



SALADA FOODS JAMAICA LIMITED (GROUP)

INTERIM REPORT

DECEMBER 31, 2018

FIRST QUARTER



SALADA FOODS JAMAICA LIMITED (GROUP) INTERIM REPORT TO SHAREHOLDERS

The Directors of Salada Foods Jamaica Limited now release the unaudited financial results of the Group for the period ended December 31, 2018.

	3 months December 31 2018	3 months December 31 2017	%	Change
Gross Revenue	172,335	227,763		-24%
Gross Margin	19.7%	37.1%		-47%
Operating Profit	(15,728)	41,595		-138%
Interest and Other Investment income and Exchange Gains	(3,633)	(5,733)		-37%
Profit after Tax	(23,082)	26,768		-186%
EPS (cents)	(22.1)	26.0		-185%

Gross revenue declined by 24% to \$172.34M in comparison to prior year's \$227.76M. This has negatively affected results for the first quarter. Operating profit was down by 138% from \$41.6m to \$15.78M, and net profit by 186% from \$26.77M to \$23.08M.

The decline arose in October 2018 from an accident in the boiler room wherein both boilers were damaged and had to be taken offline. The repairs took longer than expected and the main boiler only came back online at the end of November. While it was down there was no production of coffee, however, there was sufficient finished goods inventory at Lasco and our overseas distributors to satisfy market needs. Full production resumed December 1, 2018 and we are now normalizing inventory levels with our distribution partners and expect by the end of the second quarter to get back on track with our financial results.

Our initiative to purchase 25,000 boxes of coffee cherries directly from farmers which commenced on November 15, 2018 is well underway. At the end of the quarter some 15,000 boxes were acquired. We expect to reach the 25,000 target by the end of March 2019 and spend \$200M inclusive of processing the cherries into green beans.

Patrick Williams

Chairman

Aubyn Hill

Director



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Comprehensive Income For Three Months ended December 31, 2018

	Three Months ended	
	December 31	December 31
	2018	2017
	\$'000	\$'000
Sales	172,335	227,763
Cost of Sales	(138,327)	(143,292)
Gross Profit	34,008	84,471
Other operating (loss)/income	-	1,429
Administrative expenses	(35,592)	(32,392)
Selling and promotional expenses	(14,144)	(11,913)
Operating profit	(15,728)	41,595
Net Finance income	(3,633)	(5,733)
Profit before taxation	(19,361)	35,862
Taxation	(3,721)	(9,094)
Total comprehensive income/(Loss)	(23,082)	26,768
Attributable to:		
Stockholders of the company	(22,980)	27,021
Non-controlling interest	(102)	(253)
	(23,082)	26,768
Earnings per stock unit	-\$0.22	\$0.26



Salada Foods Jamaica Limited (Group)
Unaudited Consolidated Statement of Financial Position
December 31, 2018

	Unaudited December 31 2018 \$'000	Unaudited December 31 2017 \$'000	Audited September 30 2018 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	123,329	109,496	115,381
Intangible assets	1,300	1,300	1,300
Investment	112,015	53,267	95,666
Deferred tax asset	19,259	42,953	20,933
Long term receivables	13,868	-	15,681
	<u>269,770</u>	<u>207,016</u>	<u>248,961</u>
CURRENT ASSETS			
Cash and cash equivalents	21,777	128,447	80,890
Investments	263,140	200,524	303,199
Accounts receivable	216,887	238,774	236,945
Inventories	255,362	196,744	224,206
Current portion of Long term receivables	7,147	-	7,076
Tax recoverable	-	93	5,416
	<u>764,314</u>	<u>764,582</u>	<u>857,732</u>
TOTAL ASSETS	<u>1,034,085</u>	<u>971,598</u>	<u>1,106,693</u>
STOCKHOLDERS' EQUITY			
Share capital	73,216	73,216	73,216
Capital reserves	16,275	16,275	16,275
Retained earnings	<u>769,248</u>	<u>687,635</u>	<u>849,364</u>
	858,740	777,126	938,855
NON-CONTROLLING INTEREST	<u>1,507</u>	<u>1,856</u>	<u>1,609</u>
	<u>860,246</u>	<u>778,982</u>	<u>940,464</u>
NON-CURRENT LIABILITY			
Finance lease obligation	-	3,159	-
Employee benefit obligation	-	34,016	-
	<u>-</u>	<u>37,175</u>	<u>-</u>
CURRENT LIABILITIES			
Accounts payable	150,611	135,257	130,999
Current portion of Finance lease obligation	3,101	8,227	5,255
Taxation payable	20,126	11,957	29,975
	<u>173,838</u>	<u>155,441</u>	<u>166,229</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>1,034,085</u>	<u>971,598</u>	<u>1,106,693</u>

Approved by:

Patrick Williams - Chairman

Aubyn Hill - Director



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Changes in Equity Attributable to Stockholders of the Company For Three Months Ended December 31, 2018

