soups and spices operations of the Manufacturing Division from Bell Road to our temporary facility at Richmond Park.

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

## ANNUAL GENERAL MEETING

Our Annual General meeting (AGM) was successfully held on 27 October 2021 and was, for the first time, conducted in a virtual hybrid format, with shareholders participating via electronic access, due to COVID-19 restrictions which limited attendance at Annual General Meetings.



**John Jackson**  
Chairman



**John Mahfood**  
Chief Executive Officer/Director

An Extraordinary General Meeting (EGM) was held prior to the AGM at which the Company's new Articles of Incorporation were approved and also the transfer of the Manufacturing Division to our new subsidiary company, Caribbean Dreams Foods Ltd. Planning for this transfer is well under way.

We paid tribute to our late Financial Controller, Oliver Goldsmith, who passed in August 2021. Oliver served the Group for over twenty years and will be missed greatly.

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

12 November 2021



# Unaudited Consolidated Statement of Comprehensive Income

## Fourth Quarter Ended 30 September 2021

	Note	4th Quarter		Year to date	
		2020/21	2019/20	2020/21	2019/20 (Audited)
OPERATING REVENUES	5	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	6	35,471,882	20,997,062	157,796,163	78,524,000
FAIR VALUE GAIN/(LOSS) ON INVESTMENTS	6	<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 cost		<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	7	<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		2,114,349,201	2,076,299,745	2,093,549,201	2,087,750,376
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		2,321,549,201	2,173,899,744	2,300,749,201	2,192,450,376
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 Position

## Fourth Quarter Ended 30 September 2021

	September 2021	Audited September 2020
<b>NON-CURRENT ASSETS</b>		
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
<b>CURRENT ASSETS</b>		
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>
<b>CURRENT LIABILITIES</b>		
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	344,830,210	581,223,000
<b>NET CURRENT ASSETS</b>	886,616,862	622,117,000
	<u>\$3,774,881,575</u>	<u>\$2,937,486,000</u>
<b>EQUITY &amp; NON-CURRENT LIABILITIES</b>		
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>



John Jackson, Chairman



John Mahfood, Chief Executive Officer/Director

# Unaudited Consolidated Statement of Changes in Equity

## Fourth Quarter Ended 30 September 2021

	Attributable to the Company's owners				
	Share Capital	Capital Reserves	Treasury Shares	Retained Earnings	Total
Balance as at 30 September 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					-
Treasury shares purchased - cost		(957,000)	(37,962,000)		(38,919,000)
Shares issued	5,600,000				5,600,000
<b>Balance as at 30 September 2020</b>	<b>\$190,749,000</b>	<b>152,836,000</b>	<b>(37,962,000)</b>	<b>1,416,446,000</b>	<b>1,722,069,000</b>
Balance as at 30 September 2020	190,749,000	152,836,000	(37,962,000)	1,416,446,000	1,772,069,000
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
<b>Balance as at 30 September 2021</b>	<b>\$241,349,000</b>	<b>89,476,489</b>	<b>(63,296,663)</b>	<b>1,793,756,108</b>	<b>2,061,284,934</b>

# Unaudited Consolidated Statement of Cash Flows

## Fourth Quarter Ended 30 September 2021

	September 2021	September 2020
<b>Net profit for the period to date</b>	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	<u>(23,502,540)</u>	<u>(6,110,000)</u>
Operating cash flows before movements in working capital	308,710,462	371,731,000
Changes in operating assets and liabilities	(441,723,943)	700,410,000
<b>Net cash provided by operating activities</b>	(133,013,481)	1,072,141,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of fixed assets	(76,180,294)	(55,711,000)
Purchase/(sale) of investment property	(25,284,769)	(61,153,000)
Purchase of quoted investments - net	(200,475,339)	(718,196,000)
Due from associated company	0	80,969,000
Deferred taxation/Other	<u>0</u>	<u>29,382,000</u>
<b>Net cash (used in) investing activities</b>	<u>(296,938,424)</u>	<u>(724,709,000)</u>
	(429,951,905)	347,432,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Financing activities	293,153,990	(172,048,000)
Net cash provided by/ (used in) financing activities	<u>293,153,990</u>	<u>(172,048,000)</u>
<b>Increase/(decrease) in cash and cash equivalent</b>	<u>(136,797,915)</u>	<u>175,384,000</u>
Cash and cash equivalent at beginning of period	<u>321,701,000</u>	<u>146,317,000</u>
Cash and cash equivalent at end of period	<u>\$184,903,085</u>	<u>321,701,000</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 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 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 amortised 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:

(Audited)

SALES	2020/21	2019/20	2020/21	2019/20
Local - Manufacturing	159,883,874	141,640,165	600,597,109	546,507,000
Foreign - Manufacturing	233,993,091	265,666,336	1,009,765,821	859,585,000
	<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
Sale 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 Statement

## 6. INVESTMENT & OTHER INCOME

	2020/21	2019/20	2020/21	(Audited) 2019/20
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>
<b>OTHER INCOME:</b>				
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>\$35,471,882</u>	<u>20,997,062</u>	<u>157,796,163</u>	<u>78,542,000</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:

	September	
	2021	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>\$454,582,165</u>	<u>123,334,000</u>

# Segment Results

## Unaudited to September 2021

### Unaudited to September 2021

	Manufacturing	Retailing	Property	Investments	TOTAL
<b>OPERATING REVENUES</b>	\$1,601,362,930	520,683,125	142,241,480	0	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

### Unaudited to September 2020

	Manufacturing	Retailing	Property	Investments	TOTAL
<b>OPERATING REVENUES</b>	\$1,406,091,541	538,339,616	254,440,000	0	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.



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