

Jamaican Teas LTD.



June 2022 Unaudited Results



Board of Directors' Commentary

Third Quarter Results to June 2022

Our group experienced mixed fortunes in the third quarter.

Export manufacturing sales rose a strong 40 percent in the quarter as the division overcame the shortage of raw materials required to fulfill orders of finished products experienced earlier in the year. Local sales improved by 10 percent in the quarter over 2021.

The retail division put in a solid performance with a 28 percent sales increase in the quarter reflecting in part the absence of the COVID restrictions seen in 2021 and the return to our regular operating hours.

QWI's investment share portfolio outperformed its overseas benchmarks but was still adversely affected by the strong retracement of share prices in the USA as well as in many main market stocks in Jamaica.

The third quarter and year to date attributable profits were lower than the prior year periods mainly as a result of the reversals at QWI.

Manufacturing division - The highlight for the quarter was the strong gain in our export sales which rose 40%. Local sales improved by 10 percent in the quarter to bring total manufacturing sales for the nine months to \$1,363 million, an increase of 12 percent over 2021 that delivered sales of \$1,215 million.

Retail division – For the third quarter revenues amounted to \$161 million versus \$126 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 poor performance of stocks on the Jamaican and USA Stock Exchanges with significant share price retracements overseas but a stronger performance mainly in Jamaica's Junior Market. This resulted in unrealised investment losses for QWI of \$132 million in the quarter versus gains of \$162 million in the year ago quarter.

GROUP REVENUES - Total revenues for the quarter increased by 22 percent from \$530.7 million to \$649 million despite the absence of any real estate sales this quarter versus 2021 which included real estate sales from Manor Park. For the year-to-date sales increased 4 per cent.

The decrease in Investment Income this quarter mainly reflects the impact of unrealized fair value losses in QWI's investment portfolio in the quarter.

EXPENSES - While revenues have been increasing, increases in our Cost of Sales for both the quarter and the year to date have outstripped the revenue growth resulting in the loss of two percentage points of gross profit margin. This adverse trend resulted from sharp increases in ocean freight costs as well as increases in raw materials costs not yet fully reflected in prices to our customers.

Price increases were effected in all our markets in January 2022 and again on July 1 2022.

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 QWI and the Manufacturing division, the latter due to the need to fund higher levels of inventory.

NET PROFIT- Profit before tax moved from \$278 million a year ago to a loss of \$70 million this quarter mainly resulting from the reversals in QWI's investment portfolio referred to earlier. For the year to date, profit before tax moved from \$661 million to \$231 million.

Taxation moved from a charge of \$68 million last year to a credit this quarter of \$23 million

Net profit for the quarter attributable to the members of Jamaican Teas was \$24 million compared with \$115 million in the previous year quarter. For the year to date, attributable net profit moved from \$313 million to \$186 million.

Basic attributable comprehensive income per share was 1 cent (2020/21 – earnings of 5.0 cents) for the quarter and 9 cents (2020/21 – 15.0 cents) for the year to date.

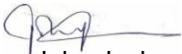
Board of Directors' Commentary (Continued)

SIGNIFICANT BALANCE SHEET MOVEMENTS – The increases in inventory since Sept 2021 reflect the build up of raw materials to offset ongoing delays in the delivery of some items imported from overseas. The increase in Housing under Construction since September 2021 is a result of the build out of Belvedere while the increase in receivables resulted, in part from the growth in revenues reported above. Much of this investment in inventories was funded by means of short term borrowings which have increased by \$128 million since September 2021.

OUTLOOK – Our manufacturing business faced challenges earlier in the year but freight charges have begun to fall while the raw material shortages experienced have been overcome and sales order fulfillment has improved.

We are optimistic that our investment arm, QWI is well positioned to benefit from the ongoing recovery in tourism in Jamaica, increasing employment and the positive profit results at several listed companies on the stock market. The rising interest rates here and overseas will however prove to be a significant hindrance to the prices of all financial assets and this will temper the immediate prospects for future investment gains.

