



**Salada Foods Jamaica Limited**  
**Interim Financial Report to Stockholders**  
**For the Nine Months to June 30, 2016**

	9 Months to June 30 2016 (\$'000)	9 Months to June 30 2015 (\$'000)	% Change
Gross Revenue	540,278	507,617	6%
Gross Margin	35.5%	24.5%	45.0%
Operating Profit	55,172	19,853	178%
Interest and Other Investment Income and Exchange Gains	7,930	6,756	18%
Profit after Tax	47,179	21,081	124%
Earnings per Stock Unit (cents)	48	21	126%

The Directors of Salada Foods Jamaica Limited now release the unaudited financial results of the Group for the nine month period ended June 30, 2016.

The performance for the nine month period saw increases in both revenues and profits when compared with the corresponding period in the previous year. The revenues of \$540.4 million for the nine months and \$192.2 million for the quarter were up 6% and 65% respectively. This resulted from improved third quarter sales to the local market, driven by our rebranding of our Mountain Peak coffee and a new product launch.

During the period, the Mountain Peak brand was relaunched with its "Bold New Look" and the new Low Caff Mountain Peak coffee product was also launched. The Low Caff product contains 25% less caffeine than the Mountain Peak original coffee and is the only product of its kind on the market. Export sales lagged somewhat behind last year due to slow sales in the north eastern US market. It is expected that this will change in the upcoming months as residual stock from previous distributors that were in the market, is depleted.

The improved sales performance was also accompanied by improved gross margin. The gross margin for the nine month period at 35.5% and quarter at 36.2% showed increases of 44.9% and 109% respectively over the prior year. This significant improvement was the result of much improved margins on our Roberts range of products and the increased sale of higher margin product from our Mountain Peak coffee range, specifically our single serve sachet. Reduced coffee bean cost also contributed to the improved margins.

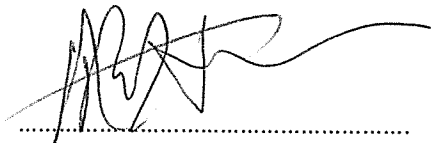
Selling/promotional and administrative expenses increased over the period. Selling/promotional expense of \$18.8 million for the nine months was \$7.4 million higher than the prior year period. This was mainly due to the rebranding of the Mountain Peak brand, the launch of the Low Caff coffee product and the reclassification of some expenses for MPFP that were previously classified as part of "cost of goods sold". Administrative expenses of \$32 million were \$5 million higher than the prior year. This was due to increased staff cost and one off separation costs.

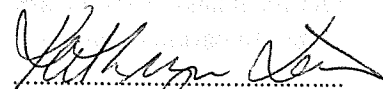


Our subsidiaries Mountain Peak Foods Processors (MPFP) and Pimora continue to be lossmaking. However, the losses have been reduced significantly over the corresponding period last year and plans are being implemented to move both brands towards profitability. The Board of Salada has agreed to make an additional investment in MPFP through the taking up of new shares on offer. This will provide working capital to assist in the launch of new products under the Roberts brand and also fund a new marketing thrust. Production issues which have plagued the Pimora brand have now been rectified and distribution of its pimento smokers is being targeted to export markets, hotels and restaurants that are looking for a cost effective, convenient and sustainable way to produce authentic jerk flavoured meats.

The rebranding, new product launch and reduced losses in our subsidiaries translated into improved sales and margins which produced significantly higher profits before tax for the nine months and quarter. Profit before tax for the nine months rose to \$63.1 million from \$26.6 million in the prior year while profit before tax for the quarter rose from a loss of \$9.7 million in the prior year to a profit of \$24.2 million in the current year.

Earnings per stock unit (EPS) year to date now stand at 48 cents. This compares favourably to the 21 cents per stock unit for the corresponding period in the prior year.

  
.....  
Aubyn Hill                      Director

  
.....  
Kathryn Lewis              Director



## Salada Foods Jamaica Limited (Group)

### Unaudited Consolidated Statement of Comprehensive Income For Nine Months Ended June 30, 2016

	Three Months ended		Nine Months ended	
	June 30 2016	June 30 2015	June 30 2016	June 30 2015
	\$'000	\$'000	\$'000	\$'000
Revenue	192,162	153,023	540,278	507,617
Cost of Sales	(122,538)	(126,598)	(348,546)	(383,276)
<b>Gross Profit</b>	<b>69,625</b>	<b>26,425</b>	<b>191,732</b>	<b>124,341</b>
<b>Other operating (loss)/income</b>	<b>1,796</b>	<b>309</b>	<b>(178)</b>	<b>4,590</b>
Selling and promotional expenses	(18,824)	(11,421)	(41,623)	(28,380)
Administrative expenses	(31,998)	(27,081)	(94,759)	(80,698)
<b>Operating profit</b>	<b>20,599</b>	<b>(11,768)</b>	<b>55,172</b>	<b>19,853</b>
Net Finance income	3,592	2,087	7,930	6,746
<b>Profit before taxation</b>	<b>24,191</b>	<b>(9,681)</b>	<b>63,102</b>	<b>26,599</b>
Taxation	(6,048)	2,336	(15,923)	(5,518)
<b>Total comprehensive income</b>	<b>18,143</b>	<b>(7,345)</b>	<b>47,179</b>	<b>21,081</b>
<b>Attributable to:</b>				
Stockholders of the company	19,184	(8,295)	50,031	22,133
Non-controlling interest	(1,041)	950	(2,852)	(1,052)
	<b>18,143</b>	<b>(7,345)</b>	<b>47,179</b>	<b>21,081</b>
<b>Earnings per stock unit</b>	<b>\$0.18</b>	<b>-\$0.08</b>	<b>\$0.48</b>	<b>\$0.21</b>



