

# Jamaican Teas LTD.



## March 2022 Unaudited Results



# Board of Directors' Commentary

## Second Quarter Results to March 2022

Our group enjoyed robust improvement in sales in all the divisions for the second quarter and the first half of the year except in the Real Estate Division where our project at Belvedere is at an advanced stage of development with completion of sales due later in the year.

Local manufacturing sales rose a strong 26 percent in the quarter even as the division suffered from a shortage of some inventory items resulting in lower sales for a number of products. Export sales were slightly down for the period in Jamaican dollars following two years of robust growth. Some of this decline is directly related to the shortage of raw materials required to fulfill orders of finished products. The retail division saw a 12 per cent sales increase in the quarter.

A primary contributor to the shortage of ingredients was the popular and in demand peppermint. Subsequent to the end of the quarter we received adequate supplies that will result in us filling the backlog in orders.

Our real estate division includes rental properties as well as property held for development. Currently, the focus is to concentrate on one development at a time and accordingly there will be periods when there will be little or no sales until each development is completed. During the period to March there were no units sold but the latest development is at an advanced stage of readiness. The commencement of sales is slated for completion this year with several sales contracts already signed.

QWI 's investment share portfolio continued to outperform the local stock market although it's total gains for the quarter were 12 per cent below last year. Combined with some expense increases, QWI's profit contribution to the group was therefore lower than in the 2020/21 quarter and the half year.

The second quarter and half year profits were lower than the prior year period for the Group and this is further detailed below.

**Manufacturing division** - The highlight for the quarter was the strong gain in our local sales which rose 26.2% over the prior year to bring total manufacturing sales for the six months to \$880 million, an increase of 5.4 percent over 2021 that delivered sales of \$835 million.

Exports declined 5 per cent in the quarter. This decline occurred, in part, in shipments directly from Asian suppliers to our overseas customers and is an immediate result of the substantial 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, some export sales in the quarter, and in the half year, declined as a result of our inability to fill orders due to delays in the arrival of some imported raw materials. Management actions have ameliorated the effects of these delays and increased factory shifts are being worked to address the order backlog.

**Retail division** – For the second quarter revenues amounted to \$149 million versus \$132 million a year ago. The store has returned to its former hours of operation and has continued to see improved sales, customer count and profits following the quarter end.

**Real Estate division** - This division booked several 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.

**Investment division** -During the quarter there was a mixed performance of stocks on the Jamaican and USA Stock Exchanges with the stronger performance mainly in Jamaica's Junior Market. This resulted in some reduction in investment gains for QWI from \$68 million a year ago to \$58 million this quarter.

**GROUP REVENUES** - Total revenues for the quarter decreased by 5.5 per cent or \$33 million from \$608 million to \$575 million due to the absence of any real estate sales this quarter versus 2021 which included real estate sales from Manor Park. For the half year sales decreased 4 per cent

The decrease in Other Income this quarter mainly reflects the impact of unrealized exchange losses 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 revaluation of the Jamaican dollar in the quarter. For the half year the group reported a foreign exchange gain of almost \$32 million.

## Board of Directors' Commentary (Continued)

**EXPENSES** - While revenues fell 5.5 per cent, our Cost of Sales for the quarter only fell by 4.5 per cent resulting in the loss of one percentage point of gross profit margin. This adverse trend resulted from the sharp increases in ocean freight costs referred to earlier as well as increases in raw materials costs and the effects of the longer term depreciation of the Jamaican dollar. A similar trend was experienced in the half year.

Price increases were effected in all our markets in January 2022 and are expected to assist in recovering the erosion in gross margins seen in 2021. Further price actions are being reviewed by management on an ongoing basis.

Administrative costs rose and mainly reflects increased insurance and investment management expenses at QWI in the period as well as salary and wage increases at the Manufacturing division.

The increase in interest expense resulted from higher borrowings at the Manufacturing division.

**NET PROFIT**- Profit before tax moved from \$153 million a year ago to a profit of \$109 million this quarter mainly resulting from the reduced real estate sales and adverse cost of sales trends referred to above. For the half year profit before tax moved from \$382 million to \$335 million.

Taxation moved from almost \$42 million last year to a charge this quarter of \$22 million

Net profit for the quarter attributable to the members of Jamaican Teas was \$87 million compared with \$111 million in the previous year quarter. For the half year attributable net profit moved from \$198 million to \$171 million.