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 July 2022

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 June

		3rd Quarter		Year to date	
		2021/22	2020/21	2021/22	2020/21
	Note				
OPERATING REVENUES	6	648,565,457	530,713,934	1,819,195,416	1,749,830,295
COST OF GOODS SOLD		<u>491,813,213</u>	<u>391,094,039</u>	<u>1,385,745,589</u>	<u>1,298,713,286</u>
GROSS PROFIT		156,752,244	139,619,895	433,449,827	451,117,009
INVESTMENT INCOME	7	(132,948,233)	208,632,263	90,944,605	441,553,854
OTHER INCOME	7	<u>1,184,586</u>	<u>2,628,973</u>	<u>6,404,862</u>	<u>9,574,301</u>
PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES		24,988,597	350,881,131	530,799,294	902,245,164
Sales and Marketing costs		10,785,915	8,843,756	26,138,466	27,115,189
Administration cost		<u>71,010,474</u>	<u>53,945,425</u>	<u>239,921,033</u>	<u>187,504,876</u>
		<u>81,796,389</u>	<u>62,789,181</u>	<u>266,059,499</u>	<u>214,620,065</u>
OPERATING (LOSS)/PROFIT		(56,807,792)	288,091,950	264,739,795	687,625,099
Finance costs		<u>13,859,846</u>	<u>9,238,287</u>	<u>33,704,749</u>	<u>25,919,247</u>
(LOSS)/PROFIT BEFORE TAXATION		(70,667,638)	278,853,663	231,035,046	661,705,852
TAXATION	8	<u>23,853,721</u>	<u>(68,840,788)</u>	<u>(37,858,179)</u>	<u>(160,641,643)</u>
NET (LOSS)/ PROFIT		<u>(46,813,917)</u>	<u>210,012,875</u>	<u>193,176,867</u>	<u>501,064,209</u>
Net profit /(loss) attributable to:					
Owners of Jamaican Teas Limited		24,261,990	115,453,272	186,317,981	313,008,122
Non-controlling interest		<u>(71,075,907)</u>	<u>94,559,603</u>	<u>6,858,886</u>	<u>188,056,087</u>
		<u>(\$46,813,917)</u>	<u>210,012,875</u>	<u>193,176,867</u>	<u>501,064,209</u>
Shares outstanding		2,153,805,377	2,133,983,710	2,149,865,377	2,118,550,377
Diluted shares outstanding		2,359,375,371	2,346,683,710	2,362,565,371	2,344,705,932
Basic Earnings per share		\$0.01	0.05	0.09	0.15
Diluted Earnings per share		\$0.01	0.05	0.08	0.13

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

	<u>JUNE 2022</u>	<u>JUNE 2021</u>	<u>Audited</u> <u>SEPT 2021</u>
FIXED ASSETS	402,727,862	386,272,788	371,938,000
INVESTMENT PROPERTY INVESTMENTS - QUOTED EQUITIES	308,391,962	296,257,932	318,001,000
	2,071,185,667	2,124,976,193	2,138,662,000
DEFERRED TAX ASSETS	49,236,438	52,576,226	2,113,000
CURRENT ASSETS			
Inventories excluding housing	521,867,042	389,740,117	365,863,000
Housing under construction	517,624,940	224,571,256	300,167,000
Total Receivables	461,135,337	381,236,206	396,450,000
Cash & Short term investments	<u>253,691,569</u>	<u>239,289,986</u>	<u>188,505,000</u>
Total Current Assets	<u>1,754,318,888</u>	<u>1,234,837,565</u>	<u>1,250,985,000</u>
CURRENT LIABILITIES			
Accounts Payable	231,377,297	227,405,158	184,685,000
Income tax payable	44,723,003	87,035,254	31,478,000
Deferred tax	57,718,880	32,324,101	0
Short Term Borrowings	195,963,551	86,024,190	68,446,000
Bank Overdraft	8,533,357		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>559,584,415</u>	<u>452,788,703</u>	<u>308,541,000</u>
NET CURRENT ASSETS	<u>1,194,734,473</u>	<u>782,048,863</u>	<u>942,444,000</u>
	<u>\$4,026,276,402</u>	<u>3,642,132,002</u>	<u>3,773,158,000</u>
EQUITY & NON-CURRENT LIABILITIES			
STOCKHOLDERS' EQUITY	2,384,522,969	1,973,386,656	2,076,904,000
NON-CONTROLLING INTEREST	<u>1,141,410,913</u>	<u>1,241,306,030</u>	<u>1,213,677,000</u>
	3,525,933,882	3,214,692,686	3,290,581,000
LONG-TERM LOAN	<u>500,342,520</u>	<u>427,439,316</u>	<u>482,577,000</u>
	<u>\$4,026,276,402</u>	<u>3,642,132,002</u>	<u>3,773,158,000</u>

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



John Jackson - Chairman



John Mahfood – Chief Executive Officer / Director

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
PERIOD ENDING 30 JUNE
Attributable to the company's owners

	Share Capital	Capital Reserves	Treasury Shares	Retained Earnings	Total
Balance at 30 Sept 2020	190,749,000	152,836,000	-37,962,000	1,416,446,000	1,722,069,000
Capital distribution paid		(63,359,511)			(63,359,511)
Net Profit				313,008,122	313,008,122
Treasury shares - net			(29,510,080)		(29,510,080)
Reductions of NCI / Other				(19,420,875)	(19,420,875)
Shares issued	50,600,000				50,600,000
Balance at 30 June 2021	<u>\$241,349,000</u>	<u>89,476,489</u>	<u>(67,472,080)</u>	<u>1,710,033,247</u>	<u>1,973,386,656</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
Treasury shares -net			63,297,000		63,297,000
Net Profit				186,317,981	186,317,981
Reductions of NCI / Other				42,306,130	42,306,130
Shares issued	15,697,858				15,697,858
Balance at 30 June 2022	<u>\$257,041,858</u>	<u>110,939,000</u>	<u>0</u>	<u>2,016,542,111</u>	<u>2,384,522,969</u>

