



Salada Foods Jamaica Limited

Interim Financial Report to Stockholders

For the Six Months to March 31, 2016

The Directors of Salada Foods Jamaica Limited now release the unaudited financial results of the Group for the six month period ended March 31, 2016.

	6 Months to March 31 2016	6 Months to March 31 2015	% Change
Gross Revenue	348,116	354,594	-2%
Gross Margin	35.1%	27.6%	27%
Operating Profit	34,574	31,623	9%
Interest and Other Investment income and Exchange Gains	4,338	4,657	-7%
Profit after Tax	29,036	28,426	2%
EPS (cents)	29.7	32.4	-8%

Gross revenue for the six months ended March 31, 2016 was \$348.1 million which was 2% below the sales in the corresponding period of the prior year. However profit after tax at \$29.0 million was up 2% over the same period last year.

The 2% reduction in revenue was due to export sales at \$63 million being 24% behind that for the first six months of the last financial year. This was due to the high sales to our US distributor at the start-up of the new distribution agreement in February 2015. Export sales however remain robust and are expected to recover by the end of the financial year. When compared to the equivalent period in the prior year, sales to our local distributor were essentially flat. However, sales by the distributor into the trade grew by 12.4%, as we reaped the benefits of increased advertising and promotional efforts. This has reduced the high level of inventory that was being carried by our distributor to more manageable levels and will result in increased sales by Salada to the distributor in the second half of this financial year. Sales of product manufactured under contract for customers of \$51 million grew by 56% over the prior year. This assisted in improving utilisation of our plant and driving efficiencies.

The main driver for the improved profits was improved margins. Gross Margin for the six month period was 35% which compared favourably against the 28% for the corresponding period last year. This improvement resulted from lower coffee bean prices, improved manufacturing efficiency and price increases. Despite the favourable profit performance, the earnings per share were slightly below that of the prior year's performance due to the provision of assistance to an ailing subsidiary during the second quarter.

Selling and promotional expenses were \$22.8 million, which was up \$5.8 million over the first six months of last year. This reflects increased spending on promotions in export markets and preparation for the launch of the "Bold New Look" Mountain Peak Brand in the upcoming quarter. Administrative expenses of \$62.8 million for the six months were \$10 million above the corresponding period in the prior year due to higher staff costs, a one off redundancy cost and amortisation of intangible assets.



We continue our efforts to reduce inventory and as at March 31st the inventory stood at \$309M which was \$100M below the level of March 31st, 2015 and \$6 million below the previous quarter. Our continuing focus on inventory reduction will see further reduction by the end of the financial year.

The performance of our subsidiaries remains challenging. Mountain Peak Food Processors owners of the Roberts brand has shown improved performance but is still not profitable and persistent equipment issues at our Pimora subsidiary has resulted us slowing our marketing efforts in order to concentrate on improving our production reliability to ensure we can meet the expected market demand. Plans are being implemented to improve the performance of these subsidiaries. The distribution of the Roberts brand is being addressed and is already bearing fruit and the technical problems at Pimora are expected to be behind us by the end of June 2016.

In the upcoming months, Salada will continue to focus on growing its exports and will also launch a number of new products into the local market. The first of which is Mountain Peak low caffeine instant coffee that contains 25% less caffeine than our original instant coffee. We will also relaunch the Mountain Peak brand with its "Bold New Look" and same great taste.

A handwritten signature in black ink that reads "Patrick Williams".

Patrick Williams - Chairman

A handwritten signature in black ink that reads "Michael Bernard".

Michael Bernard - Director



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Comprehensive Income

For Six Months ended March 31, 2016

	Three Months ended		Six Months ended	
	March 31 2016	March 31 2015	March 31 2016	March 31 2015
	\$'000	\$'000	\$'000	\$'000
Turnover	159,486	220,399	348,116	354,594
Cost of Sales	(96,159)	(149,520)	(226,008)	(256,678)
Gross Profit	63,327	70,879	122,108	97,916
Other operating (loss)/income	(2,326)	2,387	(1,974)	4,281
Selling and promotional expenses	(10,132)	(8,532)	(22,799)	(16,958)
Administrative expenses	(32,675)	(30,739)	(62,761)	(53,616)
Operating profit	18,194	33,995	34,574	31,623
Net Finance income	2,631	3,020	4,338	4,657
Profit before taxation	20,825	37,015	38,912	36,280
Taxation	(5,267)	(8,048)	(9,876)	(7,854)
Total comprehensive income	15,558	28,967	29,036	28,426
Attributable to:				
Stockholders of the company	15,547	32,153	30,847	33,614
Non-controlling interest	11	(3,186)	(1,811)	(5,188)
	15,558	28,967	29,036	28,426
Earnings per stock unit	\$0.15	\$0.31	\$0.30	\$0.32



