



## Salada Foods Jamaica Limited

### Interim Financial Report to Stockholders

### For the Nine Months to June 30, 2018

	9 months June 30 2018	9 months June 30 2017	%	Change
Gross Revenue	748,703	612,795		22%
Gross Margin	39.1%	35.1%		11%
Operating Profit	164,896	75,778		118%
Interest and Other Investment income and Exchange Gains	15,955	10,732		49%
Profit after Tax	136,855	63,289		116%
EPS (cents)	132.1	63.0		110%

The Directors are pleased to present the unaudited results of the Group for the nine-month period ended June 30, 2018. The Group achieved revenue of \$748.70 million, an increase of 22% or \$135.91 million above the corresponding period of 2017. The resultant net profit for the period was \$136.86 million, an increase of 116% or \$73.56 million when compared to prior year. Net profit attributable to stockholders of the Company was 116% or \$73.56 million higher than the corresponding period of 2017.

Earnings per stock unit for the period ended was \$1.32 compared to \$0.63 for the corresponding period of 2017. Shareholders' equity increased by \$150.31 million to \$1.108 billion over the nine-month period. On June 18, a total of \$51.942 million, representing 50 cents per stock unit was paid as an interim dividend.

Domestic sales through our distributor continue to perform well representing a net increase of \$51.382 million or 11.8% higher in comparison to the same period prior year. The introduction of the Mountain Bliss 876 brand has bolstered domestic sales, achieving a 45% distribution into the retail market since launch in May of 2018. Mountain Bliss 876 has gained significant acceptance in the local market and with the launch of the supporting media campaign it is expected to boom especially with the younger demographic. Exports grew by \$40.48 million or 62.9%, as sales into North America increased. There has been steady improvement in the New York market. Sales into Canada has also increased more than 100%. Sales of products manufactured under contract grew by 48.6% or \$43.67 million more than the comparative period of the previous year.

Selling and promotional expenses for the nine months to June 30 were \$41.11 million, \$2.35 million lower than prior year due to a shift in marketing strategy utilizing social media instead of traditional media sources as we continue to engage a younger audience. Administrative expenses of \$89.56 million compared favourably to prior year.

Managements keen attention to the improvement of efficiencies continue to impact gross margins favourably; margins at the end of the reporting period were 39.11% compared to 35.10% prior year.

At the end of this nine-month reporting period all the business indicators were aligned in the right direction with company set on an upward trajectory. This position however, will be adversely affected should the Government's recently imposed cess on imported green beans in addition to the 20% local blending rule remain in effect. Salada has and will continue to lobby the Government on this issue to ensure that there is



equity and transparency across the sector and that our share-holders interests are protected. Management is currently evaluating the potential impact these measures will have on the business and will duly advise shareholders.

We remain focussed on ensuring business sustainability and continuously improving stakeholder value.

A handwritten signature in blue ink, appearing to read "Patrick Williams".

Patrick Williams Chairman

A handwritten signature in blue ink, appearing to read "Kathryn Lewis".

Kathryn Lewis Director



# Salada Foods Jamaica Limited (Group)

## Unaudited Consolidated Statement of Comprehensive Income For Nine Months ended June 30, 2018

	Three Months ended		Nine Months ended	
	June 30 2018	June 30 2017	June 30 2018	June 30 2017
	\$'000	\$'000	\$'000	\$'000
Revenue	266,429	208,420	748,703	612,795
Cost of Sales	(164,864)	(137,803)	(455,906)	(397,719)
<b>Gross Profit</b>	<b>101,565</b>	<b>70,618</b>	<b>292,797</b>	<b>215,076</b>
<b>Other operating (loss)/income</b>	<b>735</b>	<b>310</b>	<b>2,766</b>	<b>(1,799)</b>
Selling and promotional expenses	(16,275)	(15,910)	(41,108)	(43,459)
Administrative expenses	(28,501)	(33,031)	(89,560)	(94,040)
<b>Operating profit</b>	<b>57,525</b>	<b>21,987</b>	<b>164,896</b>	<b>75,778</b>
Net Finance income	16,007	3,052	15,955	10,732
<b>Profit before taxation</b>	<b>73,532</b>	<b>25,038</b>	<b>180,851</b>	<b>86,510</b>
Taxation	(16,955)	(6,655)	(43,996)	(23,219)
<b>Total comprehensive income</b>	<b>56,577</b>	<b>18,383</b>	<b>136,855</b>	<b>63,289</b>
<b>Attributable to:</b>				
Stockholders of the company	56,596	19,044	137,223	65,491
Non-controlling interest	(19)	(661)	(368)	(2,200)
	<b>56,577</b>	<b>18,383</b>	<b>136,855</b>	<b>63,291</b>
<b>Earnings per stock unit</b>	<b>\$0.54</b>	<b>\$0.18</b>	<b>\$1.32</b>	<b>\$0.63</b>