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS**Period ended 30 June**

	YTD	YTD
	Jun-22	Jun-21
Net profit for the period to date	193,176,867	501,064,209
Adjustments for:		
Gain on Sale of Investments	(20,751,805)	(67,287,494)
Fair Value Gain on Investments	(13,962,225)	(328,803,874)
Tax expense	37,858,179	160,641,643
Depreciation	23,770,628	17,371,750
Other	(4,362,241)	(9,960,121)
Operating cashflows before movements in working capital	<u>215,729,403</u>	<u>273,026,113</u>
Changes in operating assets and liabilities	<u>(282,714,637)</u>	<u>(414,033,893)</u>
Net cash provided by operating activities	(66,985,234)	(141,007,780)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(54,560,490)	(72,894,538)
Investment property transferred to inventory		14,658,528
Sales / (Purchases) of investments	<u>81,438,558</u>	<u>(116,157,570)</u>
Net cash provided by / (used in) investing activities	<u>26,878,068</u>	<u>(203,239,040)</u>
	(40,107,166)	(344,246,820)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities	<u>96,760,378</u>	<u>261,835,805</u>
Net cash provided by financing activities	<u>96,760,378</u>	<u>261,835,805</u>
Increase /(decrease) in cash and cash equivalent	<u>56,653,212</u>	<u>(82,411,015)</u>
Cash and cash equivalent at beginning of the period	<u>188,505,000</u>	<u>321,701,000</u>
Cash and cash equivalent at the end of period	<u><u>245,158,212</u></u>	<u><u>239,289,985</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:

	3rd Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
SALES				
Local - Manufacturing	185,299,633	168,541,661	519,644,945	440,713,235
Foreign - Manufacturing	299,275,541	213,389,395	844,494,883	775,772,730
Retail	161,332,589	126,149,598	447,450,894	393,467,850
Sales of apartments		20,250,000		133,250,000
Rental income	<u>2,657,694</u>	<u>2,383,280</u>	<u>7,604,694</u>	<u>6,626,480</u>
TOTAL SALES	<u>\$648,565,457</u>	<u>530,713,934</u>	<u>1,819,195,416</u>	<u>1,749,830,295</u>

NOTES TO FINANCIAL STATEMENTS
6. INVESTMENT INCOME:

	3rd Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
Realised Gain /(Loss) on Sale of Investments	(6,696,626)	21,488,939	20,751,805	67,287,494
Foreign Exchange Gain	(5,106,549)	16,944,195	26,800,562	17,641,762
Fair Value Gain on Investments	(132,439,117)	162,737,937	13,962,225	328,803,874
Dividend & Interest Income	<u>11,294,059</u>	<u>7,461,192</u>	<u>29,430,013</u>	<u>27,820,724</u>
Total Investment Income	<u>\$(132,948,233)</u>	<u>208,632,263</u>	<u>90,944,605</u>	<u>441,553,854</u>

7. OTHER INCOME:

	3rd Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
Misc Income	1,184,586	2,628,973	6,404,862	9,574,301
Total Other Income	<u>\$1,184,586</u>	<u>2,628,973</u>	<u>6,404,862</u>	<u>9,574,301</u>

8. LONG TERM LOANS:

	June 2022	June 2021
Bank of Nova Scotia Ja. Ltd. - Loans	158,892,501	142,833,319
Victoria Mutual Investments	361,450,019	304,605,997
Current portion	<u>(20,000,000)</u>	<u>(20,000,000)</u>
Total loans less short term portion	<u>500,342,520</u>	<u>427,439,316</u>

SEGMENT RESULTS

Unaudited to June 2022

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$1,364,139,828	447,450,894	7,604,694		1,819,195,416
Results before tax	<u>\$189,329,461</u>	<u>30,662,498</u>	<u>1,688,896</u>	<u>9,354,191</u>	<u>231,035,046</u>
Segment Assets	<u>\$1,314,045,930</u>	<u>153,315,093</u>	<u>882,745,030</u>	<u>2,235,754,764</u>	<u>4,585,860,817</u>
Segment Liabilities	<u>\$536,735,090</u>	<u>64,906,217</u>	<u>15,331,726</u>	<u>442,953,902</u>	<u>1,059,926,935</u>

Unaudited to June 2021

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$1,216,485,965	393,467,850	139,876,480		1,749,830,295
Results before tax	<u>\$250,565,520</u>	<u>17,617,706</u>	<u>34,060,119</u>	<u>359,462,507</u>	<u>661,705,852</u>
Segment Assets	<u>\$1,350,318,284</u>	<u>144,877,086</u>	<u>474,693,265</u>	<u>2,148,613,765</u>	<u>4,118,502,400</u>
Segment Liabilities	<u>\$434,712,986</u>	<u>62,540,578</u>	<u>14,117,109</u>	<u>392,439,040</u>	<u>903,809,713</u>

Jamaican Teas LTD.

A graphic of three green tea leaves with stems, positioned to the right of the word 'Teas' in the company logo.

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