

Jamaican Teas LTD.



December 2021 Unaudited Results



Board of Directors' Commentary

First Quarter Results to December 2021

Our first quarter results were modestly down from the prior year. Sales improved in all the divisions except the Real Estate division. Sales in the local manufacturing division rose 19.5 percent but export sales were slightly down for the period in Jamaican dollars following two years of strong growth. Our latest real estate development is slated for completion this year with sales expected to commence during the June quarter

Overall manufacturing sales were 6 per cent ahead of a year ago and the retail division saw a 2 per cent sales increase. While QWI's share portfolio continued to outperform the local stock market, its total gains for the quarter were 13 per cent below last year. Combined with some expense increases, QWI's profit contribution to the group was lower than in the 2020/21 quarter.

Manufacturing division - The highlight for the quarter was the strong gain in our local sales which rose 19.5% over the prior year.

Exports declined one per cent in the quarter. This decline occurred in shipments directly from Asian suppliers to our overseas customers and is an immediate result of the massive increases in ocean freight costs experienced over the last several months which was diminished customer demand for some types of products.

While other export customer orders have remained strong, Jamaican Teas has lost sales as a result of being unable to fill orders due to shipping delays in sourcing raw materials on a timely basis. These delays have worsened since December 2021 but management actions have been taken to ameliorate the effects of these delays.

Real Estate division - This division booked two studio sales during the year ago quarter. That project is now completely sold. The Division's latest project at Belvedere in Kingston is proceeding apace with physical completion anticipated later in calendar 2022. Sales activity for Belvedere has already commenced with the displaying of model units that have been well received by potential purchasers.

Retail division – For the first quarter revenues amounted to \$137 million versus \$134 million a year ago. The store has returned to its former hours of operation but of course not all schools and businesses in Kingston have returned to their previous levels of activity. The division has seen improved sales and profits following the quarter.

Investment division -During this quarter there was a mixed performance in the prices of stocks on the Jamaican and New York Stock Exchanges with the stronger performance mainly in the USA. This resulted in some reduction in the realized and unrealized investment gains for QWI from \$133 million a year ago to \$116 million this quarter.

REVENUES | Total revenues for the quarter decreased by 2 per cent or \$14 million from \$610 million to \$596 million due to the absence of any real estate sales this quarter.

The increase in Other Income this quarter mainly reflects the impact of higher unrealized exchange gains on the foreign currency shares and other foreign currency denominated assets owned by group member companies compared with a year ago and is a direct result of the recent devaluation of the Jamaican dollar.

EXPENSES| The growth in our Cost of Sales for the quarter outstripped the revenue growth we experienced. Part of this increase arose from the sharp increases in ocean freight costs referred to earlier as well as increases in raw materials costs and the effects of the depreciation of the Jamaican dollar. Price increases effected in all our markets in January 2022 are expected to assist in recovering the erosion in gross margins seen in 2021.

The increase in administrative costs mainly reflects increased insurance and investment management expenses at QWI in the period as well as salary and wage increases at Manufacturing along with approximately \$3 million in non-recurring legal fees.

Board of Directors' Commentary (Continued)

The increase in interest expense during the quarter resulted from higher borrowings at QWI during the quarter.

NET PROFIT | Profit before tax moved from \$230 million a year ago to a profit of \$215 million this quarter mainly resulting from the reduced real estate sales referred to above.

Taxation moved from almost \$50 million last year to a charge this quarter of \$40 million

Net profit for the quarter was \$167 million compared with \$181 million in the previous year quarter.

Basic attributable comprehensive income per share was 5.4 cents (2020/21– earnings of 5.5 cents).

SIGNIFICANT BALANCE SHEET ITEMS | During the Quarter Jamaican Teas purchased almost 46 million shares in QWI increasing its holding to 355 million shares or 26 per cent of QWI's issued and outstanding shares. Combined with KIW's almost 18 per cent stake your group member companies now own 44 per cent of QWI.

