

# Jamaican Teas LTD.



## June 2023 Unaudited Results



# Board of Directors' Commentary

## Third Quarter Results to June 2023

The third quarter reflected many positives for the Jamaican Teas Group and continued the improved financial trajectory seen in our March quarter. 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 second quarter. This is reflected in the rising sales and improved manufacturing and retail profits now being reported as well as improved investment division results.

The investment division had a marked improvement in the third quarter as a result of strong share price appreciation in QWI's local and overseas investment portfolios.

**Manufacturing Division** | Export sales increased 13 per cent in the quarter with exports accounting for 64 percent of total sales. Local sales increased by 4 per cent during the period. Management actions have been planned to achieve sales improvements in several of our largest markets and we will announce the results of these actions in the coming quarters.

**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 almost completed, and the units sold to date will be delivered to customers in August.

**Retail Division** | For 2023, retail revenues amounted to \$184 million for the quarter, an increase of 14 per cent. This improved sales performance has resulted in the year to date divisional profit contribution increasing by 55 per cent.

**Investment Division** | During this quarter, the decline in the prices of stocks on the main market of the Jamaica Stock Exchange continued from the second quarter. Share prices overseas and on the junior market in Jamaica increased significantly resulting in a much improved performance for QWI versus the year ago period.

**REVENUES** | JTL's total revenues for the quarter increased by 10 per cent overall from \$648 million a year ago to \$715 million this quarter.

Investment Income improved by \$315 million mainly reflecting the realized and unrealised investment gains of QWI 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 sharp reductions in current ocean freight rates now being experienced 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 together with increased accruals for higher investment management incentives at QWI.

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

**NET PROFIT** | Net profit attributable to Jamaican Teas for the quarter was \$105 million, a sharp improvement from the \$24 million profit in the previous year's quarter. Total attributable comprehensive income per share was 5 cents (2021/22 – earnings of 1 cent).

For the year to date, net profit attributable to Jamaican Teas was \$191.8 million, an improvement from the \$186.3 million in the previous year. Total attributable comprehensive income per share was 9 cents (2021/22 – earnings of 9 cents).

## **Board of Directors' Commentary (Continued)**

**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.

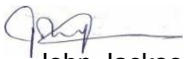
**OUTLOOK** | We are cautiously optimistic going forward as the Jamaican economy is benefiting from heavily improved tourism and by extension, increased foreign exchange inflows as well as the positive impact these will have on employment and the wider economy. In addition to the rebound in the tourism 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 the better financial results experienced in the third quarter to continue in the fourth quarter and the new financial year commencing in October 2023.

The company has recently entered into an agreement to acquire property in Temple Hall, St. Andrew, comprising some 60,000 square feet of factory buildings on about 3 acres of land. Completion of this agreement is expected in or before November 2023. This property will be used to house our manufacturing facilities now located at Bell Road and Montgomery Avenue, St. Andrew. We will begin relocating to the Temple Hall facility by the end of 2023.

