

Jamaican Teas LTD.



December 2023 Unaudited Results



Board of Directors Commentary

First Quarter Profit jumps 59% to December 2023

Net profit attributable to the owners of Jamaican Teas for the quarter jumped 59 percent to \$43.7 million, a sharp improvement from the \$27 million profit in the previous year's quarter. Total attributable comprehensive income per share was 2 cents, up from earnings of 1 cent for the 2022 fiscal first quarter.

Our first quarter profit after tax reflects a turnaround from the loss reported for the similar period in the previous year, and is reflective of several positive developments for the Group as we executed on a number of our plans.

We completed the acquisition of our new factory building at Temple Hall, St Andrew in the quarter and commenced certain building upgrades to meet our requirements. We appointed two new sales distributors in our manufacturing division. Finally, H Mahfood and Sons completed sales of the first units at our Belvedere real estate development.

Manufacturing Division | Total manufacturing sales increased 10 percent in the quarter with local sales increasing by a solid 26 percent during the period. Export sales increased by just one percent.

Management had previously announced the appointment of WISYNCO as its exclusive local distributor effective November 2023 as well as the appointment of an Ansa McAl subsidiary as our exclusive distributor in Trinidad and Tobago in October.

Real Estate Division | Deliveries of apartments at our Belvedere Road project commenced in October 2023, and four units sold to date were delivered to our customers resulting in revenues of \$104M. We have contracts in hand for another four units.

We disposed of one of our investment properties in downtown Kingston in the quarter. No gains are expected as the property was recorded at net realizable value in the 2023 fiscal year.

Retail Division | Retail revenues at our supermarket amounted to \$199 million for the quarter, an increase of 11 percent over 2022.

Investment Division | During this quarter, there were small declines in the prices of stocks on the main market of the Jamaica Stock Exchange, but this was more than offset by very significant gains in the overseas exchanges where we also invest. QWI's out performance of several of the main USA Stock market indices resulted in a \$124 million turnaround in the group's investment income versus the year ago quarter.

REVENUES | JTL's total revenues for the quarter increased 26 percent from \$655 million a year ago to \$840 million this quarter.

Investment Income also improved mainly reflecting higher unrealised investment gains at QWI compared with the year ago period. This mainly reflected the strong overall performance of the company's USA listed stocks.

EXPENSES | The growth in the Group's Cost of Sales in the quarter exceeded the growth of the revenues, resulting in a decline of 4 percentage points in the Group's gross profit margin.

The primary reason for this adverse trend was that the \$104m in additional revenue from real estate sales in the quarter, resulted in a gross loss of approximately \$9m. This loss arose because the first three apartments delivered to customers at Belvedere arose from sales contracts signed in 2022 which limited the extent to which construction cost escalations in the intervening period could be passed on to customers.

Board of Directors Commentary (Continued)

Most of the remaining units to be sold will not experience irrecoverable cost escalations because the final cost of building Belvedere is now known, and future sales contracts can be priced accordingly.

Excluding the effects of the real estate segment the group's gross profit margin held steady at 22.5%.

The higher levels of administrative costs in the quarter arose in nearly all the group member companies and resulted from higher investment management accruals at QWI and increases in security and insurance costs at the manufacturing and retail companies.

The increase in interest expense during the quarter and year to date resulted from higher interest rates and increased borrowings by Jamaican Teas and CDFL with the latter arising from the acquisition of our new factory.

BALANCE SHEET | The increase in fixed assets and long term loans in the quarter relates mainly to the purchase of the new factory at Temple Hall by CDFL which was financed with a long term mortgage loan.

As noted above, one investment property, in downtown Kingston was sold in the quarter.

The decrease in housing under construction arose from unit sales to date. The group is planning no new real estate projects and expects to sell the Belvedere units as well as other land originally acquired for housing inventory purposes in the coming quarters.

OUTLOOK | During the quarter ending March 2024 we expect to complete phase 1 of the renovations and expansion of our new facilities at Temple Hall. Relocation of the operations currently at Montgomery Avenue and Bell Road has already begun. We also plan to commission several pieces of additional machinery to increase our production capacity for some of our product lines during the quarter.

The financial benefits of ending the cost duplications and inefficiencies at our two existing factories will begin to become apparent as the remainder of the financial year unfolds as we benefit from cost savings in several areas as well as increase efficiency from the addition of the new machines.

In addition, we expect to benefit from increased sales revenues as the strategies we have agreed with our new sales distributors begin to bear fruit. Some of the machines we will receive will allow us to increase shipments to one of our US distributors.

Finally, on 1 Jan 2024, Jamaican Teas transferred its manufacturing operations to its new wholly owned subsidiary company, Caribbean Dreams Foods Limited.

