

Jamaican Teas LTD.



March 2023 Unaudited Results



Board of Directors' Commentary

Second Quarter Results to March 2023

The second quarter reflected many positives for the Jamaican Teas Group. A number of the initiatives put in place from the start of the year are now coming together resulting in better results in this quarter compared with the first quarter. This is reflected in the rising sales and improved manufacturing and retail profits now being reported.

The investment division had a marked improvement over the first quarter, but results were still below the robust second quarter last year. The continuation and maintenance of high interest rates here and in the USA negatively affected the investment division.

On a positive note, inflation has been declining and the local economy grew last year. This improvement seems to have carried over into 2023, accompanied by a buoyant tourism sector, rising inflows into the net international reserves and moderation in the exchange rate versus the US dollar.

Manufacturing Division | Both our local and export sales increased in excess of 14 per cent in the quarter with exports accounting for 64 percent of total sales. The higher level of sales experienced fed through into higher manufacturing profits during the period.

Real Estate Division | No real estate sales were booked in the quarter this year or the fiscal year to date as no units were available for sale. Construction work on our new studios at Belvedere Road, Kingston is still underway as the work was extended to accommodate additional saleable units.

Retail Division | For 2023, retail revenues amounted to \$179 million for the quarter, an increase of 20 per cent. This improved sales performance was offset by higher expenses for security, salaries and wages however and as a result the quarterly divisional profit contribution was little changed.

Investment Division | During this quarter, the decline in the prices of stocks on the Jamaica Stock Exchange continued from the first quarter. While share prices overseas increased significantly, this improved performance was insufficient to offset the declines in Jamaica. We still expect this adverse trend will be reversed later in the year, as inflation rates continue to decline and interest rates appear to have peaked and begun a decline downwards.

REVENUES | JTL's total revenues for the quarter increased by 16 per cent overall from \$574 million a year ago to \$665 million this quarter.

The decline 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.

EXPENSES | The increases in Cost of Sales for the quarter and year to date slightly exceeded the growth in revenues. The company experienced sharp increases in ocean marine freight rates during 2022 and the effects of these higher costs are still being reflected in the cost of inventories purchased in 2022 but consumed in the current financial period. Not all of these cost increases were passed on to customers. The reductions in current ocean freight rates will improve the company's cost of sales later in the year.

The increases seen in sales and marketing costs reflect increased levels of sales activity overseas while the higher levels of administrative costs in the quarter mainly reflect the higher staffing and security costs of operating our second manufacturing facility at Montgomery Avenue which opened in March 2022.

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

NET PROFIT | Net profit attributable to Jamaican Teas for the quarter was \$58 million, a modest decline from the \$62 million profit in the previous year quarter. Total attributable comprehensive income per share was 3 cents (2021/22 – earnings of 3 cents). This performance reflects in part a significant deferred tax credit at QWI during the period.

Board of Directors' Commentary (Continued)

For the year to date, net profit attributable to Jamaican Teas was \$86 million, a decline of 50 per cent from the \$171 million in the previous year. Total attributable comprehensive income per share was 4 cents (2021/22 – earnings of 8 cents).

BALANCE SHEET | Since Sept 2022 the group has been able to reduce its manufacturing inventories and receivables and we anticipate further inventory reductions later in the year.

As our Belvedere real estate project nears physical completion, our housing under construction in inventory has continued to increase. The inventory will decline as sales commence following completion.

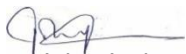
The Group has also used increased short term borrowings to reduce its long term margin loan facilities, mainly at QWI, but also at the manufacturing company.

OUTLOOK | We are cautiously optimistic going forward as the Jamaican economy is benefiting from heavily improved tourism and by extension, increased foreign exchange inflows as well as the positive impact these will have on employment and the wider economy. In addition to the rebound in the tourism sector, buoyancy in remittances to Jamaica from overseas, expansion in the BPO sector and continued construction activity also suggest supports a positive outlook.

We note that economic activity in the USA continues to increase while our other main partners in the eastern Caribbean continue to see some positive developments.

With the completion and sale of our studios at Belvedere and improvements in the investment portfolio, the Group expects to enjoy better financial results in the second half of the year as compared with the six months just ended.

