

Jamaican Teas LTD.



December 2022 Unaudited Results



Board of Directors' Commentary

First Quarter Results to December 2022

The Jamaican Teas Group enjoyed rising sales during the first quarter of the 2022/3 fiscal year and this trend is expected to carry over into the balance of the year. Group profits were reduced by a decline in the results of the Group's investment division as well as the continuing effects of logistical issues surrounding some raw material inputs in the manufacturing division. There are indications that during the current financial year, the investment division will benefit positively from planned strategies pursued as well as improvements in the investing climate that are unfolding and likely to improve further as the year continues.

Manufacturing Division | The highlight for the quarter was the gain in our export sales which rose 11 percent over the prior year. Growth in this area decelerated over the pace seen in the last fiscal year, mainly due to shortages of packaging materials. This affected several of the contract manufacturers to whom we have sub-contracted production of some of our pantry products. In addition, tea and spice production was adversely impacted by a combination of employee resignations and machinery breakdowns which resulted in a decline in our rate of order fulfillment to some accounts. We have contracted with suppliers for new production machines that are expected to be installed by the end of our second quarter and have filled all staff vacancies.

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 this quarter, retail revenues amounted to \$179 million, an increase of 31 per cent. This reflects a continuation of the accelerated revenue growth we have seen in our store in recent months. Our retailing profits almost doubled in the quarter.

Investment Division | During this quarter, there was a continuation of the decline in the prices of stocks on the Jamaica Stock Exchange Main Market. In addition, the junior market also declined during the quarter, reversing the strong growth seen earlier in the year. USA Stock Exchanges improved in the quarter. This resulted in unrealised gains in our overseas investments but these were more than offset by unrealised investment losses on the local portfolio. This resulted in QWI Investments Limited (QWI) reporting a net loss of \$65 million for the quarter, a significant reversal from their year ago profit of \$83m. Our expectation is that this adverse trend will be reversed later in the year, as inflation rates decline and interest rates peak and most importantly, a number of companies we are invested in are expected to deliver above average growth in profits that will drive stock prices higher.

REVENUES | JTL's total revenues for the quarter increased by 12 per cent overall from \$596 million a year ago to \$666 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 compared with the year ago period.

A \$35m exchange gain in the year ago quarter reversed to a \$5m loss this quarter due to the revaluation of the Jamaican Dollar on the last trading day of December 2022 which was reversed in January 2023.

EXPENSES | The increases in Cost of Sales for the quarter exceeded the growth in revenues, partly as a result of sharp increases in ocean marine freight rates in 2022 compared with prior periods. This affected raw materials purchased earlier in 2022 which are still being consumed. Ocean freight rates declined sharply during the course of 2022, and we will see the benefit of this in 2023 as higher cost raw materials are used in production and repurchased with the benefit of lower shipping costs. Cost of Sales were also adversely affected by the increased cost of operating from two separate factory premises versus one up to March 2022. This dual location operation results in the duplication of some expenses and will continue to affect the operation until we can rehouse all our operations in one location. Other expenses reflected stepped up marketing activities locally. This was offset by lower administrative costs at QWI due to lower investment management expenses in the quarter.

Board of Directors' Commentary (Continued)

The increase in interest expense during the quarter resulted from higher interest rates as well as increased short term borrowings by Jamaican Teas.

NET PROFIT | Net profit attributable to Jamaican Teas for the quarter was \$27 million, a sharp decline from the \$113 million profit in the same quarter of the previous year. Total attributable comprehensive income per share was 1 cent (2021/22 – earnings of 5 cents). This decline in profit arose mainly from the stock market losses in the portfolio in the quarter versus that of the previous year, which was a very strong year.

FINANCIAL POSITION | The increase in fixed assets of \$443 million since December 2021 is due mainly to the revaluation of buildings occupied by the group recorded in September 2022. This revaluation was reflected in other comprehensive income in the 2022 financial year.

Receivables fell by \$146 million due to the reclassification of \$104m held at brokers by QWI from receivables in 2021 to cash and short term investments in 2022.

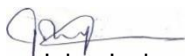
Amounts included in the investment portfolio were reduced reflecting the sale of some overseas stocks during 2022 as we reduced our exposure in the USA market and held the proceeds in liquid funds awaiting an appropriate time to reenter that market.

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 appear to have peaked which will improve the prospects for our Group.

Jamaican Teas' overseas customer orders are strong. With the completion and sale of our studios at Belvedere this year and improvements in the investment portfolio, the Group expects to enjoy higher income and profit during the balance of the year.

As a board we have long contemplated an increase in the number of our Directors and we are now pleased to welcome two new Directors to expand the board and as we enter a new and exciting phase of the group's development. In January 2023 the board appointed as Directors, Kerry Tulloch, an Attorney at law and a director in a number of other companies, and Dr. Nadiya Figueroa, an expert in competitiveness, accountability, governance and institutional change.