Basic attributable comprehensive income per share was 2.9 cents (2020/21 – earnings of 4.0 cents) for the quarter and 8.0 cents (2020/21 – 9.0 cents) for the first half.

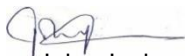
**SIGNIFICANT BALANCE SHEET MOVEMENTS** – The increases in inventory since Sept 2021 reflect arrivals of raw materials, previously in short supply, late in the quarter. The increase in Housing under Construction since Sept 2021 is a result of the build out of Belvedere while the increase in receivables resulted, in part, from delays in the shipment of certain finished goods sourced in Asia to some of our larger overseas customers.

**OUTLOOK** - We faced challenges in the first half of the year but see signs that some of the issues may be abating. We suffered from high freight charges but that seems to be easing. We also suffered from stock outs but much of the raw material shortage that caused these shortages has now been alleviated.

In April export shipments were 39% higher than in Apr 2021 and our export shipments for the 7 months to April now exceed the comparable year ago period. At the supermarket April 2022 sales were 32% higher than April 2021.

While we are optimistic that our investment arm, QWI, will enjoy a profitable year with more gains in the second half, there are various developments that could negatively affect the outturn. We are however encouraged by the recovery in tourism in Jamaica, increasing employment and the positive profit results at several listed companies that auger well for the stock market. We also take note of the rising interest rates here and overseas.

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

29 April 2022

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**Period ended 31 March**

	Note	2nd Quarter		Year to date	
		2021/22	2020/21	2021/22	2020/21
<b>OPERATING REVENUES</b>	5	574,529,375	608,552,422	1,170,629,959	1,219,116,361
<b>COST OF GOODS SOLD</b>		<u>444,391,707</u>	<u>465,036,402</u>	<u>893,932,376</u>	<u>907,619,247</u>
<b>GROSS PROFIT</b>		130,137,668	143,516,020	276,697,583	311,497,114
<b>INVESTMENT INCOME</b>	6	75,789,251	86,620,307	204,622,219	229,404,672
<b>OTHER INCOME</b>	7	<u>(74,814)</u>	<u>12,803,253</u>	<u>38,282,970</u>	<u>10,462,247</u>
<b>PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES</b>		<u>205,852,105</u>	<u>242,939,580</u>	<u>519,602,772</u>	<u>551,364,033</u>
Sales and Marketing costs		5,538,001	9,511,192	15,352,551	18,271,433
Administration cost		<u>78,362,631</u>	<u>70,743,593</u>	<u>168,910,559</u>	<u>133,559,451</u>
		<u>83,900,632</u>	<u>80,254,785</u>	<u>184,263,110</u>	<u>151,830,884</u>
<b>OPERATING PROFIT</b>		121,951,473	162,684,795	335,339,662	399,533,149
Finance costs		<u>12,519,436</u>	<u>9,600,321</u>	<u>21,798,196</u>	<u>16,680,960</u>
<b>PROFIT BEFORE TAXATION</b>		109,432,037	153,084,474	313,541,466	382,852,189
<b>TAXATION</b>		<u>(22,172,708)</u>	<u>(41,600,037)</u>	<u>(61,711,900)</u>	<u>(91,528,600)</u>
<b>NET PROFIT</b>		<u>87,259,329</u>	<u>111,484,437</u>	<u>251,829,566</u>	<u>291,323,589</u>
Net profit/Comprehensive income attributable to:					
Owners of Jamaican Teas Limited		62,482,919	82,335,488	171,148,686	198,332,614
Non-controlling interest		<u>24,776,410</u>	<u>29,148,949</u>	<u>80,680,880</u>	<u>92,990,975</u>
		<u>\$87,259,329</u>	<u>111,484,437</u>	<u>251,829,566</u>	<u>291,323,589</u>
Shares outstanding		2,153,280,377	2,121,450,377	2,149,865,377	2,112,050,377
Diluted shares outstanding		2,358,850,371	2,352,450,377	2,359,185,371	2,328,550,377
Basic Earnings per share		\$0.029	0.040	0.080	0.090
Diluted Earnings per share		\$0.026	0.040	0.073	0.090

