

# Jamaican Teas LTD.



## September 2022 Unaudited Results



# Board of Directors' Commentary

## Fourth Quarter Results to September 2022

The Jamaican Teas Group enjoyed rising sales during the 2022 fiscal year and continued growth in sales in the final quarter which is expected to carry over into the 2023 fiscal year. Group profits were reduced by a decline in the results of the Group's investment division as well as a continuation of the continued effects of logistical issues surrounding some raw material inputs. There are indications that during the new financial year, the investment division will benefit positively from planned changes in tactics and strategies as well as improvements in the investing climate.

The investment division had a good year in 2021 but faltered in 2022 as a result of the impact of rising inflation and interest rates here and overseas which depressed the value of many stocks particularly USA listed stocks as well as some in the JSE Main Market. The Junior Market rose during the year as the reported profits at the majority of junior companies were positive. This benefited the investment portfolio which has become increasingly weighted toward junior market shares. We took action early in the year to protect the USA portfolio by eliminating borrowings as well as reducing the amounts invested directly in that market. This protected the portfolio from more severe losses.

**Manufacturing Division** | The highlight for the quarter was the strong gain in our export sales which rose 40 percent over the prior year. Growth in this area accelerated over the pace of the earlier quarters of the year.

Exports accounted for 66 percent of total sales in the quarter. Orders from our overseas customers point to a continuation of the positive trend in exports in our 2022/3 financial year. Domestic sales only increased 3 per cent in this quarter, a slowdown from trends earlier in the year. Overall, manufacturing sales increased 25 per cent compared with the year ago quarter.

**Real Estate Division** | No real estate sales were booked in the quarter this year or the year ago quarter as construction work on our new studios at Belvedere Road, in Kingston is still underway. Construction is expected to finish in March 2023.

**Retail Division** | For 2022, retail revenues amounted to \$161 million for the fourth quarter, an increase of 27 per cent. This reflects, in part, recovery from the restricted hours of operation imposed on the store in 2021 due to the COVID outbreak, as well as continued growth in this business.

**Investment Division** | During this quarter, the decline in the prices of stocks primarily in the Jamaica Stock Exchange Main Market and New York Stock Exchanges continued from the third quarter with the strongest declines in the latter. This resulted in realised and unrealised investment losses for QWI Investments Limited (QWI) of \$66 million for the final quarter. Our expectation is that this adverse trend will be reversed in the new financial year, as inflation rates decline and interest rates peak.

**REVENUES** | JTL's total revenues for the quarter increased by 25 per cent overall from \$524 million a year ago to \$655 million this quarter.

The losses shown in Investment Income mainly reflect the realized and unrealised investment losses of QWI, partially offset by higher dividend income and exchange gains compared with the year ago period.

Fair value gains on the group's investment properties reversed a fair value loss on these properties in the year ago quarter and resulted in the increased level of Other Income reported.

**EXPENSES** | The increases in Cost of Sales for the quarter and the full year exceeded the growth in revenues, primarily as a result of sharp increases in ocean marine freight rates compared with the year ago periods. Not all of these cost increases were passed on to customers. Since the year end we have seen significant reductions in ocean freight rates which will improve the company's cost of sales in 2023.

## Board of Directors' Commentary (Continued)

The increase in interest expense during the quarter and full year resulted from higher short term borrowings by Jamaican Teas.

**NET PROFIT** | Net profit attributable to Jamaican Teas for the quarter was \$21 million, a sharp decline from the \$78 million profit in the same quarter of the previous year. Total attributable comprehensive income per share was 1 cent (2020/21 – earnings of 4 cents). This decline in profit arose from the stock market losses in the portfolio in the 2022 fourth quarter versus that of the previous year, which was a very strong year.

For the full year, net profit attributable to Jamaican Teas was \$208 million, a decline of 47 per cent from the \$392 million in the previous year. Total attributable comprehensive income per share was 10 cents (2020/21 – earnings of 19 cents).

**OUTLOOK** | The Jamaican economy is heavily dependent on tourism for foreign exchange and employment and impacts on the wider economy with its linkages to locally produced goods and services. To this end, the continued rebound in visitor arrivals in recent quarters is encouraging. Future hotel reservations appear to be very strong and this will benefit the local economy. Buoyancy in remittances to Jamaica from overseas, expansion in the BPO sector and continued construction activity also suggest that the economic outlook for Jamaica will improve. The recent increases in interest rates locally, if continued, could of course negatively affect demand in 2023 and we will accordingly pay keen attention to this issue.

