



**SALADA FOODS JAMAICA LIMITED (GROUP)**

**INTERIM REPORT**

**MARCH 31, 2019**

**2<sup>ND</sup> QUARTER**



## SALADA FOODS JAMAICA LIMITED (GROUP) INTERIM REPORT TO SHAREHOLDERS

The Board of Directors is pleased to release the following financial results for Salada Foods Group for the six-month ended March 31, 2019.

	6 months March 31 2019	6 months March 31 2018	%	Change
Gross Revenue	494,500	482,274		3%
Gross Margin	33.9%	39.7%		-14%
Operating Profit	78,337	107,371		-27%
Interest and Other Investment income and Exchange Gains	(10,230)	(52)		19470%
Profit after Tax	53,769	80,277		-33%
EPS (cents)	52.0	77.6		-33%

Salada Foods Group reports net profit of \$53.77M for the first six months of fiscal year 2019, \$26.5M or 33% lower than prior year. Profitability has been adversely affected as the full impact of the cess on imported green beans used in the manufacturing of instant coffee is now realized. Similarly, both operating profit and gross margins have declined as a result. The cess came into effect April 2018 and would not have impacted our prior year's results.

Operating Profit amounted to \$78.34M, a decline of 27% when compared to \$107.37M last period. Gross margin fell by 5.8% or 14% when compared to prior year. Administrative expenses in the six-month period increased by \$7.60M to \$68.66M up from \$61.06M last year and attributable to staff related costs. Selling and promotional expenses were curtailed at \$25.13M as compared to prior year's \$24.83M.

Revenue grew by 3% to \$494.5M in comparison to \$482.27M last period. Improved performance was attributed to stronger sales in export markets, particularly Barbados which improved by 91% when compared to prior year. Domestic sales remain favourable.

The large swings in the exchange rate continue to negatively impact gains on investments, recording an unrealised loss of \$10.23M for this period.

At the end of March, a total of 22,535.25 boxes of coffee cherries were acquired since the launch of our initiative in November 2018 to purchase local coffee and assist the local coffee industry. The company has spent \$179M on the project to include cherry acquisition and further processing to green beans. Conditions are favourable for sale of the higher grades of beans acquired and the other grades will be used in both our instant coffee manufacturing process and our roasted and ground lines.

Patrick Williams Chairman

Aubyn Hill Director



## Salada Foods Jamaica Limited (Group)

### Unaudited Consolidated Statement of Comprehensive Income For Six Months ended March 31, 2019

	Three Months ended		Six Months ended	
	March 31 2019	March 31 2018	March 31 2019	March 31 2018
	\$'000	\$'000	\$'000	\$'000
Sales	322,165	254,511	494,500	482,274
Cost of Sales	(188,504)	(147,750)	(326,831)	(291,042)
<b>Gross Profit</b>	<b>133,661</b>	<b>106,761</b>	<b>167,669</b>	<b>191,232</b>
<b>Other operating (loss)/income</b>	<b>4,460</b>	<b>602</b>	<b>4,460</b>	<b>2,031</b>
Administrative expenses	(33,071)	(28,668)	(68,663)	(61,060)
Selling and promotional expenses	(10,985)	(12,919)	(25,129)	(24,832)
<b>Operating profit</b>	<b>94,065</b>	<b>65,776</b>	<b>78,337</b>	<b>107,371</b>
Net Finance income	(6,597)	5,681	(10,230)	(52)
<b>Profit before taxation</b>	<b>87,468</b>	<b>71,457</b>	<b>68,107</b>	<b>107,319</b>
Taxation	(10,617)	(17,948)	(14,338)	(27,042)
<b>Total comprehensive income/(Loss)</b>	<b>76,851</b>	<b>53,509</b>	<b>53,769</b>	<b>80,277</b>
<b>Attributable to:</b>				
Stockholders of the company	76,964	53,606	53,984	80,630
Non-controlling interest	(113)	(97)	(215)	(353)
	<b>76,851</b>	<b>53,509</b>	<b>53,769</b>	<b>80,277</b>
<b>Earnings per stock unit</b>	<b>\$0.74</b>	<b>\$0.52</b>	<b>\$0.52</b>	<b>\$0.78</b>