Your Company made these new investments in QWI as we believe that buying QWI shares at an average price of 85 cents per share when the net asset value of QWI's shares is over 135 cents will provide a good return for Jamaican Teas shareholders.

AGM | Our annual general meeting (AGM) will be held in March 2021 and will again be a virtual meeting. We look forward to your participation in the meeting.

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

9 February 2022

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 31 December

	Note	1st Quarter		Year to date	
		2020/21	2019/20	2020/21	2019/20
OPERATING REVENUES	5	596,100,584	610,563,939	596,100,584	610,563,939
COST OF GOODS SOLD		<u>449,540,669</u>	<u>442,582,845</u>	<u>449,540,669</u>	<u>442,582,845</u>
GROSS PROFIT		146,559,915	167,981,094	146,559,915	167,981,094
INVESTMENT INCOME	6	128,832,968	143,665,397	128,832,968	143,665,397
OTHER INCOME / (LOSS)	7	<u>38,357,783</u>	<u>(2,341,006)</u>	<u>38,357,783</u>	<u>(2,341,006)</u>
PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES		313,750,666	309,305,485	313,750,666	309,305,485
Sales and Marketing costs		9,814,550	8,760,241	9,814,550	8,760,241
Administration cost		<u>88,727,797</u>	<u>62,566,598</u>	<u>88,727,797</u>	<u>62,566,598</u>
		<u>98,542,347</u>	<u>71,326,839</u>	<u>98,542,347</u>	<u>71,326,839</u>
OPERATING PROFIT		215,208,319	237,978,646	215,208,319	237,978,646
Finance costs		<u>8,049,993</u>	<u>7,080,639</u>	<u>8,049,993</u>	<u>7,080,639</u>
PROFIT BEFORE TAXATION		207,158,326	230,898,007	207,158,326	230,898,007
TAXATION		<u>(39,539,192)</u>	<u>(49,928,563)</u>	<u>(39,539,192)</u>	<u>(49,928,563)</u>
NET PROFIT/TOTAL COMPREHENSIVE INCOME		<u>167,619,134</u>	<u>180,969,444</u>	<u>167,619,134</u>	<u>180,969,444</u>
Net profit attributable to:					
Owners of Jamaican Teas Limited		113,625,241	116,593,885	113,625,241	116,593,885
Non-controlling interest		<u>53,993,894</u>	<u>64,375,559</u>	<u>53,993,894</u>	<u>64,375,559</u>
		<u>\$167,619,135</u>	<u>180,969,444</u>	<u>167,619,135</u>	<u>180,969,444</u>
Comprehensive income attributable to :					
Owners of Jamaican Teas Limited		113,625,241	116,593,885	113,625,241	116,593,885
Non-controlling interest		<u>53,993,894</u>	<u>64,375,559</u>	<u>53,993,894</u>	<u>64,375,559</u>
		<u>\$167,619,135</u>	<u>180,969,444</u>	<u>167,619,135</u>	<u>180,969,444</u>
Shares outstanding		2,122,959,203	2,102,650,377	2,122,959,203	2,102,650,377
Diluted shares outstanding		2,331,129,197	2,198,650,377	2,331,129,197	2,198,650,377
Basic Earnings per share		\$0.054	0.055	0.054	0.055
Diluted Earnings per share		\$0.049	0.053	0.049	0.053