Salada Foods Jamaica Limited (Group)
Unaudited Consolidated Statement of Financial Position
March 31, 2016

	Unaudited March 31 2016 \$'000	Unaudited March 31 2015 \$'000	Audited September 30 2015 \$'000
NON-CURRENT ASSETS			
Property, Plant and equipment	155,629	230,853	163,715
Assets Held for Sale	42,492	-	43,030
Intangible Assets	9,286	11,143	10,400
Employee Benefit Asset	14,451	11,501	16,389
Investment	-	15,000	-
Deferred tax asset	41,205	30,862	38,777
	<u>263,063</u>	<u>299,359</u>	<u>272,311</u>
CURRENT ASSETS			
Cash and cash equivalents	61,182	94,603	112,486
Investments	65,602	-	15,000
Accounts receivable	141,031	146,047	90,343
Inventories	309,250	409,296	340,962
Biological assets	354	213	2,017
Taxation Recoverable	-	-	2,361
	<u>577,419</u>	<u>650,159</u>	<u>563,169</u>
TOTAL ASSETS	<u>840,482</u>	<u>949,518</u>	<u>835,480</u>
STOCKHOLDERS' EQUITY			
Share Capital	73,216	73,216	73,216
Capital Reserves	16,275	16,275	16,275
Retained Earnings	640,875	637,174	651,581
	<u>730,366</u>	<u>726,665</u>	<u>741,072</u>
NON-CONTROLLING INTEREST	<u>(3,935)</u>	<u>2,429</u>	<u>(2,124)</u>
	<u>726,431</u>	<u>729,094</u>	<u>738,948</u>
NON-CURRENT LIABILITY			
Lease Obligation	2,997	-	-
Employee benefit obligation	36,119	39,119	36,119
	<u>39,116</u>	<u>39,119</u>	<u>36,119</u>
CURRENT LIABILITIES			
Accounts Payable	68,295	160,438	60,413
Taxation Payable	5,212	20,867	-
Lease Obligation	1,428	-	-
	<u>74,935</u>	<u>181,305</u>	<u>60,413</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>840,482</u>	<u>949,518</u>	<u>835,480</u>

Approved by:

Patrick Williams – Chairman

Michael Bernard - Director



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Changes in Equity Attributable to Stockholders of the Company For Three Months Ended March 31, 2016

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balances at September 30, 2015	73,216	16,275	651,581	(2,124)	738,948
Total comprehensive income for the period			30,847	(1,811)	29,036
	73,216	16,275	682,428	(3,935)	767,984
Dividends paid			(41,553)		(41,553)
Balances at March 31, 2016	73,216	16,275	640,875	(3,935)	726,431

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balances at September 30, 2014	73,216	16,275	645,112	7,617	742,220
Total comprehensive income for the period			33,614	(5,188)	28,426
	73,216	16,275	678,726	2,429	770,646
Dividends paid			(41,552)		(41,552)
Balances at March 31, 2015	73,216	16,275	637,174	2,429	729,094



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Cash Flows

Period ended March 31, 2016

	Unaudited March 31 2016 \$'000	Unaudited March 31 2015 \$'000
Cash flows from operating activities:		
Profit for the period	29,036	28,426
Adjustments for Items not affecting cash:		
Depreciation	19,141	18,762
Income Tax Expense	12,220	16,889
Deferred Taxation	(2,345)	(9,035)
Interest Income	(2,850)	(3,111)
Interest Expense	72	-
Employee benefit Asset	1,938	2,924
	<u>57,212</u>	<u>54,855</u>
Changes in operating assets and liabilities:		
Inventories	31,712	(182,118)
Investments	(50,602)	-
Accounts receivable	(50,684)	136,705
Accounts payable	7,878	83,806
Cash (used)/generated from operating activities	<u>(4,484)</u>	<u>93,248</u>
Taxation paid	<u>(4,730)</u>	<u>(18,054)</u>
Net cash (used)/provided by operating activities	<u>(9,214)</u>	<u>75,194</u>
Cash flows from investing activities		
Interest Received	2,850	3,111
Purchase of property, plant and equipment	(9,404)	(19,345)
Investment in biological assets	1,664	2,287
Cash used by investing activities	<u>(4,890)</u>	<u>(13,947)</u>
Cash flows from Financing activities		
Lease Obligation	4,425	-
Interest Expense	(72)	-
Cash provided by Financing activities	<u>4,353</u>	<u>-</u>
Dividends paid	<u>(41,553)</u>	<u>(41,552)</u>
(Decrease)/increase in cash and cash equivalents	<u>(51,304)</u>	<u>19,695</u>
Cash and cash equivalents at beginning of period	<u>112,486</u>	<u>74,908</u>
Cash and cash equivalents at end of period	<u>61,182</u>	<u>94,603</u>