## Salada Foods Jamaica Limited (Group)

### Unaudited Consolidated Statement of Financial Position

March 31, 2019

	Unaudited March 31 2019 \$'000	Unaudited March 31 2018 \$'000	Audited September 30 2018 \$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	119,654	105,798	115,381
Intangible assets	1,300	1,300	1,300
Investment	109,392	61,271	95,666
Deferred tax asset	13,178	39,958	20,933
Long term receivables	12,108	-	15,681
	<u>255,632</u>	<u>208,327</u>	<u>248,961</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	19,578	94,031	80,890
Investments	197,614	246,310	303,199
Accounts receivable	326,519	243,896	236,945
Inventories	341,420	234,388	224,206
Current portion of Long term receivables	7,147	-	7,076
Tax recoverable	-	93	5,416
	<u>892,278</u>	<u>818,718</u>	<u>857,732</u>
<b>TOTAL ASSETS</b>	<u>1,147,911</u>	<u>1,027,045</u>	<u>1,106,693</u>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	73,216	73,216	73,216
Capital reserves	16,275	16,275	16,275
Retained earnings	846,212	741,244	849,364
	<u>935,703</u>	<u>830,735</u>	<u>938,855</u>
<b>NON-CONTROLLING INTEREST</b>	<u>1,394</u>	<u>1,756</u>	<u>1,609</u>
	<u>937,097</u>	<u>832,491</u>	<u>940,464</u>
<b>NON-CURRENT LIABILITY</b>			
Finance lease obligation	-	1,024	-
Employee benefit obligation	-	34,016	-
	<u>-</u>	<u>35,040</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>			
Accounts payable	197,199	137,155	130,999
Current portion of Finance lease obligation	1,198	14,009	5,255
Taxation payable	12,416	8,350	29,975
	<u>210,814</u>	<u>159,514</u>	<u>166,229</u>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>	<u>1,147,911</u>	<u>1,027,045</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 Six Months Ended March 31, 2019

	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			53,984	(215)	53,769
	73,216	16,275	903,348	1,394	994,233
Dividends paid			(57,136)		(57,136)
Balances at March 31, 2019	73,216	16,275	846,212	1,394	937,097

	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			80,630	(353)	80,277
	73,216	16,275	793,186	1,756	884,433
Dividends paid			(51,942)		(51,942)
Balances at March 31, 2018	73,216	16,275	741,244	1,756	832,491



## Salada Foods Jamaica Limited (Group)

### Unaudited Consolidated Statement of Cash Flows

Period ended March 31, 2019

	Unaudited March 31 2019 \$'000	Unaudited March 31 2018 \$'000
<b>Cash flows from operating activities:</b>		
Profit for the period	53,769	80,277
Adjustments for Items not involving cash:		
Depreciation	9,664	13,561
Income Tax Expense	6,582	20,270
Deferred Taxation	8,028	6,773
Interest Income	(2,969)	(2,947)
Interest Expense	145	519
Employee benefit Asset	-	646
	<u>75,218</u>	<u>119,099</u>
Changes in operating assets and liabilities:		
Inventories	(117,182)	(25,243)
Accounts receivable	(83,172)	(51,758)
Accounts payable	66,285	42,780
Cash provided by operations	(58,851)	84,878
Interest Paid	(145)	(519)
Taxation paid or deducted at source	(19,295)	(15,886)
Net cash provided by operating activities	<u>(78,292)</u>	<u>68,473</u>
<b>Cash flows from investing activities</b>		
Investments, Net	86,290	(89,130)
Long term Receivables	3,502	-
Interest Received	2,319	1,325
Purchase of property, plant and equipment	(13,937)	(15,096)
Proceeds from sale of Assets	0	39,000
Cash provided/(used) by investing activities	<u>78,173</u>	<u>(63,901)</u>
<b>Cash flows from Financing activities</b>		
Shares issued during period, being cash provided		
Lease Obligation	(4,057)	(4,949)
Interest Expense	-	-
Cash used by Financing Activities	<u>(4,057)</u>	<u>(4,949)</u>
Cash provided before dividends	(4,176)	(377)
Dividends paid	<u>(57,136)</u>	<u>(51,942)</u>
Increase/(decrease) in cash and cash equivalents	(61,312)	(52,318)
Cash and cash equivalents at beginning of period	<u>80,890</u>	<u>146,349</u>
Cash and cash equivalents at end of period	<u><u>19,578</u></u>	<u><u>94,031</u></u>



# Salada Foods Jamaica Limited (Group)

## Notes to the Interim Financial Statements Period ended March 31, 2019

### 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.

### 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 March 31, 2019

#### 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 March 31, 2019

#### 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.



## Salada Foods Jamaica Limited (Group)

### Notes to the Interim Financial Statements

Period ended March 31, 2019

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.

## 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 31 MARCH 2019**

**10 LARGEST SHAREHOLDERS**

<b>SHAREHOLDERS</b>	<b>SHAREHOLDING</b>
RESOURCE IN MOTION LIMITED	60,236,700
AIC (JAMAICA) LIMITED	8,988,120
DONWIS LIMITED	7,504,280
IDEAL PORTFOLIO SERVICES COMPANY LIMITED	3,723,554
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>92,350,169</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	82,223,877	1,000	82,222,877
STULTZ, ERIC*	0	0	272,000
WILLIAMS, PATRICK*	0	0	344,385

**SENIOR MANAGEMENT HOLDINGS**

<b>SENIOR MANAGERS</b>	<b>TOTAL SHAREHOLDING</b>	<b>DIRECT</b>	<b>CONNECTED</b>
BLAKE-BENNETT, DIANNA	0	0	0
EDWARDS, GARFIELD	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**

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