



Salada Foods Jamaica Limited

Interim Financial Report to Stockholders

For the Nine Months to June 30, 2017

	9 months June 30 2017	9 months June 30 2016	% Change
Gross Revenue	612,795	540,278	13%
Gross Margin	35.1%	35.5%	-1%
Operating Profit	75,778	55,172	37%
Interest and Other Investment income and Exchange Gains	10,732	7,930	35%
Profit after Tax	63,291	47,179	34%
EPS (cents)	63.0	48.2	31%

The Directors of Salada Foods Jamaica Limited are pleased to release the unaudited financial results for the nine month period ended June 30, 2017.

Net profit after tax for the period ended June 30, 2017 was \$63.29 million or 34% above the \$47.18 million recorded for the comparable period prior year. Operating profit for the Group was \$75.78 million, up 37% above prior year's \$55.17 million driven by the increased domestic sales, improvement in margins, treasury management, and tighter expense control.

Revenue increased to \$612.80 million, 13% more than prior year's results of \$540.27 million. Top-line growth was attributed mainly to improved sales through our local distributor, LASCO, which grew by 35%. Export sales continue to lag due to challenges in the New York Tri-State region of the United States but we have implemented a marketing initiative to turn things around. The Miami market is a success story for Salada, and is now poised for expansion beyond our Diaspora target market.


Margins of 35.1% were relatively unchanged in comparison to prior year.

We continue to employ prudent treasury management practices resulting in net finance income of \$10.73 million, some \$2.80 million more, year over year, while tighter inventory management resulted in a reduction in inventory to \$273.08 million, as at June 30 versus \$302.14 million in the prior year.

Consequent on our efforts to expand our base by reaching out to and, appealing to millennials, selling and promotional expenses for the nine months to June 30 were up \$1.84 million YoY due to increased marketing spend on social media. Administrative expenses of \$94.04 million compares favourably to prior year.

Mountain Peak Food Processors Limited, which became a 100% subsidiary in the fiscal third quarter, with Salada having bought the shares of the minority shareholders, continues to operate as the distribution arm of the Group. Our Pimora subsidiary remains challenged as it seeks to gain market acceptance of its innovative pimento smoker products.

Growth in the north east United States remains paramount on our agenda and, engaging a younger demographic, our local marketing thrust.



 Patrick Williams Chairman



 Eric Stultz Director



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Comprehensive Income

For Nine Months ended June 30, 2017

	Three Months ended		Nine Months ended	
	June 30 2017	June 30 2016	June 30 2017	June 30 2016
	\$'000	\$'000	\$'000	\$'000
Revenue	208,420	192,162	612,795	540,278
Cost of Sales	(137,803)	(122,537)	(397,719)	(348,546)
Gross Profit	70,618	69,625	215,076	191,732
Other operating (loss)/income	310	1,796	(1,799)	(178)
Selling and promotional expenses	(15,910)	(18,824)	(43,459)	(41,623)
Administrative expenses	(33,031)	(31,998)	(94,040)	(94,759)
Operating profit	21,987	20,599	75,778	55,172
Net Finance income	3,052	3,592	10,732	7,930
Profit before taxation	25,038	24,191	86,510	63,102
Taxation	(6,655)	(6,048)	(23,219)	(15,923)
Total comprehensive income	18,383	18,143	63,291	47,179
Attributable to:				
Stockholders of the company	19,044	19,184	65,491	50,031
Non-controlling interest	(661)	(1,041)	(2,200)	(2,852)
	18,383	18,143	63,291	47,179
Earnings per stock unit	\$0.18	\$0.18	\$0.63	\$0.48



Salada Foods Jamaica Limited (Group)
Unaudited Consolidated Statement of Financial Position
June 30, 2017