We thank 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

6 February 2023

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	1st Quarter		Full Year
	2022/23	2021/22	2021/22 (Audited)
	Note:		
OPERATING REVENUES	5	665,639,465	596,100,584
COST OF GOODS SOLD		<u>516,066,359</u>	<u>449,540,669</u>
GROSS PROFIT		149,573,106	146,559,915
INVESTMENT INCOME	6	(69,353,928)	163,768,148
OTHER INCOME	7	<u>657,162</u>	<u>2,882,603</u>
PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES		80,876,340	313,750,666
Sales and Marketing costs		15,797,562	9,814,550
Administration cost		<u>79,386,185</u>	<u>88,727,797</u>
		<u>95,183,747</u>	<u>378,991,000</u>
OPERATING PROFIT		(14,307,407)	215,208,319
Finance costs		<u>14,313,486</u>	<u>8,049,993</u>
PROFIT BEFORE TAXATION		(28,620,893)	207,158,326
TAXATION		<u>14,354,648</u>	<u>(39,539,192)</u>
NET PROFIT FOR PERIOD		<u>(\$14,266,245)</u>	<u>167,619,134</u>
Attributable to:			
Owners of Jamaican Teas Limited		27,566,847	113,625,240
Non-controlling interest		<u>(41,833,092)</u>	<u>53,993,894</u>
		<u>(\$14,266,245)</u>	<u>167,619,134</u>
Other Comprehensive Income:			
Surplus on revaluation of land and buildings		-	-
Related tax on revaluation of land and buildings		-	-
		-	340,329,000
		-	<u>(85,082,000)</u>
		-	<u>255,247,000</u>
Total Comprehensive income		<u>(\$14,266,245)</u>	<u>167,619,134</u>
Attributable to:			
Owners of Jamaican Teas Limited		27,566,847	113,625,240
Non-controlling interest		<u>(41,833,092)</u>	<u>53,993,894</u>
		<u>(\$14,266,245)</u>	<u>167,619,134</u>
Shares outstanding		2,158,605,377	2,122,959,203
Diluted shares outstanding		2,359,375,371	2,331,129,197
Basic Earnings per share		\$0.01	\$0.05
Diluted Earnings per share		\$0.01	\$0.05

CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL CONDITION

	<u>DEC 2022</u>	<u>DEC 2021</u>	Audited <u>SEPT 2022</u>
FIXED ASSETS	827,842,801	384,088,330	835,891,000
INVESTMENT PROPERTY	295,719,724	301,974,454	294,399,000
LEASE RIGHT OF USE INVESTMENTS - QUOTED EQUITIES	13,201,901	913,837	13,202,000
	1,904,252,972	2,213,277,091	1,980,637,000
DEFERRED TAX ASSETS	-	48,663,304	-
CURRENT ASSETS			
Inventories excluding housing	624,329,784	385,908,786	616,537,000
Housing under construction	627,327,481	376,272,250	575,379,000
Total Receivables	372,396,505	518,061,744	540,137,000
Cash & Short term investments	<u>151,918,086</u>	<u>167,694,348</u>	<u>83,173,000</u>
Total Current Assets	<u>1,775,971,856</u>	<u>1,447,937,128</u>	<u>1,815,226,000</u>
CURRENT LIABILITIES			
Accounts Payable	278,391,800	185,323,823	353,150,000
Income tax payable	28,324,543	143,111,205	20,788,000
Short Term Borrowings	104,608,574	81,040,408	115,809,000
Bank Overdraft	145,728	50,032,073	-
Current portion - Long Term Loans	<u>27,000,000</u>	<u>21,268,328</u>	<u>27,119,000</u>
Total Current Liabilities	<u>438,470,645</u>	<u>480,775,837</u>	<u>516,866,000</u>
NET CURRENT ASSETS	<u>1,337,501,211</u>	<u>967,161,291</u>	<u>1,298,360,000</u>
	<u>\$4,378,518,609</u>	<u>3,916,078,307</u>	<u>4,422,489,000</u>
EQUITY & NON-CURRENT LIABILITIES			
STOCKHOLDERS' EQUITY	2,685,676,119	2,198,241,932	2,657,933,000
NON-CONTROLLING INTEREST	<u>1,063,642,210</u>	<u>1,243,790,663</u>	<u>1,105,516,000</u>
	3,772,318,329	3,442,032,595	3,763,449,000
LEASE LIABILITY	14,797,980	-	8,198,000
DEFERRED TAX	57,971,293	-	86,419,000
LONG-TERM LOANS	<u>556,431,007</u>	<u>474,045,712</u>	<u>564,423,000</u>
	<u>\$4,378,518,609</u>	<u>\$3,916,078,307</u>	<u>\$4,422,489,000</u>