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

1 May 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		2nd Quarter 2022/23	2nd Quarter 2021/22	Year to date 2022/23	Year to date 2021/22
	Note				
OPERATING REVENUES	4	665,513,173	574,529,375	1,331,152,638	1,170,629,959
COST OF GOODS SOLD		<u>518,757,381</u>	<u>444,391,707</u>	<u>1,034,823,740</u>	<u>893,932,376</u>
GROSS PROFIT		146,755,792	130,137,668	296,328,898	276,697,583
INVESTMENT INCOME	5	10,880,388	75,789,251	(58,473,540)	204,622,219
OTHER INCOME		<u>621,656</u>	<u>(74,814)</u>	<u>1,278,818</u>	<u>38,282,970</u>
PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES		158,257,836	205,852,105	239,134,176	519,602,772
Sales and Marketing costs		9,359,000	5,538,001	25,156,562	15,352,551
Administration cost		<u>90,714,233</u>	<u>78,362,631</u>	<u>170,100,418</u>	<u>168,910,559</u>
		<u>100,073,233</u>	<u>83,900,632</u>	<u>195,256,980</u>	<u>184,263,110</u>
OPERATING PROFIT		58,184,603	121,951,473	43,877,196	335,339,662
Finance costs		<u>16,099,089</u>	<u>12,519,436</u>	<u>30,412,575</u>	<u>21,798,196</u>
PROFIT BEFORE TAXATION		42,085,514	109,432,037	13,464,621	313,541,466
TAXATION		<u>20,256,050</u>	<u>(22,172,708)</u>	<u>34,610,698</u>	<u>(61,711,900)</u>
NET PROFIT & COMPREHENSIVE INCOME		<u>62,341,564</u>	<u>87,259,329</u>	<u>48,075,319</u>	<u>251,829,566</u>
Net profit/Comprehensive income attributable to:					
Owners of Jamaican Teas Limited		58,632,271	62,482,919	86,199,118	171,148,686
Non-controlling interest		<u>3,709,293</u>	<u>24,776,410</u>	<u>(38,123,799)</u>	<u>80,680,880</u>
		<u>\$62,341,564</u>	<u>87,259,329</u>	<u>\$48,075,319</u>	<u>251,829,566</u>
Shares outstanding		2,158,605,377	2,153,280,377	2,158,605,377	2,149,865,377
Diluted shares outstanding		2,359,375,371	2,358,850,371	2,359,375,371	2,359,185,371
Basic Earnings per share		0.03	0.03	0.04	0.08
Diluted Earnings per share		0.02	0.03	0.04	0.073

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>MARCH 2023</u>	<u>MARCH 2022</u>	<u>Audited</u> <u>SEPT 2022</u>
FIXED ASSETS	861,042,336	401,573,305	835,891,000
INVESTMENT PROPERTY	296,104,050	303,656,523	294,399,000
LEASE RIGHT OF USE INVESTMENTS - QUOTED EQUITIES	13,201,901	0	13,202,000
DEFERRED TAX ASSETS	34,630,495	49,236,438	0
CURRENT ASSETS			
Inventories excluding housing	591,548,654	472,963,804	616,537,000
Housing under construction	676,425,013	466,297,125	575,379,000
Total Receivables	407,931,075	476,531,477	540,137,000
Cash & Short term investments	<u>93,446,637</u>	<u>149,569,631</u>	<u>83,173,000</u>
Total Current Assets	<u>1,769,351,379</u>	<u>1,565,362,037</u>	<u>1,815,226,000</u>
CURRENT LIABILITIES			
Accounts Payable	250,164,999	241,092,171	353,150,000
Income tax payable	21,770,814	36,079,613	20,788,000
Short Term Borrowings	100,039,768	80,698,658	115,809,000
Bank Overdraft	185,364,692	0	0
Current portion - Long Term Liabilities	<u>27,000,000</u>	<u>21,268,327</u>	<u>27,119,000</u>
Total Current Liabilities	<u>584,340,273</u>	<u>379,138,769</u>	<u>516,866,000</u>
NET CURRENT ASSETS	<u>1,185,011,106</u>	<u>1,186,223,268</u>	<u>1,298,360,000</u>
	<u>\$4,273,986,231</u>	<u>4,128,477,129</u>	<u>4,422,489,000</u>
EQUITY & NON-CURRENT LIABILITIES			
STOCKHOLDERS' EQUITY	2,750,077,259	2,301,052,902	2,609,394,000
NON-CONTROLLING INTEREST	<u>1,067,351,503</u>	<u>1,247,963,483</u>	<u>1,154,055,000</u>
	3,817,428,762	3,549,016,385	3,763,449,000
LEASE LIABILITY	14,797,980		8,198,000
DEFERRED TAX	57,971,293	95,634,327	86,419,000
LONG-TERM LOANS	<u>383,788,196</u>	<u>483,826,417</u>	<u>564,423,000</u>
	<u>\$4,273,986,231</u>	<u>\$4,128,477,129</u>	<u>\$4,422,489,000</u>