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	<u>December 2021</u>	<u>December 2020</u>	<u>Audited September 2021</u>
FIXED ASSETS	384,088,330	346,611,744	371,938,000
INVESTMENT PROPERTY	301,974,454	284,556,813	318,001,000
QUOTED EQUITIES	2,213,277,091	1,708,046,640	2,138,662,000
LEASE RIGHT OF USE	913,837		0
DEFERRED TAX ASSETS	48,663,304	84,816,251	2,113,000
CURRENT ASSETS			
Inventories	385,908,786	282,224,455	365,863,000
Housing under construction	376,272,250	189,246,291	300,167,000
Trade Receivables	298,349,635	346,904,767	302,280,000
Other Receivables	218,375,173	40,624,313	91,701,000
Intangibles	1,057,006	1,219,208	2,189,000
Taxation recoverable	279,930	18,800,245	280,000
Cash & Short term investments	<u>167,694,348</u>	<u>317,815,423</u>	<u>188,505,000</u>
Total Current Assets	<u>1,447,937,128</u>	<u>1,196,834,702</u>	<u>1,250,985,000</u>
CURRENT LIABILITIES			
Accounts Payable	185,323,823	178,213,615	184,685,000
Income tax payable/deferred tax liability	143,111,205	101,222,862	31,478,000
Short Term Borrowings	81,040,408	249,446,800	68,446,000
Bank Overdraft	50,032,073	75,192	226,000
Current portion - Long Term Loan	<u>21,268,328</u>	<u>20,000,000</u>	<u>23,706,000</u>
Total Current Liabilities	<u>480,775,837</u>	<u>548,958,469</u>	<u>308,541,000</u>
NET CURRENT ASSETS	<u>967,161,291</u>	<u>647,876,233</u>	<u>942,444,000</u>
	<u>\$3,916,078,307</u>	<u>\$3,071,907,681</u>	<u>\$3,773,158,000</u>
EQUITY & NON-CURRENT LIABILITIES			
STOCKHOLDERS' EQUITY	2,198,241,932	1,799,605,226	2,076,904,000
NON-CONTROLLING INTEREST	<u>1,243,790,663</u>	<u>1,110,969,134</u>	<u>1,213,677,000</u>
	3,442,032,595	2,910,574,360	3,290,581,000
LONG-TERM LOAN	<u>474,045,712</u>	<u>161,333,321</u>	<u>482,577,000</u>
	<u>\$3,916,078,307</u>	<u>\$3,071,907,681</u>	<u>\$3,773,158,000</u>

Approved for issue by the Board of Directors on 9 February 2022 and signed on its behalf by:



John Jackson - Chairman



John Mahfood – Chief Executive Officer / Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Period ended 31 December

	Attributable to the company's owners				
	Share Capital	Capital Reserves	Treasury Shares	Retained Earnings	Total
Balance at 30 September 2020	190,749,000	152,836,000	(37,962,000)	1,416,446,000	1,722,069,000
Capital distribution paid		(41,897,007)			(41,897,007)
Treasury shares at cost			(29,510,080)		(29,510,080)
Net Profit				116,593,885	116,593,885
Realised gains to P & L / Other				8,949,428	8,949,428
Shares issued	23,400,000				23,400,000
Balance at 31 December 2020	<u>\$214,149,000</u>	<u>\$110,938,993</u>	<u>\$(67,472,080)</u>	<u>\$1,541,989,313</u>	<u>\$1,799,605,226</u>
Balance at 30 September 2021	241,344,000	110,939,000	(63,297,000)	1,787,918,000	2,076,904,000
Capital distribution paid					0
Net Profit				113,625,241	113,625,241
Treasury shares sold			14,770,623		14,770,623
Non-controlling interests purchased / Other				(14,097,932)	(14,097,932)
Shares issued	7,040,000				7,040,000
Balance at 31 December 2021	<u>\$248,384,000</u>	<u>\$110,939,000</u>	<u>\$(48,526,377)</u>	<u>\$1,887,445,309</u>	<u>\$2,198,241,932</u>