# Salada Foods Jamaica Limited (Group)

## Unaudited Consolidated Statement of Financial Position

June 30, 2018

	Unaudited June 30 2018 \$'000	Unaudited June 30 2017 \$'000	Audited September 30 2017 \$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	116,197	118,450	104,263
Assets held for sale	-	39,000	39,000
Intangible assets	1,300	15,850	1,300
Employee benefit asset	-	21,755	-
Investment	74,567	49,593	42,150
Deferred tax asset	36,805	40,101	46,735
	<u>228,869</u>	<u>284,749</u>	<u>233,448</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	130,985	143,532	146,349
Investments	253,280	116,481	176,302
Accounts receivable	220,736	140,241	192,138
Inventories	274,526	273,080	209,145
Taxation recoverable	-	-	93
	<u>879,527</u>	<u>673,334</u>	<u>724,027</u>
<b>TOTAL ASSETS</b>	<u>1,108,396</u>	<u>958,083</u>	<u>957,475</u>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	73,216	73,216	73,216
Capital reserves	16,275	16,275	16,275
Retained earnings	745,915	697,825	712,556
	<u>835,406</u>	<u>787,316</u>	<u>802,047</u>
<b>NON-CONTROLLING INTEREST</b>	<u>1,741</u>	<u>877</u>	<u>2,109</u>
	<u>837,147</u>	<u>788,193</u>	<u>804,156</u>
<b>NON-CURRENT LIABILITY</b>			
Finance lease obligation	-	7,359	5,251
Employee benefit obligation	34,016	32,360	33,370
	<u>34,016</u>	<u>39,719</u>	<u>38,621</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	209,296	105,940	94,375
Taxation payable	20,572	12,392	12,169
Current portion of Finance lease obligation	7,363	11,840	8,154
	<u>237,231</u>	<u>130,172</u>	<u>114,698</u>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<u>1,108,396</u>	<u>958,083</u>	<u>957,475</u>

Approved by:

Patrick Williams Chairman

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, 2018**

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
<b>Balances at September 30, 2017</b>	73,216	16,275	712,556	2,109	804,156
Total comprehensive income for the period			137,223	(368)	136,855
	73,216	16,275	849,779	1,741	941,011
Dividends paid			(103,864)		(103,864)
<b>Balances at June 30, 2018</b>	73,216	16,275	745,915	1,741	837,147

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
<b>Balances at September 30, 2016</b>	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 interest:					
Acquisition of non-controlling interest			(8,673)	23	(8,650)
<b>Balances at June 30, 2017</b>	73,216	16,275	697,825	877	788,193