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

13 February 2024

**UNAUDITED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

		1st Quarter	
		2023/24	2022/23
	Note		
OPERATING REVENUES	4	840,031,090	665,639,465
COST OF GOODS SOLD		<u>683,744,323</u>	<u>516,066,359</u>
GROSS PROFIT		156,286,767	149,573,106
INVESTMENT INCOME/(LOSS)	5	54,940,524	(69,353,928)
OTHER INCOME	6	<u>355,585</u>	<u>657,162</u>
PROFIT BEFORE ADMINISTRATION AND OTHER EXPENSES		211,582,876	80,876,340
Sales and Marketing costs		20,663,739	15,797,562
Administration cost		<u>104,601,534</u>	<u>79,386,185</u>
		<u>125,265,273</u>	<u>95,183,747</u>
OPERATING PROFIT/(LOSS)		86,317,603	(14,307,407)
Finance costs		<u>18,432,864</u>	<u>14,313,486</u>
PROFIT/ (LOSS) BEFORE TAXATION		67,884,739	(28,620,893)
TAXATION		<u>(15,839,402)</u>	<u>14,354,648</u>
NET PROFIT/COMPREHENSIVE INCOME		<u>52,045,337</u>	<u>(14,266,245)</u>
Net profit/Comprehensive income attributable to:			
Owners of Jamaican Teas Limited		47,400,094	27,566,847
Non-controlling interest		<u>4,645,243</u>	<u>(41,833,092)</u>
		<u>\$52,045,337</u>	<u>(14,266,245)</u>
Shares outstanding		2,164,680,377	2,158,605,377
Diluted shares outstanding		2,365,450,371	2,359,375,371
Basic Earnings per share		0.02	0.01
Diluted Earnings per share		0.02	0.01

UNAUDITED STATEMENT OF FINANCIAL POSITION

	<u>DEC 2023</u>	<u>Audited</u> <u>SEPT 2023</u>
FIXED ASSETS	1,144,227,903	912,809,000
INVESTMENT PROPERTY	357,761,154	426,720,000
LEASE RIGHT OF USE	19,802,851	6,601,000
INVESTMENTS - QUOTED EQUITIES	2,033,977,543	2,007,329,000
DEFERRED TAX ASSETS	40,557,812	-
CURRENT ASSETS		
Inventories excluding housing	644,111,866	605,312,000
Housing under construction	701,306,106	793,214,000
Total Receivables	450,729,932	402,888,000
Cash & Short term investments	<u>108,288,119</u>	<u>63,075,000</u>
Total Current Assets	<u>1,904,436,023</u>	<u>1,864,489,000</u>
CURRENT LIABILITIES		
Accounts Payable	372,681,802	295,339,000
Income tax payable	39,418,967	32,567,000
Short Term Borrowings	90,281,772	109,655,000
Bank Overdraft	201,970,502	252,561,000
Current portion - Long Term Loans/Leases	<u>90,878,000</u>	<u>97,478,000</u>
Total Current Liabilities	<u>795,231,043</u>	<u>787,600,000</u>
NET CURRENT ASSETS	1,109,204,980	1,076,889,000
	<u>\$4,705,532,243</u>	<u>4,430,348,000</u>
EQUITY & NON-CURRENT LIABILITIES		
STOCKHOLDERS' EQUITY	3,003,173,188	2,974,932,000
NON-CONTROLLING INTEREST	<u>1,088,433,335</u>	<u>1,064,207,000</u>
	4,091,606,523	4,039,139,000
LEASE LIABILITY	9,054,190	2,454,000
DEFERRED TAX	140,936,384	97,153,000
LONG-TERM LOANS	<u>463,935,146</u>	<u>291,602,000</u>
	<u>\$4,705,532,243</u>	<u>\$4,430,348,000</u>

Approved for issue by the Board of Directors on 13 February 2024 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				Total
	Share Capital	Capital/ Revaluation Reserves	Treasury Shares/ Franked Income reserve	Retained Earnings	
Balance at 30 September 2022	261,342,000	366,186,000	27,939,000	2,002,466,000	2,657,933,000
Net Profit				227,546,000	227,546,000
Transfer			12,423,000	(12,423,000)	0
OCI being surplus on revaluation of land/buildings		85,853,000			85,853,000
Shares issued	3,600,000				3,600,000
Purchases of NCI / Other					0
Balance as at 30 September 2023	<u>264,942,000</u>	<u>452,039,000</u>	<u>40,362,000</u>	<u>2,217,589,000</u>	<u>2,974,932,000</u>
Balance at 30 September 2023	264,942,000	452,039,000	40,362,000	2,217,589,000	2,974,932,000
Net Profit				47,400,094	47,400,094
Shares issued	1,699,858				1,699,858
OCI -surplus on revaluation of buildings/other		(29,449,600)		8,590,836	(20,858,764)
Balance as at 30 December 2023	<u>266,641,858</u>	<u>422,589,400</u>	<u>40,362,000</u>	<u>2,273,579,930</u>	<u>3,003,173,188</u>

UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS

	YTD Dec-23	YTD Dec-22
Net profit/(loss) for the period to date	52,045,337	(14,266,245)
Adjustments for:		
Loss on Sale of Investments	3,275,541	3,725,205
Fair Value (Gain)/loss on Investments	(40,931,996)	72,984,480
Tax expense	15,839,402	(14,354,648)
Depreciation	10,910,501	11,276,365
Deferred tax/ Other	16,765,049	(12,506,163)
Operating cashflows before movements in working capital	<u>57,903,834</u>	<u>46,858,994</u>
Changes in operating assets and liabilities	12,897,139	29,603,875
Net cash provided by operating activities	<u>70,800,973</u>	<u>76,462,869</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(232,510,404)	(3,228,166)
Sale of Investment property	68,958,846	
Sales of investments	<u>14,521,198</u>	<u>3,399,434</u>
Net cash(used in)/provided by investing activities	<u>(149,030,360)</u>	<u>171,268</u>
	(78,229,387)	76,634,137
CASH FLOWS FROM FINANCING ACTIVITIES:		
Financing activities	<u>174,033,004</u>	<u>(7,991,993)</u>
Net cash provided by/ (used in) financing activities	<u>174,033,004</u>	<u>(7,991,993)</u>
Increase /(decrease) in cash and cash equivalents	<u>95,803,617</u>	<u>68,642,144</u>
Cash and cash equivalents at beginning of the period	<u>(189,486,000)</u>	<u>83,173,000</u>
Cash and cash equivalents at the end of period	<u>(93,682,383)</u>	<u>151,815,144</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.

*Caribbean Dreams Foods Limited which owns the Temple Hall factory and which purchased Jamaican Teas manufacturing operations on Jan 1 2024.

- 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 Caribbean Dreams Foods Ltd, 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, 2023 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

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 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 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.

4. OPERATING REVENUE:

	1st Quarter		Year to date	
	2023/24	2022/23	2023/24	2022/23
SALES				
Local - Manufacturing	229,759,643	181,705,895	229,759,643	181,705,895
Foreign - Manufacturing	304,569,218	301,680,472	304,569,218	301,680,472
Retail	199,743,029	179,955,098	199,743,029	179,955,098
Sales of apartments/rental income	<u>105,959,200</u>	<u>2,298,000</u>	<u>105,959,200</u>	<u>2,298,000</u>
TOTAL SALES	<u>\$840,031,090</u>	<u>665,639,465</u>	<u>840,031,090</u>	<u>665,639,465</u>

5. INVESTMENT INCOME:

	1st Quarter		Year to date	
	2023/24	2022/23	2023/24	2022/23
Realised (Loss) on Sale of Investments	(3,275,541)	(3,725,205)	(3,275,541)	(3,725,205)
Foreign Exchange Gain/(loss)	2,339,191	(5,584,572)	2,339,191	(5,584,572)
Fair Value Gain/(loss) on Investments	40,931,996	(72,984,480)	40,931,996	(72,984,480)
Dividend & Interest Income	<u>14,944,878</u>	<u>12,940,329</u>	<u>14,944,878</u>	<u>12,940,329</u>
Total Investment Income	<u>\$54,940,524</u>	<u>(69,353,928)</u>	<u>54,940,524</u>	<u>(69,353,928)</u>

6. OTHER INCOME:

	1st Quarter		Year to date	
	2023/24	2022/23	2023/24	2022/23
Misc Income	355,585	657,162	355,585	657,162
Total Other Income	<u>\$355,585</u>	<u>\$657,162</u>	<u>\$355,585</u>	<u>\$657,162</u>

SEGMENT RESULTS**Unaudited to December
2023**

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$534,328,861	199,743,029	105,959,200		840,031,090
Results before tax	<u>\$44,766,597</u>	<u>14,981,745</u>	<u>(14,674,148)</u>	<u>22,810,545</u>	<u>67,884,739</u>
Segment Assets	<u>\$2,015,173,104</u>	<u>146,146,003</u>	<u>1,279,981,697</u>	<u>2,059,462,482</u>	<u>5,500,763,286</u>
Segment Liabilities	<u>\$899,381,710</u>	<u>108,341,815</u>	<u>49,668,510</u>	<u>351,764,728</u>	<u>1,409,156,763</u>

**Unaudited to December
2022**

	Manufacturing	Retailing	Property	Investments	TOTAL
OPERATING REVENUES	\$483,386,367	179,955,098	2,298,000		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>

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.

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