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended March 31, 2016

1) Identification

Salada Foods Jamaica Limited (“the company”) is incorporated and domiciled in Jamaica. Its principal activity is the manufacture and sale of instant coffee and roasted and ground coffee beans and other consumer products. The company and its subsidiaries are collectively referred to as the “group”. The company’s registered office is located at 20 Bell Road, Kingston 11 Jamaica, West Indies.

2) Statement of compliance, basis of preparation and significant accounting policies

a) Statement of Compliance

- i) The consolidated financial statements are prepared in accordance with International Financial reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

b) Basis of preparation

- i) These financial statements are presented in Jamaican dollar, which is the functional currency of the group. All information presented in Jamaican dollars has been rounded to the nearest thousands, except when otherwise indicated.
- ii) The financial statements are prepared on the historical cost basis, where necessary, prior period comparatives have been reclassified to conform to current period presentation. The same accounting policies and methods of computation are followed in the interim financial statements, as were followed in the most recent annual financial statements.

c) Significant accounting policies

i) Property, plant & equipment:

Property, plant & equipment are stated at historical cost or deemed cost, less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognised in the income statement.



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended March 31, 2016

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

c). Significant accounting policies (cont'd)

ii) Depreciation:

Depreciation is computed on a straight-line basis at annual rates estimated to write down the property, plant & equipment to their estimated residual values at the end of their expected useful lives. No depreciation is charged on freehold land. Annual depreciation rates are as follows:

Buildings	2.5 - 10%
Infrastructure	2.5 - 10%
Machinery and equipment	2.5 - 20%
Motor vehicle	20%

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

iii) Inventories:

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. The cost of finished goods and work-in-progress comprises raw and packaging materials, direct labour, other direct costs and a proportion of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of other inventories is based on the FIFO principle and includes expenses incurred in acquiring and bringing them to their existing location and condition.

iv) Accounts receivable:

Trade and other receivables are stated at amortised cost, less impairment losses.

v) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, other short-term investments and other monetary instruments with maturities ranging between one and twelve months from the statement of financial position date.

vi) Accounts payable:

Trade and other payables are stated at amortised cost.



Salada Foods Jamaica Limited (Group)
Notes to the Interim Financial Statements
Period ended March 31, 2016

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

c). Significant accounting policies (cont'd)

vii) Revenue:

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

viii) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the statement of financial position date.

ix) Leases

Leases of fixed assets where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligation. The interest element of the finance charge is charged to the income statement over the lease period. The fixed asset acquired under finance lease contracts is depreciated over the estimated useful life of the asset.



Salada Foods Jamaica Limited (Group)
Notes to the Interim Financial Statements
Period ended March 31, 2016

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

c). Significant accounting policies (cont'd)

x) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.



SALADA FOODS JAMAICA LIMITED

LIST OF SHAREHOLDERS AS AT 31ST MARCH 2016

10 LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING
Resource in Motion	60,233,700
AIC (Jamaica) Limited	8,988,120
Donwis Limited	7,504,280
Ideal Portfolio Services Company Limited	3,217,477
Jamaican Teas Limited Buying Account	2,960,000
Ideal Group Corporation Limited	2,726,000
Ideal Finance Corporation Limited	2,620,000
Ideal Betting Company Limited	2,755,310
Donovan A. Lewis	1,677,400
Caribbean Trust & Merchant Bank	1,030,760
Total	93,713,047

SHAREHOLDINGS OF DIRECTORS & CONNECTED PARTIES AS AT 31ST MARCH 2016

DIRECTORS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
Bernard, Michael	0	0	0
Hill, Aubyn	0	0	0
Lewis, Kathryn	81,447,767	1,000	81,446,767
Stultz, Eric	0	0	0
Williams, Patrick	0	0	0

COMPANY SECRETARY	TOTAL SHAREHOLDING	DIRECT	CONNECTED
Smith, Michelle	0	0	0

SENIOR MANAGEMENT HOLDINGS AS AT 31ST MARCH 2016

SENIOR MANAGERS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
Kerr, Andrew	0	0	0
Lemard, Dave	0	0	0
Lewis, Lorna	0	0	0
Miles, Jerome	0	0	0