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 31 December

	December 2021	December 2020
Net profit for the period to date	167,619,134	180,969,444
Adjustments for:		
Gain on Sale of Investments	(27,820,225)	(34,540,435)
Fair Value gain on Investments	(88,421,415)	(98,769,681)
Tax expense	39,539,192	49,928,563
Depreciation	6,882,885	7,609,639
Other	<u>(3,896,499)</u>	<u>9,858,867</u>
Operating cashflows before movements in working capital	93,903,072	115,056,397
Changes in operating assets and liabilities	<u>(45,527,943)</u>	<u>(33,476,121)</u>
Net cash provided by operating activities	48,375,129	81,580,276
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets and properties	(3,920,506)	(31,257,458)
Purchases of Investments	(13,806,324)	(10,152,959)
Deferred taxation	<u>(46,550,304)</u>	<u>350,003</u>
Net cash (used in) investing activities	<u>(64,277,134)</u>	<u>(41,060,414)</u>
	(15,902,005)	40,519,862
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loans received	(8,531,288)	37,999,321
Distributions paid	-	(41,897,007)
Treasury shares sold/(purchased)	28,980,000	(29,510,080)
Purchase of non-controlling interests and other	(40,241,432)	(34,397,673)
Shares issued	<u>7,040,000</u>	<u>23,400,000</u>
Net cash provided by/ (used in) financing activities	<u>(12,752,720)</u>	<u>(44,405,439)</u>
Increase /(decrease) in cash and cash equivalent	<u>(28,654,725)</u>	<u>(3,885,577)</u>
Cash and cash equivalent at beginning of the period	<u>146,317,000</u>	<u>321,701,000</u>
Cash less overdrafts at the end of period	<u><u>\$117,662,275</u></u>	<u><u>317,815,423</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 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 a real estate 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 (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 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 30 September 2021 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.

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:

	1st Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
SALES				
Local - Manufacturing	184,917,588	154,371,193	184,917,588	154,371,193
Foreign - Manufacturing	271,410,874	273,921,046	271,410,874	273,921,046
Retail	137,342,122	134,801,500	137,342,122	134,801,500
Rental Income/Real estate sales	<u>2,430,000</u>	<u>47,470,200</u>	<u>2,430,000</u>	<u>47,470,200</u>
TOTAL SALES	<u>\$596,100,584</u>	<u>610,563,939</u>	<u>596,100,584</u>	<u>610,563,939</u>

NOTES TO FINANCIAL STATEMENTS**6. INVESTMENT INCOME:**

	1st Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
Realised Gain / (Loss) on Sale of Investments	27,820,225	34,540,435	27,820,225	34,540,435
Fair Value Gain on Investments	88,421,415	98,769,681	88,421,415	98,769,681
Dividend Income	<u>12,591,328</u>	<u>10,355,281</u>	<u>12,591,328</u>	<u>10,355,281</u>
Total Investment Income	<u>\$128,832,968</u>	<u>143,665,397</u>	<u>128,832,968</u>	<u>143,665,397</u>

7. OTHER INCOME:

	1st Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
Foreign Exchange Gain	35,475,180	(5,617,488)	35,475,180	(5,617,488)
Miscellaneous Income	<u>2,882,603</u>	<u>3,276,482</u>	<u>2,882,603</u>	<u>3,276,482</u>
Net Other Income	<u>\$38,357,783</u>	<u>(2,341,006)</u>	<u>38,357,783</u>	<u>(2,341,006)</u>

SEGMENT RESULTS**Unaudited to December 2021**

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$456,328,462	137,342,122	2,430,000		596,100,584
Results before tax	<u>\$84,012,626</u>	<u>8,412,266</u>	<u>456,552</u>	<u>114,276,882</u>	<u>207,158,326</u>
Segment Assets	<u>\$1,183,627,369</u>	<u>141,173,217</u>	<u>732,861,982</u>	<u>2,339,191,576</u>	<u>4,396,854,144</u>
Segment Liabilities	<u>\$399,921,750</u>	<u>52,831,755</u>	<u>15,571,946</u>	<u>486,496,098</u>	<u>954,821,549</u>

Unaudited to December 2020 – restated

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$428,292,239	134,801,500	47,470,200		610,563,939
Results before tax	<u>\$93,301,051</u>	<u>6,531,536</u>	<u>10,400,757</u>	<u>120,664,663</u>	<u>230,898,007</u>
Segment Assets	<u>\$1,249,387,240</u>	<u>129,470,825</u>	<u>487,162,055</u>	<u>1,759,688,922</u>	<u>3,625,709,042</u>
Segment Liabilities	<u>\$387,879,267</u>	<u>61,381,212</u>	<u>24,041,942</u>	<u>241,832,261</u>	<u>715,134,682</u>



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