## Salada Foods Jamaica Limited (Group)

### Unaudited Consolidated Statement of Cash Flows

Period ended June 30, 2018

	Unaudited June 30 2018 \$'000	Unaudited June 30 2017 \$'000
<b>Cash flows from operating activities:</b>		
Profit for the period	136,855	63,291
Adjustments for Items not involving cash:		
Depreciation	21,234	46,667
Income Tax Expense	34,048	22,868
Deferred Taxation	9,926	351
Interest Income	(4,442)	(5,952)
Interest Expense	706	1,256
Gain on Disposal	-	(11)
Employee benefit Asset	646	2,907
	<u>198,974</u>	<u>131,377</u>
<b>Changes in operating assets and liabilities:</b>		
Inventories	(65,381)	6,994
Accounts receivable	(26,314)	7,855
Accounts payable	<u>115,915</u>	<u>2,401</u>
Cash provided by operations	223,194	148,627
Interest Paid	(706)	(1,256)
Taxation paid or deducted at source	<u>(25,757)</u>	<u>(18,181)</u>
Net cash provided by operating activities	196,731	129,190
<b>Cash flows from investing activities</b>		
Investments	(109,395)	(49,140)
Interest Received	2,293	5,324
Acquisition of non-controlling interest	-	(18,000)
Purchase of property, plant and equipment	(33,168)	(5,714)
Proceeds from sale of Assets	39,000	683
Investment in biological assets	<u>-</u>	<u>2,050</u>
Cash provided/(used) by investing activities	(101,270)	(64,797)
<b>Cash flows from Financing activities</b>		
Lease Obligation	(6,961)	(1,621)
Interest Expense	<u>-</u>	<u>-</u>
Cash used by Financing Activities	(6,961)	(1,621)
Cash provided before dividends	88,500	62,772
Dividends paid	<u>(103,864)</u>	<u>(45,709)</u>
Increase/(decrease) in cash and cash equivalents	(15,364)	17,063
Cash and cash equivalents at beginning of period	<u>146,349</u>	<u>126,469</u>
Cash and cash equivalents at end of period	<u><u>130,985</u></u>	<u><u>143,532</u></u>



## Notes to the Interim Financial Statements

Period ended June 30, 2018

### 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, 2018

### 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, 2018

#### 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, 2018**

**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**  
**QUARTERLY REPORT**  
**AS AT 30 JUNE 2018**

**10 LARGEST SHAREHOLDERS**

<b>SHAREHOLDERS</b>	<b>SHAREHOLDING</b>
RESOURCE IN MOTION LIMITED	60,233,700
AIC (JAMAICA) LIMITED	8,988,120
DONWIS LIMITED	7,504,280
IDEAL PORTFOLIO SERVICES COMPANY LIMITED	3,686,754
IDEAL BETTING COMPANY LIMITED	2,755,310
IDEAL GROUP CORPORATION LIMITED	2,726,000
IDEAL FINANCE CORPORATION LIMITED	2,620,000
DONOVAN A. LEWIS	1,677,400
PAM - POOLED EQUITY FUND	1,088,045
CARIBBEAN TRUST & MERCHANT BANK	1,030,760
	<b>92,310,369</b>

**SHAREHOLDINGS OF DIRECTORS & CONNECTED PARTIES**

<b>DIRECTORS</b>	<b>TOTAL SHAREHOLDING</b>	<b>DIRECT</b>	<b>CONNECTED</b>
BERNARD, MICHAEL	0	0	0
HILL, AUBYN	0	0	0
LEWIS, KATHRYN	82,184,077	1,000	82,183,077
STULTZ, ERIC	0	0	*172,000
WILLIAMS, PATRICK	0	0	*144,385

**SENIOR MANAGEMENT HOLDINGS**

<b>SENIOR MANAGERS</b>	<b>TOTAL SHAREHOLDING</b>	<b>DIRECT</b>	<b>CONNECTED</b>
BLAKE-BENNETT, DIANNA	0	0	0
HAMILTON, ZAYOUS	0	0	0
LEMARD, DAVE	0	0	0
LEWIS, LORNA	0	0	0

<b>COMPANY SECRETARY</b>	<b>TOTAL SHAREHOLDING</b>	<b>DIRECT</b>	<b>CONNECTED</b>
SMITH, MICHELLE	0	0	0

**Notes:**

*\*As at 25 May 2018, Eric Stultz acquired 52,000 shares, held through Ideal Portfolio Services Company Limited*

*\*As at 29 May 2018, Patrick Williams/ Patricia Prescott/ Bella Williams acquired 100,000 shares, held through Ideal Portfolio Services Company Limited*