Jamaican Teas' overseas customer orders are strong. With the completion and sale of our studios at Belvedere during the coming calendar year and improvements in the investment portfolio, the Group expects to enjoy a better financial year in 2022/23 than the year just completed.

The transfer of Jamaican Teas manufacturing business to our new subsidiary, Caribbean Dreams Foods Limited, is finally progressing and a further announcement will be made about this development.

QWI paid a dividend of 3.5 cents per share in April 2022 but no dividend was paid by Jamaican Teas in view of the significant cash investment made in housing inventory at Belvedere as well as inventories of raw materials at the manufacturing business during the year. Significant cash realisations will be made when Belvedere is completed and sold and manufacturing raw material inventories are reduced.

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

14 November 2022

**UNAUDITED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME FOR PERIODS ENDED 30  
SEPT**

	Note	4th Quarter		Year to date	
		2021/22	2020/21	2021/22	2020/21 (Audited)
<b>OPERATING REVENUES</b>	4	655,362,226	524,657,240	2,474,557,642	2,270,189,000
<b>COST OF GOODS SOLD</b>		<u>551,764,462</u>	<u>413,081,731</u>	<u>1,937,510,051</u>	<u>1,716,890,000</u>
<b>GROSS PROFIT</b>		103,597,764	111,575,509	537,047,591	553,299,000
<b>INVESTMENT (LOSS)/INCOME</b>	5	(42,951,963)	64,181,733	47,992,642	494,275,000
<b>OTHER INCOME/(LOSS)</b>	6	<u>24,444,372</u>	<u>(2,790,450)</u>	<u>30,848,934</u>	<u>7,684,000</u>
<b>PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES</b>		85,090,173	172,966,792	615,889,167	1,055,258,000
Sales and Marketing costs		9,794,501	7,537,243	35,932,967	36,823,000
Administration cost		<u>82,573,524</u>	<u>57,244,071</u>	<u>322,494,257</u>	<u>239,682,000</u>
		<u>92,368,025</u>	<u>64,781,314</u>	<u>358,427,224</u>	<u>276,505,000</u>
<b>OPERATING (LOSS)/PROFIT</b>		(7,277,852)	108,185,478	257,461,943	778,753,000
Finance costs		<u>17,109,159</u>	<u>10,101,132</u>	<u>50,813,908</u>	<u>37,708,000</u>
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		(24,387,011)	98,084,346	206,648,035	741,045,000
<b>TAXATION</b>		<u>10,179,474</u>	<u>6,159,577</u>	<u>(27,678,705)</u>	<u>(154,861,000)</u>
<b>NET (LOSS)/PROFIT/COMPREHENSIVE INCOME</b>		<u>(14,207,537)</u>	<u>104,243,923</u>	<u>178,969,330</u>	<u>586,184,000</u>
Net profit/Comprehensive income attributable to :					
Owners of Jamaican Teas Limited		21,509,280	78,445,989	208,405,693	392,935,000
Non-controlling interest		<u>(35,716,817)</u>	<u>25,797,933</u>	<u>(29,436,363)</u>	<u>193,249,000</u>
		<u>(\$14,207,537)</u>	<u>104,243,922</u>	<u>178,969,330</u>	<u>586,184,000</u>
Shares outstanding		<u>2,158,605,377</u>	<u>2,144,349,201</u>	<u>2,152,829,627</u>	<u>2,086,073,445</u>
Diluted shares outstanding		<u>2,359,375,371</u>	<u>2,321,549,201</u>	<u>2,353,599,621</u>	<u>2,290,073,439</u>
Basic Earnings per share		<u>0.01</u>	<u>0.04</u>	<u>0.10</u>	<u>0.19</u>
Diluted Earnings per share		<u>0.01</u>	<u>0.03</u>	<u>0.09</u>	<u>0.17</u>

**CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL  
CONDITION**

	<u>SEPT 2022</u>	<u>(Audited) SEPT 2021</u>
<b>FIXED ASSETS</b>	411,422,367	371,938,000
<b>INVESTMENT PROPERTY</b>	360,722,374	318,001,000
<b>OPERATING LEASE RIGHT OF USE</b>	9,395,170	
<b>INVESTMENTS - QUOTED EQUITIES</b>	1,980,637,296	2,138,662,000
<b>DEFERRED TAX ASSETS</b>	47,024,255	2,113,000
<b>CURRENT ASSETS</b>		
Inventories excluding housing	620,393,257	365,863,000
Housing under construction	577,046,617	300,167,000
Total Receivables	433,360,014	396,450,000
Cash & Short-term investments	<u>196,566,340</u>	<u>188,505,000</u>
Total Current Assets	<u>1,827,366,228</u>	<u>1,250,985,000</u>
<b>CURRENT LIABILITIES</b>		
Accounts Payable	335,853,242	184,685,000
Income tax payable	23,565,853	31,478,000
Deferred tax	36,770,617	0
Short Term Borrowings	156,811,142	68,446,000
Bank Overdraft	0	226,000
Current portion - Long Term Loan	<u>20,000,000</u>	<u>23,706,000</u>
Total Current Liabilities	<u>573,000,854</u>	<u>308,541,000</u>
<b>NET CURRENT ASSETS</b>	<u>1,254,365,374</u>	<u>942,444,000</u>
	<u>\$4,063,566,836</u>	<u>3,773,158,000</u>
<b>EQUITY &amp; NON-CURRENT LIABILITIES</b>		
<b>STOCKHOLDERS' EQUITY</b>	2,427,744,734	2,076,904,000
<b>NON-CONTROLLING INTEREST</b>	<u>1,105,322,279</u>	<u>1,213,677,000</u>
	3,533,067,013	3,290,581,000
<b>LEASE LIABILITY</b>	9,387,652	0
<b>LONG-TERM LOANS</b>	<u>521,112,171</u>	<u>482,577,000</u>
	<u>\$4,063,566,836</u>	<u>3,773,158,000</u>

Approved for issue by the Board of Directors on 14 November  
2022 and signed on its behalf by:



**John Jackson - Chairman**



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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	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 and dividends paid		(41,897,000)		(21,463,000)	(63,360,000)
Net Profit				392,935,000	392,935,000
Treasury shares - net			(25,335,000)		(25,335,000)
Reductions of NCI / Other					0
Shares issued	50,595,000				50,595,000
<b>Balance at 30 September 2021</b>	<u>\$241,344,000</u>	<u>110,939,000</u>	<u>(63,297,000)</u>	<u>1,787,918,000</u>	<u>2,076,904,000</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 -net			63,297,000		63,297,000
Dividends paid to NCI					
Net Profit				208,405,693	208,405,693
Purchases of NCI / Other				63,440,183	63,440,183
Shares issued	15,697,858				15,697,858
<b>Balance at 30 September 2022</b>	<u>\$257,041,858</u>	<u>110,939,000</u>	<u>0</u>	<u>2,059,763,876</u>	<u>2,427,744,734</u>

**CONSOLIDATED UNAUDITED STATEMENT OF CASHFLOWS**

	<b>Year ended Sep-22</b>	<b>Year ended Sep-21 (Audited)</b>
Net profit for the period to date	178,969,330	586,184,000
Adjustments for:		
Loss/(Gain) on Sale of Investments	2,253,293	(96,259,000)
Fair Value Loss/(Gain) on Investments	28,625,523	(338,484,000)
Fair Value (Gain) /loss on Investment Properties	(23,042,966)	4,357,000
Tax expense	27,678,705	154,861,000
Depreciation	33,253,106	31,749,000
Other	<u>(29,618,145)</u>	<u>(11,525,000)</u>
Operating cashflows before movements in working capital	218,118,846	330,883,000
Changes in operating assets and liabilities	<u>(340,630,651)</u>	<u>(289,602,000)</u>
Net cash (used) provided by operating activities	<u>(122,511,805)</u>	<u>41,281,000</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(72,737,473)	(73,084,000)
Investment property sold/transferred to inventory	19,678,408	(40,287,000)
Sales / (Purchases) of investments	<u>66,102,181</u>	<u>(104,795,000)</u>
Net cash provided by/(used in) investing activities	<u>13,043,116</u>	<u>(218,166,000)</u>
	<u>(109,468,689)</u>	<u>(176,885,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Financing activities	<u>117,530,029</u>	<u>43,689,000</u>
Net cash provided by financing activities	<u>117,530,029</u>	<u>43,689,000</u>
<b>Increase /(decrease) in cash and cash equivalent</b>	<u>8,061,340</u>	<u>(133,196,000)</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>\$196,566,340</u>	<u>188,505,000</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 a real estate company.
- H Mahfood & Sons Limited and H Mahfood and Sons 2020 Limited are real estate developers.
- KIW International Limited is an investment holding Company.
- QWI Investments Limited is an investment holding and management Company (44.34% owned)
- 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 September 30, 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 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.