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	<u>MARCH 2022</u>	<u>MARCH 2021</u>	<u>Audited SEPT 2021</u>
<b>FIXED ASSETS</b>	401,573,305	388,948,582	371,938,000
<b>INVESTMENT PROPERTY</b>	303,656,523	267,412,472	318,001,000
<b>INVESTMENTS - QUOTED EQUITIES</b>	2,187,787,595	1,855,375,155	2,138,662,000
<b>DEFERRED TAX ASSETS</b>	49,236,438	64,430,573	2,113,000
<b>CURRENT ASSETS</b>			
Inventories of goods	472,963,804	291,571,219	365,863,000
Housing under construction	466,297,125	199,430,650	300,167,000
Total Receivables	476,531,477	381,484,690	396,450,000
Cash & Short term investments	<u>149,569,631</u>	<u>317,329,975</u>	<u>188,505,000</u>
Total Current Assets	<u>1,565,362,037</u>	<u>1,189,816,534</u>	<u>1,250,985,000</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	241,092,171	226,434,595	184,685,000
Income tax payable	36,079,613	72,724,894	31,478,000
Deferred tax	95,634,327	4,356,798	0
Short Term Borrowings	80,698,658	309,132,741	68,446,000
Bank Overdraft	0	0	226,000
Current portion - Long Term Loan	<u>21,268,327</u>	<u>20,000,000</u>	<u>23,706,000</u>
Total Current Liabilities	<u>474,773,096</u>	<u>632,649,028</u>	<u>308,541,000</u>
<b>NET CURRENT ASSETS</b>	<u>1,090,588,941</u>	<u>557,167,506</u>	<u>942,444,000</u>
	<u>\$4,032,842,802</u>	<u>3,133,334,288</u>	<u>3,773,158,000</u>
<b>EQUITY &amp; NON-CURRENT LIABILITIES</b>			
<b>STOCKHOLDERS' EQUITY</b>	2,301,052,902	1,876,830,513	2,076,904,000
<b>NON-CONTROLLING INTEREST</b>	<u>1,247,963,483</u>	<u>1,100,170,455</u>	<u>1,213,677,000</u>
	3,549,016,385	2,977,000,968	3,290,581,000
<b>LONG-TERM LOAN</b>	<u>483,826,417</u>	<u>156,333,320</u>	<u>482,577,000</u>
	<u>\$4,032,842,802</u>	<u>3,133,334,288</u>	<u>3,773,158,000</u>

Approved for issue by the Board of Directors on 29 April 2022 and signed on its behalf by:



**John Jackson - Chairman**



**John Mahfood – Chief Executive Officer / Director**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

**QUARTER ENDING 31 MARCH**

	Attributable to the company's owners				
	Share Capital	Capital Reserves	Treasury Shares	Retained Earnings	Total
Bal at 30 Sept 2020	190,749,000	152,836,000	(37,962,000)	1,416,446,000	1,722,069,000
Capital distribution paid		(41,897,008)			(41,897,008)
Net Profit				198,332,614	198,332,614
Treasury shares bought			(29,510,080)		(29,510,080)
Reductions of NCI / Other				(5,164,013)	(5,164,013)
Shares issued	33,000,000				33,000,000
Balance at 31 March 2021	<u>\$223,749,000</u>	<u>110,938,992</u>	<u>(67,472,080)</u>	<u>1,609,614,601</u>	<u>1,876,830,513</u>
Balance at 30 September 2021	241,344,000	110,939,000	(63,297,000)	1,787,918,000	2,076,904,000
Treasury shares sold			24,455,042		24,455,042
Net Profit				171,148,686	171,148,686
Reductions of NCI / Other				12,847,316	12,847,316
Shares issued	15,697,858				15,697,858
Balance at 31 March 2022	<u>\$257,041,858</u>	<u>110,939,000</u>	<u>(38,841,958)</u>	<u>1,971,914,002</u>	<u>2,301,052,902</u>

**NB – NCI referred to above is an abbreviation for Non-Controlling Interest**

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS****Period ended 31 March**