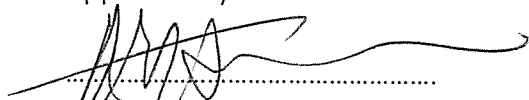
# Salada Foods Jamaica Limited (Group)

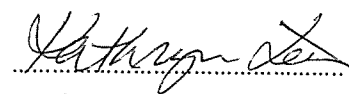
## Unaudited Consolidated Statement of Financial Position

For Nine Months Ended June 30, 2016

	Unaudited June 30 2016 \$'000	Unaudited June 30 2015 \$'000	Audited September 30 2015 \$'000
<b>NON-CURRENT ASSETS</b>			
Property, Plant and equipment	166,693	223,188	163,715
Assets Held for Sale	42,223	-	43,030
Intangible Assets	8,729	11,143	10,400
Employee Benefit Asset	13,482	11,501	16,389
Investment	48,276	15,000	-
Deferred tax asset	43,023	35,180	38,777
	<u>322,426</u>	<u>296,012</u>	<u>272,311</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	61,381	63,469	112,486
Investments	54,639	-	15,000
Accounts receivable	151,690	101,562	90,343
Inventories	302,144	370,596	340,962
Biological assets	1,161	1,129	2,017
Taxation Recoverable	-	-	2,361
	<u>571,015</u>	<u>536,756</u>	<u>563,169</u>
<b>TOTAL ASSETS</b>	<u>893,441</u>	<u>832,768</u>	<u>835,480</u>
<b>STOCKHOLDERS' EQUITY</b>			
Share Capital	73,216	73,216	73,216
Capital Reserves	16,275	16,275	16,275
Retained Earnings	660,059	631,206	651,581
	<u>749,550</u>	<u>720,697</u>	<u>741,072</u>
<b>NON-CONTROLLING INTEREST</b>	<u>(4,976)</u>	<u>1,052</u>	<u>(2,124)</u>
	<u>744,574</u>	<u>721,749</u>	<u>738,948</u>
<b>NON-CURRENT LIABILITY</b>			
Lease Obligation	15,328	-	-
Employee benefit obligation	36,119	40,582	36,119
	<u>51,447</u>	<u>40,582</u>	<u>36,119</u>
<b>CURRENT LIABILITIES</b>			
Accounts Payable	77,745	67,146	60,413
Taxation Payable	8,529	3,291	-
Lease Obligation	11,146	-	-
	<u>97,420</u>	<u>70,437</u>	<u>60,413</u>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<u>893,441</u>	<u>832,768</u>	<u>835,480</u>

Approved by:

  
 Aubyn Hill Director

  
 Kathryn Lewis Director



## Salada Foods Jamaica Limited (Group)

### Unaudited Consolidated Statement of Changes in Equity Attributable to Stockholders of the Company For Nine Months Ended June 30, 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			50,031	(2,852)	47,179
	73,216	16,275	701,612	(4,976)	786,127
Dividends paid			(41,553)		(41,553)
Balances at June 30, 2016	73,216	16,275	660,059	(4,976)	744,574

	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			22,133	(1,052)	21,081
	73,216	16,275	667,245	6,565	763,301
Dividends paid			(41,552)		(41,552)
Balances at June 30, 2015	73,216	16,275	625,693	6,565	721,749



# Salada Foods Jamaica Limited (Group)

## Unaudited Consolidated Statement of Cash Flows

For Nine Months Ended June 30, 2016

	Unaudited June 30 2016 \$'000	Unaudited June 30 2015 \$'000
<b>Cash flows from operating activities:</b>		
Profit for the period	47,179	21,081
Adjustments for Items not affecting cash:		
Depreciation	28,558	28,815
Income Tax Expense	20,165	18,378
Deferred Taxation	(4,242)	(13,110)
Interest Income	(4,284)	(4,593)
Interest Expense	747	-
Employee benefit Asset	2,907	4,388
	<u>91,030</u>	<u>54,960</u>
Changes in operating assets and liabilities:		
Inventories	38,818	(143,418)
Investments	(87,915)	-
Accounts receivable	(61,343)	181,190
Accounts payable	17,327	(9,486)
Cash (used)/generated from operating activities	<u>(2,083)</u>	<u>83,246</u>
Taxation paid	<u>(9,277)</u>	<u>(37,295)</u>
Net cash (used)/provided by operating activities	<u>(11,360)</u>	<u>45,951</u>
<b>Cash flows from investing activities</b>		
Interest Received	4,284	4,593
Purchase of property, plant and equipment	(37,789)	(21,802)
Proceeds from sale of Assets	8,730	-
Investment in biological assets	856	1,371
Cash used by investing activities	<u>(23,919)</u>	<u>(15,838)</u>
<b>Cash flows from Financing activities</b>		
Lease Obligation	26,474	-
Interest Expense	(747)	-
Cash provided by Financing activities	<u>25,727</u>	<u>-</u>
Dividends paid	<u>(41,553)</u>	<u>(41,552)</u>
(Decrease)/increase in cash and cash equivalents	<u>(51,105)</u>	<u>(11,439)</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>61,381</u>	<u>63,469</u>



# Salada Foods Jamaica Limited (Group)

## Notes to the Interim Financial Statements For Nine Month Ended June 30, 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

### For Nine Months Ended June 30, 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 vehicles	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

### For Nine Months Ended June 30, 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

###### As Lessee

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

#### For Nine Months Ended June 30, 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 30<sup>TH</sup> JUNE 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 31<sup>ST</sup> 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 31<sup>ST</sup> 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



THE UNIVERSITY OF CHICAGO

DEPARTMENT OF CHEMISTRY

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