## NOTES TO FINANCIAL STATEMENTS

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.

### 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. OPERATING REVENUE:

	4th Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
<b>SALES</b>				
Local - Manufacturing	164,655,077	159,883,874	684,300,022	600,597,000
Foreign - Manufacturing	327,141,530	233,993,091	1,171,636,413	1,009,766,000
Retail	161,057,313	127,215,275	608,508,207	517,585,000
Sales of apartments/rental income	<u>2,508,306</u>	<u>3,565,000</u>	<u>10,113,000</u>	<u>142,241,000</u>
<b>TOTAL SALES</b>	<u>\$655,362,226</u>	<u>524,657,240</u>	<u>2,474,557,642</u>	<u>2,270,189,000</u>

#### 5. INVESTMENT INCOME:

	4th Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
Realised (Loss)/Gain on Sale of Investments	(23,005,098)	28,971,917	(2,253,293)	96,259,000
Foreign Exchange Gain/(loss)	10,939,993	(1,354,288)	37,740,555	19,500,000
Fair Value (Loss)/Gain on Investments	(42,587,748)	25,919,401	(28,625,523)	338,484,000
Dividend & Interest Income	<u>11,700,890</u>	<u>10,644,703</u>	<u>41,130,903</u>	<u>40,032,000</u>
<b>TOTAL INVESTMENT INCOME</b>	<u>(\$42,951,963)</u>	<u>64,181,733</u>	<u>47,992,642</u>	<u>494,275,000</u>

#### 6. OTHER INCOME:

	4th Quarter		Year to date	
	2021/22	2020/21	2021/22	2020/21
Fair value gain/(loss) on investment properties	23,042,966	(4,355,770)	23,042,966	(4,357,000)
Miscellaneous Income	1,401,106	1,565,320	7,805,968	12,041,000
<b>TOTAL OTHER INCOME</b>	<u>\$24,444,072</u>	<u>(\$2,790,450)</u>	<u>\$30,848,934</u>	<u>\$7,684,000</u>

**SEGMENT RESULTS**

**Unaudited to September 2022**

	<b>Manufacturing</b>	<b>Retailing</b>	<b>Property</b>	<b>Investments</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>	\$1,855,936,435	608,508,207	10,113,000	0	2,474,557,642
Results before tax	<u>\$187,500,967</u>	<u>42,284,430</u>	<u>18,996,057</u>	<u>(42,433,419)</u>	<u>206,348,035</u>
Segment Assets	<u>\$1,324,553,506</u>	<u>159,732,597</u>	<u>1,014,441,617</u>	<u>2,137,839,970</u>	<u>4,636,567,690</u>
Segment Liabilities	<u>\$560,740,584</u>	<u>76,873,967</u>	<u>56,808,001</u>	<u>409,078,125</u>	<u>1,103,500,677</u>

**Audited to September 2021**

	<b>Manufacturing</b>	<b>Retailing</b>	<b>Property</b>	<b>Investments</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>	\$1,610,363,000	517,585,000	142,241,000	0	2,270,189,000
Results before tax	<u>\$307,100,000</u>	<u>20,841,000</u>	<u>20,082,000</u>	<u>393,022,000</u>	<u>741,045,000</u>
Segment Assets	<u>\$1,194,759,000</u>	<u>135,399,000</u>	<u>611,195,000</u>	<u>2,140,346,000</u>	<u>4,081,699,000</u>
Segment Liabilities	<u>\$420,326,000</u>	<u>45,080,000</u>	<u>5,344,000</u>	<u>320,368,000</u>	<u>791,118,000</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.

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