	<b>YTD</b>	<b>YTD</b>
	<b>Mar-22</b>	<b>Mar-21</b>
Net profit for the period to date	251,829,566	291,323,589
Adjustments for:		
Gain on Sale of Investments	(40,084,923)	(45,798,555)
Fair Value Gain on Investments	(146,401,342)	(66,065,937)
Tax expense	61,711,900	91,528,600
Depreciation	15,503,551	11,609,423
Other	29,652,166	(37,699,023)
Operating cashflows before movements in working capital	172,210,918	144,898,097
Changes in operating assets and liabilities	<u>(282,714,637)</u>	<u>86,376,779</u>
Net cash provided by operating activities	(110,503,719)	231,274,876
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
<b>Purchases of fixed assets</b>	(45,138,856)	(69,808,005)
<b>Investment property transferred to inventory</b>		14,658,528
<b>Sales / (Purchases) of investments</b>	<u>97,275,747</u>	<u>(90,185,218)</u>
Net cash( used in) investing activities	<u>52,136,891</u>	<u>(145,334,695)</u>
	(58,366,828)	85,940,181
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Financing activities	<u>16,947,275</u>	<u>(90,311,206)</u>
Net cash provided by/ (used in) financing activities	<u>16,947,275</u>	<u>(90,311,206)</u>
<b>Increase /(decrease) in cash and cash equivalent</b>	<u>(41,419,553)</u>	<u>(4,371,025)</u>
Cash and cash equivalent at beginning of the period	188,505,000	321,701,000
Cash and cash equivalent at the end of period	<u><u>\$147,085,447</u></u>	<u><u>317,329,975</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 a 44.34 % owned (2021 -40.61% ) investment Company
- Bay City Foods Limited 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 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



**NOTES TO FINANCIAL STATEMENTS**

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.

**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:**

	2nd Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
<b>SALES</b>				
Local - Manufacturing	149,427,724	117,800,381	334,345,312	272,171,574
Foreign - Manufacturing	273,808,468	288,462,289	545,219,342	562,383,335
Retail	148,776,183	132,516,752	286,118,305	267,318,252
Sales of apartments		67,500,000		113,000,000
Rental income	<u>2,517,000</u>	<u>2,273,000</u>	<u>4,947,000</u>	<u>4,243,200</u>
<b>TOTAL SALES</b>	<u>\$574,529,375</u>	<u>608,552,422</u>	<u>1,170,629,959</u>	<u>1,219,116,361</u>

**NOTES TO FINANCIAL STATEMENTS**

**6. INVESTMENT INCOME:**

	2nd Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
Realised Gain on Sale of Investments	12,264,698	11,258,120	40,084,923	45,798,555
Fair Value Gain on Investments	57,979,927	68,177,288	146,401,342	166,065,937
Dividend Income	<u>5,544,626</u>	<u>7,184,899</u>	<u>18,135,954</u>	<u>17,540,180</u>
Total Investment Income	<u>\$75,789,251</u>	<u>86,620,307</u>	<u>204,622,219</u>	<u>229,404,672</u>

**7. OTHER INCOME:**

	2nd Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
Miscellaneous Income	3,493,256	6,488,199	6,375,859	9,764,680
Foreign Exchange Gain	(3,568,069)	6,315,055	31,907,111	697,567
Total Other Income	<u>\$(74,813)</u>	<u>12,803,254</u>	<u>38,282,970</u>	<u>10,462,247</u>

**8. LONG TERM LOANS:**

	Mar 2022	Mar 2021
Bank of Nova Scotia - Loans	168,131,852	133,333,320
Victoria Mutual Investments	335,694,565	43,000,000
Current portion	(20,000,000)	(20,000,000)
Total loans less short term portion	<u>\$483,826,417</u>	<u>156,333,320</u>

## SEGMENT RESULTS

### Unaudited to March 2022

	Manufacturing	Retailing	Property	Investments	TOTAL
<b>OPERATING REVENUES</b>	\$879,564,654	286,118,305	4,947,000		1,170,629,959
Results before tax	<u>\$123,035,061</u>	<u>21,257,305</u>	<u>(961,575)</u>	<u>170,210,675</u>	<u>313,541,466</u>
Segment Assets	<u>\$1,175,551,384</u>	<u>152,640,026</u>	<u>834,035,613</u>	<u>2,345,388,875</u>	<u>4,507,615,898</u>
Segment Liabilities	<u>\$425,028,892</u>	<u>55,038,371</u>	<u>15,872,955</u>	<u>462,659,295</u>	<u>958,599,513</u>

### Unaudited to March 2021

	Manufacturing	Retailing	Property	Investments	TOTAL
<b>OPERATING REVENUES</b>	\$834,554,909	267,318,252	117,243,200		1,219,116,361
Results before tax	<u>\$168,857,648</u>	<u>12,796,917</u>	<u>21,839,248</u>	<u>179,358,376</u>	<u>382,852,189</u>
Segment Assets	<u>\$1,231,343,957</u>	<u>136,797,555</u>	<u>508,201,504</u>	<u>1,889,640,300</u>	<u>3,765,983,316</u>
Segment Liabilities	<u>\$412,243,756</u>	<u>64,715,393</u>	<u>22,993,166</u>	<u>289,030,033</u>	<u>788,982,348</u>



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