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

28 July 2023

**UNAUDITED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME**

		3rd Quarter		Year to date	
		2022/23	2021/22	2022/23	2021/22
	Note				
<b>OPERATING REVENUES</b>	4	715,197,171	648,565,457	2,046,349,809	1,819,195,416
<b>COST OF GOODS SOLD</b>		<u>552,569,837</u>	<u>491,813,213</u>	<u>1,587,393,577</u>	<u>1,385,745,589</u>
<b>GROSS PROFIT</b>		162,627,334	156,752,244	458,956,232	433,449,827
<b>INVESTMENT INCOME</b>	5	181,753,991	(132,948,233)	123,289,451	90,944,605
<b>OTHER INCOME</b>	6	<u>1,141,975</u>	<u>1,184,586</u>	<u>2,420,793</u>	<u>6,404,862</u>
<b>PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES</b>		345,523,300	24,988,597	584,666,476	530,799,294
Sales and Marketing costs		14,367,165	10,785,915	39,523,727	26,138,466
Administration cost		<u>100,399,685</u>	<u>71,010,474</u>	<u>270,500,103</u>	<u>239,921,033</u>
		<u>114,766,850</u>	<u>81,796,389</u>	<u>310,023,830</u>	<u>266,059,499</u>
<b>OPERATING PROFIT</b>		230,756,450	(56,807,792)	274,642,646	264,739,795
Finance costs		<u>15,867,134</u>	<u>13,859,846</u>	<u>46,279,709</u>	<u>33,704,749</u>
<b>PROFIT BEFORE TAXATION</b>		214,889,316	(70,667,638)	228,362,937	231,035,046
<b>TAXATION</b>		<u>(35,323,732)</u>	<u>23,853,721</u>	<u>(713,034)</u>	<u>(37,858,179)</u>
<b>NET PROFIT/COMPREHENSIVE INCOME</b>		<u>179,565,584</u>	<u>(46,813,917)</u>	<u>227,649,903</u>	<u>193,176,867</u>
Net profit/Comprehensive income attributable to:					
Owners of Jamaican Teas Limited		105,610,082	24,261,990	191,809,199	186,317,981
Non-controlling interest		<u>73,955,502</u>	<u>(71,075,907)</u>	<u>35,831,704</u>	<u>6,858,886</u>
		<u>\$179,565,584</u>	<u>(46,813,917)</u>	<u>\$227,649,903</u>	<u>193,176,867</u>
Shares outstanding		2,159,880,377	2,153,805,377	2,159,880,377	2,149,865,377
Diluted shares outstanding		2,360,650,371	2,359,375,371	2,360,650,371	2,362,565,371
Basic Earnings per share		<u>0.05</u>	<u>0.01</u>	<u>0.09</u>	<u>0.09</u>
Diluted Earnings per share		<u>0.04</u>	<u>0.01</u>	<u>0.08</u>	<u>0.08</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<u>JUNE 2023</u>	<u>JUNE 2022</u>	<u>Audited</u> <u>SEPT 2022</u>
<b>FIXED ASSETS</b>	859,849,487	402,727,862	835,891,000
<b>INVESTMENT PROPERTY</b>	296,128,513	308,391,962	294,399,000
<b>LEASE RIGHT OF USE</b>	13,201,901	0	13,202,000
<b>QUOTED INVESTMENTS</b>	2,101,851,038	2,071,185,667	1,980,637,000
<b>DEFERRED TAX ASSETS</b>	14,651,369	49,236,438	0
<b>CURRENT ASSETS</b>			
Inventories excluding housing	603,326,271	521,867,042	616,537,000
Housing under construction	742,172,773	517,624,940	575,379,000
Receivables	388,859,821	461,135,337	540,137,000
Cash & Short term investments	<u>62,025,572</u>	<u>253,691,569</u>	<u>83,173,000</u>
<b>Total Current Assets</b>	<u>1,796,384,437</u>	<u>1,754,318,888</u>	<u>1,815,226,000</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	331,510,092	231,377,297	353,150,000
Income tax payable	36,180,266	44,723,003	20,788,000
Short Term Borrowings	93,598,292	195,963,551	115,809,000
Bank Overdraft	191,312,373	8,533,357	0
Current portion - Long Term Loans/Leases	<u>27,000,000</u>	<u>21,268,327</u>	<u>27,119,000</u>
<b>Total Current Liabilities</b>	<u>679,601,023</u>	<u>501,865,535</u>	<u>516,866,000</u>
<b>NET CURRENT ASSETS</b>	<u>1,116,783,414</u>	<u>1,252,453,353</u>	<u>1,298,360,000</u>
	<u>\$4,402,465,722</u>	<u>4,083,995,282</u>	<u>4,422,489,000</u>
<b>EQUITY &amp; NON-CURRENT LIABILITIES</b>			
<b>STOCKHOLDERS' EQUITY</b>	2,861,000,340	2,384,522,969	2,609,394,000
<b>NON-CONTROLLING INTEREST</b>	<u>1,141,307,005</u>	<u>1,141,410,913</u>	<u>1,154,055,000</u>
	4,002,307,345	3,525,933,882	3,763,449,000
<b>LEASE LIABILITY</b>	14,797,980		8,198,000
<b>DEFERRED TAX</b>	57,971,293	57,718,880	86,419,000
<b>LONG-TERM LOANS</b>	<u>327,389,104</u>	<u>500,342,520</u>	<u>564,423,000</u>
	<u>\$4,402,465,722</u>	<u>\$4,083,995,282</u>	<u>\$4,422,489,000</u>

Approved for issue by the Board of Directors on 28 July 2023 and signed on its behalf by:

  
**John Jackson - Chairman**

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

## UNAUDITED 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
Bal as at 30 Sept 2021	241,344,000	110,939,000	(63,297,000)	1,787,918,000	2,076,904,000
Net Profit				186,317,981	186,317,981
Treasury shares - net			63,297,000		63,297,000
Reductions of NCI / Other				42,306,130	42,306,130
Shares issued	15,697,858				15,697,858
Balance as 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>
Balance at 30 September 2022	261,342,000	366,186,000	27,939,000	2,002,466,000	2,657,933,000
Net Profit				191,809,199	191,809,199
Purchases of NCI / Other				11,258,141	11,258,141
Balance as at 30 June 2023	<u>\$261,342,000</u>	<u>366,186,000</u>	<u>27,939,000</u>	<u>2,205,533,340</u>	<u>2,861,000,340</u>

**UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS**

	YTD	YTD
	Jun-23	Jun-22
Net profit for the period to date	227,640,903	193,176,867
Adjustments for:		
Loss/(Gain) on Sale of Investments	13,900,856	(20,751,805)
Fair Value (Gain) on Investments	(97,971,274)	(13,962,225)
Tax expense	713,034	37,858,179
Depreciation	37,178,533	23,770,628
Deferred tax/ Other	<u>(39,895,445)</u>	<u>(4,362,241)</u>
Operating cashflows before movements in working capital	141,566,607	215,729,403
Changes in operating assets and liabilities	<u>160,429,158</u>	<u>(282,714,637)</u>
Net cash provided by operating activities	301,995,765	(66,985,234)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of fixed assets	(61,137,020)	(54,560,490)
Investment property	(1,729,513)	
(Purchases)/ Sale of investments	<u>(23,242,764)</u>	<u>81,438,558</u>
Net cash (used in) investing activities	<u>(86,109,297)</u>	<u>26,878,068</u>
	215,886,468	(40,107,166)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Financing activities	<u>(237,033,896)</u>	<u>96,760,378</u>
Net cash provided by/ (used in) financing activities	<u>(237,033,896)</u>	<u>96,760,378</u>
<b>Increase /(decrease) in cash and cash equivalent</b>	<u>(21,147,428)</u>	<u>56,653,212</u>
Cash and cash equivalents at beginning of the period	<u>83,173,000</u>	<u>188,505,000</u>
Cash and cash equivalents at the end of period	<u><u>\$62,025,572</u></u>	<u><u>\$245,158,212</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 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:

	3rd Quarter		Year to date	
	2022/23	2021/22	2022/23	2021/22
<b>SALES</b>				
Local - Manufacturing	190,775,146	185,299,633	545,076,759	519,644,945
Foreign - Manufacturing	338,393,727	299,275,541	952,159,516	844,494,883
Retail	184,239,098	161,332,589	543,257,534	447,450,894
Rental income	<u>1,789,200</u>	<u>2,657,694</u>	<u>5,856,000</u>	<u>7,604,694</u>
<b>TOTAL SALES</b>	<u>\$715,197,171</u>	<u>648,565,457</u>	<u>2,046,349,809</u>	<u>1,819,195,416</u>

#### 5. INVESTMENT INCOME:

	3rd Quarter		Year to date	
	2022/23	2021/22	2022/23	2021/22
Realised Gain /(Loss) on Sale of Investments	1,965,439	(6,696,626)	(13,900,856)	20,751,805
Foreign Exchange Gain	9,668,048	(5,106,549)	7,129,070	26,800,562
Fair Value Gain on Investments	159,139,933	(132,439,117)	97,971,274	13,962,225
Dividend & Interest Income	<u>10,980,571</u>	<u>11,294,059</u>	<u>32,080,963</u>	<u>29,430,013</u>
<b>Total Investment Income</b>	<u>\$181,753,991</u>	<u>(132,948,233)</u>	<u>123,280,451</u>	<u>90,944,605</u>

**NOTES TO FINANCIAL STATEMENTS****6. OTHER INCOME:**

	3rd Quarter		Year to date	
	2022/23	2021/22	2022/23	2021/22
Gain on investment properties	0	0	0	0
Miscellaneous Income	1,141,975	2,628,973	2,420,793	6,404,862
<b>Total Other Income</b>	<b>\$1,141,975</b>	<b>\$2,628,973</b>	<b>\$2,420,793</b>	<b>\$6,404,862</b>

**7. LONG TERM LOANS:**

	June 2023	June 2022
Mortgage loans	203,006,928	160,160,828
Margin loans	151,382,176	361,450,019
Current portion	(27,000,000)	(21,268,327)
<b>Total loans less short term portion</b>	<b>\$327,389,104</b>	<b>\$500,342,520</b>

**SEGMENT RESULTS****Unaudited to June 2023**

	<b>Manufacturing</b>	<b>Retailing</b>	<b>Property</b>	<b>Investments</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>	\$1,497,236,275	543,257,534	5,856,000		2,046,349,809
Results before tax	<u>\$150,604,997</u>	<u>47,788,314</u>	<u>(2,092,817)</u>	<u>32,062,443</u>	<u>228,362,937</u>
Segment Assets	<u>\$1,534,945,168</u>	<u>136,560,136</u>	<u>1,274,432,494</u>	<u>2,136,128,946</u>	<u>5,082,066,744</u>
Segment Liabilities	<u>\$596,584,050</u>	<u>87,070,054</u>	<u>50,679,477</u>	<u>345,425,818</u>	<u>1,079,759,399</u>

**Unaudited to June 2022**

	<b>Manufacturing</b>	<b>Retailing</b>	<b>Property</b>	<b>Investments</b>	<b>TOTAL</b>
<b>OPERATING REVENUES</b>	\$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>

# Jamaican Teas LTD.

A graphic of three vibrant green tea leaves with visible veins, 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](mailto:info@jamaicanteas.com)

[www.jamaicanteas.com](http://www.jamaicanteas.com)