Approved for issue by the Board of Directors on 1 May 2023 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/ 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				171,148,686	171,148,686
Treasury shares - net			24,455,042		24,455,042
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>
Balance at 30 September 2022	261,342,000	362,216,000	31,909,000	2,002,466,000	2,657,933,000
Net Profit				86,199,118	86,199,118
Purchases of NCI / Other				5,945,141	5,945,141
Balance at 31 March 2023	<u>\$261,342,000</u>	<u>362,216,000</u>	<u>31,909,000</u>	<u>2,094,610,259</u>	<u>2,750,077,259</u>

UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS

	YTD	YTD
	Mar-23	Mar-22
Net profit for the period to date	48,075,319	251,829,566
Adjustments for:		
Loss/(Gain) on Sale of Investments	15,866,295	(40,084,923)
Fair Value Loss/(Gain) on Investments	61,168,659	(146,401,342)
Tax expense	(34,610,698)	61,711,900
Depreciation	23,801,981	15,503,551
Other	(31,829,277)	29,652,166
Operating cashflows before movements in working capital	82,472,279	172,210,918
Changes in operating assets and liabilities	123,622,531	(282,714,637)
Net cash provided by operating activities	206,094,810	(110,503,719)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(48,953,317)	(45,138,856)
Deferred tax/Investment property	(1,705,050)	
Sales / (Purchases) of investments	35,471,998	97,275,747
Net cash (used in) investing activities	(15,186,369)	52,136,891
	190,908,441	(58,366,828)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities	(180,634,804)	16,947,275
Net cash provided by/ (used in) financing activities	(180,634,804)	16,947,275
Increase /(decrease) in cash and cash equivalent	10,273,637	(41,419,553)
Cash and cash equivalent at beginning of the period	83,173,000	188,505,000
Cash and cash equivalent at the end of period	\$93,446,637	147,085,447

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, 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 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:

	2nd Quarter		Year to date	
	2022/23	2021/22	2022/23	2021/22
SALES				
Local - Manufacturing	172,595,718	149,427,724	354,301,613	334,345,312
Foreign - Manufacturing	312,085,317	273,808,468	613,765,789	545,219,342
Retail	179,063,338	148,776,183	359,018,436	286,118,305
Sales of apartments/rental income	1,768,800	2,517,000	4,066,800	4,947,000
TOTAL SALES	<u>\$665,513,173</u>	<u>574,529,375</u>	<u>1,331,152,638</u>	<u>1,170,629,959</u>

5. INVESTMENT INCOME:

	2nd Quarter		Year to date	
	2022/23	2021/22	2022/23	2021/22
Realised Gain /(Loss) on Sale of Investments	(12,141,090)	12,264,698	(15,866,295)	40,084,923
Foreign Exchange Gain	3,045,594	(3,568,069)	(2,538,978)	31,907,111
Fair Value Gain on Investments	11,815,821	57,979,927	(61,168,659)	146,401,342
Dividend & Interest Income	<u>8,160,063</u>	<u>5,544,626</u>	<u>21,100,392</u>	<u>18,135,954</u>
TOTAL INVESTMENT INCOME	<u>\$10,880,388</u>	<u>72,221,182</u>	<u>(58,473,540)</u>	<u>236,529,330</u>

SEGMENT RESULTS**Unaudited to March 2023**

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$968,067,402	359,018,436	4,066,800		1,331,152,638
Results before tax	<u>\$104,335,607</u>	<u>29,173,314</u>	<u>(620,614)</u>	<u>(119,423,686)</u>	<u>13,464,621</u>
Segment Assets	<u>\$1,533,374,474</u>	<u>113,933,300</u>	<u>1,208,942,883</u>	<u>2,002,075,847</u>	<u>4,858,326,504</u>
Segment Liabilities	<u>\$581,874,291</u>	<u>77,840,756</u>	<u>50,263,617</u>	<u>330,919,078</u>	<u>1,040,897,742</u>

Unaudited to March 2022

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$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>

Jamaican Teas LTD.

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

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