	Unaudited June 30 2017 \$'000	Unaudited June 30 2016 \$'000	Audited September 30 2016 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	118,450	166,693	154,454
Assets held for sale	39,000	42,223	43,030
Intangible assets	15,850	8,729	8,171
Employee benefit asset	21,755	13,482	24,662
Investment	49,593	48,276	49,071
Deferred tax asset	40,101	43,023	40,331
	<u>284,749</u>	<u>322,426</u>	<u>319,719</u>
CURRENT ASSETS			
Cash and cash equivalents	143,532	61,381	126,469
Investments	116,481	54,639	67,863
Accounts receivable	140,241	151,690	147,201
Inventories	273,080	302,144	279,102
Biological assets	-	1,161	2,050
Taxation recoverable	-	-	34
	<u>673,333</u>	<u>571,015</u>	<u>622,719</u>
TOTAL ASSETS	<u>958,081</u>	<u>893,441</u>	<u>942,438</u>
STOCKHOLDERS' EQUITY			
Share capital	73,216	73,216	73,216
Capital reserves	16,275	16,275	16,275
Retained earnings	697,825	660,059	686,716
	<u>787,316</u>	<u>749,550</u>	<u>776,207</u>
NON-CONTROLLING INTEREST	877	(4,976)	3,054
	<u>788,193</u>	<u>744,574</u>	<u>779,261</u>
NON-CURRENT LIABILITY			
Finance lease obligation	7,359	15,328	13,405
Employee benefit obligation	32,360	36,119	32,360
	<u>39,719</u>	<u>51,447</u>	<u>45,765</u>
CURRENT LIABILITIES			
Accounts payable	105,940	77,745	102,787
Taxation payable	12,392	8,529	7,210
Current portion of Finance lease obligation	11,840	11,146	7,415
	<u>130,171</u>	<u>97,420</u>	<u>117,412</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>958,082</u>	<u>893,441</u>	<u>942,438</u>

Approved by:

Patrick Williams – Chairman

Eric Stultz - 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, 2017

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balances at September 30, 2016	73,216	16,275	686,716	3,054	779,261
Total comprehensive income for the period			65,491	(2,200)	63,291
	73,216	16,275	752,207	854	842,552
Dividends paid			(45,709)		(45,709)
Changes in ownership interests:					
Acquisition of non-controlling interest			(8,673)	23	(8,650)
Balances at June 30, 2017	73,216	16,275	697,825	877	788,193

	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



Salada Foods Jamaica Limited (Group)
Unaudited Consolidated Statement of Cash Flows
Period ended June 30, 2017

	Unaudited June 30 2017 \$'000	Unaudited June 30 2016 \$'000
Cash flows from operating activities:		
Profit for the period	63,291	47,179
Adjustments for Items not involving cash:		
Depreciation	46,667	28,558
Income Tax Expense	22,868	20,165
Deferred Taxation	351	(4,242)
Interest Income	(5,952)	(4,284)
Interest Expense	1,256	747
Gain on Disposal	(11)	-
Employee benefit Asset	2,907	2,907
	<u>131,377</u>	<u>91,030</u>
Changes in operating assets and liabilities:		
Inventories	6,994	38,818
Investments	(49,140)	(87,915)
Accounts receivable	7,855	(61,343)
Accounts payable	2,401	17,327
Cash provided by operations	99,487	(2,083)
Interest Paid	(1,256)	-
Taxation paid or deducted at source	(18,181)	(9,277)
Net cash provided by operating activities	<u>80,050</u>	<u>(11,360)</u>
Cash flows from investing activities		
Interest Received	5,324	4,284
Acquisition of non-controlling interest in Subsidiary	(18,000)	-
Purchase of property, plant and equipment	(5,714)	(37,789)
Proceeds from sale of Assets	683	8,730
Investment in biological assets	2,050	856
Cash used by investing activities	<u>(15,657)</u>	<u>(23,919)</u>
Cash flows from Financing activities		
Lease Obligation	(1,621)	26,474
Cash provided by Financing Activities	<u>(1,621)</u>	<u>26,474</u>
Dividends paid	<u>(45,709)</u>	<u>(41,553)</u>
Increase/(decrease) in cash and cash equivalents	17,063	(51,105)
Cash and cash equivalents at beginning of period	<u>126,469</u>	<u>112,486</u>
Cash and cash equivalents at end of period	<u>143,532</u>	<u>61,381</u>



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended June 30, 2017

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 June 30, 2017

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

Period ended June 30, 2017

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) Finance lease obligation

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

Period ended June 30, 2017

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 JUNE 2017**

10 LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING
RESOURCE IN MOTION LIMITED	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	2,856,757
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
	93,609,804

**SHAREHOLDINGS OF DIRECTORS' & CONNECTED PARTIES
AS AT 30 JUNE 2017**

DIRECTORS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
Bernard, Michael	0	0	0
Hill, Aubyn	0	0	0
Lewis, Kathryn	81,447,767	1	81,446,767
Stultz, Eric	0	0	0
Williams, Patrick *	0	0	44,385

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

SENIOR MANAGEMENT HOLDINGS

AS AT 30 JUNE 2017

SENIOR MANAGERS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
Blake-Bennett, Dianna	0	0	0
Kerr, Andrew	0	0	0
Lemard, Dave	0	0	0
Lewis, Loma	0	0	0

NB *Patrick Williams/Patricia Williams/Bella Williams owns 44,385 shares held through Ideal Portfolio Services Company Limited