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balances at September 30, 2018	73,216	16,275	849,364	1,609	940,464
Total comprehensive income for the period			(22,980)	(102)	(23,082)
	73,216	16,275	826,384	1,507	917,382
Dividends paid			(57,136)		(57,136)
Balances at December 31, 2018	73,216	16,275	769,248	1,507	860,246

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balances at September 30, 2017	73,216	16,275	712,556	2,109	804,156
Total comprehensive income for the period			27,021	(253)	26,768
	73,216	16,275	739,577	1,856	830,924
Dividends paid			(51,942)		(51,942)
Balances at December 31, 2017	73,216	16,275	687,635	1,856	778,982



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Cash Flows

Period ended December 31, 2018

	Unaudited December 31 2018 \$'000	Unaudited December 31 2017 \$'000
Cash flows from operating activities:		
Profit for the period	(23,082)	26,768
Adjustments for Items not involving cash:		
Depreciation	4,753	7,024
Income Tax Expense	2,045	5,317
Deferred Taxation	1,948	3,778
Interest Income	(1,628)	(1,777)
Interest Expense	96	280
Employee benefit Asset	-	646
	(15,870)	42,036
Changes in operating assets and liabilities:		
Inventories	(31,157)	12,401
Accounts receivable	24,209	(46,636)
Accounts payable	19,744	40,882
Cash provided by operations	(3,074)	48,683
Interest Paid	(96)	(280)
Taxation paid or deducted at source	(7,048)	(4,323)
Net cash provided by operating activities	(10,218)	44,080
Cash flows from investing activities		
Investments	23,711	(35,339)
Long term Receivables	(1,742)	-
Interest Received	1,399	1,494
Purchase of property, plant and equipment	(12,973)	(12,257)
Proceeds from sale of Assets	-	39,000
Cash provided/(used) by investing activities	10,396	(7,102)
Cash flows from Financing activities		
Shares issued during period, being cash provided		
Lease Obligation	(2,154)	(2,938)
Interest Expense	-	-
Cash used by Financing Activities	(2,154)	(2,938)
Cash provided before dividends	(1,977)	34,040
Dividends paid	(57,136)	(51,942)
Increase/(decrease) in cash and cash equivalents	(59,113)	(17,902)
Cash and cash equivalents at beginning of period	80,890	146,349
Cash and cash equivalents at end of period	21,777	128,447



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended December 31, 2018

1) Identification

Salad 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. Effective February 1, 2017, the company outsourced the distribution of its core products in local market to its subsidiary, Mountain Peak Food Processors Limited. In the prior year, operations of another subsidiary, Pimora Company Limited were discontinued.

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 thousand, 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 measured 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 profit or loss.

Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended December 31, 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 comprising raw material packaging and goods in transit is based on their costs.

The cost of other inventories comprising raw and packaging materials and goods in transit is based on their cost and 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 three months from the reporting 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 December 31, 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 reporting date.

(ix) Finance leases:

(i) Determining whether an arrangement contains a lease

At inception of an arrangement, the company determines whether an arrangement is or contains a lease. If the company concludes for a finance lease that it is impracticable to separate payments reliably, then an asset and a liability are recognised as the amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the company's incremental borrowing rate.

(ii) Leased assets:

Assets held by the company under leases that transfer to the company substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

The depreciation rates applied to leased assets are consistent with similar owned assets, except where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, in which case the asset is depreciated at the shorter of the lease term and its useful life.

Assets held under other leases are classified as operating leases and are not recognised in the company's statement of financial position.

(iii) Lease payments:

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(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 31 DECEMBER 2018

10 LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING
RESOURCE IN MOTION LIMITED	59,999,860
AIC (JAMAICA) LIMITED	8,988,120
DONWIS LIMITED	7,504,280
IDEAL PORTFOLIO SERVICES COMPANY LIMITED	2,993,490
JAMAICAN TEAS LIMITED BUYING ACCOUNT	2,960,000
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
CARIBBEAN TRUST & MERCHANT BANK	1,030,760
	93,255,220

SHAREHOLDINGS OF DIRECTORS & CONNECTED PARTIES

DIRECTORS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
BERNARD, MICHAEL	0	0	0
HILL, AUBYN	0	0	0
LEWIS, KATHRYN	80,989,940	1,000	80,988,940
STULTZ, ERIC*	0	0	272,000
WILLIAMS, PATRICK*	0	0	344,385

SENIOR MANAGEMENT HOLDINGS

SENIOR MANAGERS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
BLAKE-BENNETT, DIANNA	0	0	0
EDWARDS, GARFIELD	0	0	0
LEMARD, DAVE	0	0	0
LEWIS, LORNA	0	0	0

COMPANY SECRETARY	TOTAL SHAREHOLDING	DIRECT	CONNECTED
SMITH, MICHELLE	0	0	0

Notes

**Eric Stultz and Patrick Williams/ Patricia Williams/ Bella Williams owns shares held through Ideal Portfolio Services Company Limited*