Approved for issue by the Board of Directors on 6 February 2023 and signed on its behalf by:



John Jackson - Chairman



John Mahfood – Chief Executive Officer / Director

**CONSOLIDATED
UNAUDITED
STATEMENT OF
CHANGES IN EQUITY**

	Attributable to the company's owners				
	Share Capital	Capital/ Revaluation Reserves	Treasury Shares/ Franked Income reserve	Retained Earnings	Total
Balance at 30 Sept 2021	241,344,000	110,939,000	(63,297,000)	1,787,918,000	2,076,904,000
Net Profit				113,625,241	113,625,241
Treasury shares - net			14,770,623		14,770,623
Reductions of NCI / 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>
Balance at 30 September 2022	261,342,000	366,186,000	27,939,000	2,002,466,000	2,657,933,000
Net Profit				27,566,847	27,566,847
Purchases of NCI / Other				176,272	176,272
Balance at 31 December 2022	<u>261,342,000</u>	<u>366,186,000</u>	<u>27,939,000</u>	<u>2,030,209,119</u>	<u>2,685,676,119</u>

CONSOLIDATED UNAUDITED STATEMENT OF CASHFLOWS

	YTD Dec-22	YTD Dec-21
Net profit for the period to date	(14,266,245)	167,619,134
Adjustments for:		
Loss/(Gain) on Sale of Investments	3,725,205	(27,820,225)
Fair Value Loss/(Gain) on Investments	72,984,480	(88,421,415)
Tax expense	(14,354,648)	39,539,192
Depreciation	11,276,365	6,882,885
Other	(12,506,163)	(3,896,499)
Operating cashflows before movements in working capital	46,858,994	93,903,072
Changes in operating assets and liabilities	29,603,875	(45,527,943)
Net cash provided by operating activities	76,462,869	48,375,129
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(3,228,166)	(3,920,506)
Deferred tax	-	(46,550,304)
Sales / (Purchases) of investments	<u>3,399,434</u>	<u>(13,806,324)</u>
Net cash(used in) investing activities	171,268	(64,277,134)
	76,634,137	(15,902,005)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities	(7,991,993)	(12,752,720)
Net cash provided by/ (used in) financing activities	(7,991,993)	(12,752,720)
Increase /(decrease) in cash and cash equivalent	68,642,144	(28,654,725)
Cash and cash equivalent at beginning of the period	83,173,000	146,317,000
Cash and cash equivalent at the end of the period	<u>151,815,144</u>	<u>117,662,275</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 Company.
- QWI Investments Limited is an investment 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, 2022 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 in 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 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

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 do 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.

5. OPERATING REVENUE:

	1st Quarter	
	2022/23	2021/22
SALES		
Local - Manufacturing	181,705,895	184,917,588
Foreign - Manufacturing	301,680,472	271,410,874
Retail	179,955,098	137,342,122
Rental income	<u>2,298,000</u>	<u>2,430,000</u>
TOTAL SALES	<u>\$665,639,465</u>	<u>596,100,584</u>

6. INVESTMENT INCOME:

	1st Quarter	
	2022/23	2021/22
Realised (Loss)/Gain on Sale of Investments	(3,725,205)	27,280,225
Foreign Exchange (Loss)/Gain	(5,584,572)	35,475,180
Fair Value (Loss)/ Gain on Investments	(72,984,480)	88,421,415
Dividend & Interest Income	<u>12,940,329</u>	<u>12,591,328</u>
Total Investment (Loss)/ Income	<u>(\$69,353,928)</u>	<u>163,768,148</u>

7. OTHER INCOME:

	1st Quarter	
	2022/23	2021/22
Fair value gain/(loss) on investment properties	0	0
Miscellaneous Income	657,162	2,882,603
Total Other Income	<u>\$657,162</u>	<u>\$2,882,603</u>

SEGMENT RESULTS**Unaudited to December
2022**

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$483,386,367	179,955,098	2,298,000	0	665,639,465
Results before tax	<u>\$47,158,048</u>	<u>14,322,839</u>	<u>1,513,814</u>	<u>(91,615,594)</u>	<u>(28,620,893)</u>
Segment Assets	<u>\$1,501,508,588</u>	<u>120,814,841</u>	<u>1,158,422,594</u>	<u>2,036,243,231</u>	<u>4,816,989,254</u>
Segment Liabilities	<u>\$538,406,597</u>	<u>77,559,025</u>	<u>49,633,700</u>	<u>379,071,603</u>	<u>1,044,670,925</u>

**Unaudited to December
2021**

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$456,328,462	137,342,122	2,430,000	0	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>

Jamaican Teas LTD.

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

2 Bell Road, Kingston 11

T: 876 656 9491-2 | F: 876 764 8015

info@jamaicanteas.com

www.jamaicanteas.com