



SALADA FOODS JAMAICA LIMITED (GROUP)

INTERIM REPORT

June 30, 2019

3rd 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 nine-months ended June 30, 2019.

	9 months June 30 2019	9 months June 30 2018	% Change
Gross Revenue	769,640	748,703	3%
Gross Margin	34.6%	39.1%	-11%
Operating Profit	120,983	164,896	-27%
Interest and Other Investment Income and Exchange Gains	24,358	15,955	53%
Profit after Tax	114,148	136,855	-17%
EPS (cents)	110.1	132.1	-17%

Salada Foods Group (SALFG) reports net profit \$114.15M for the nine-month period of the fiscal year 2019. Net profit attributable to stockholders was \$114.15M, \$22.7M or 17% lower than prior year. Profitability continues to be impacted by the cess on green beans with \$56M paid to JACRA year to date. Prior year results, June 30, 2018 there was no cost impact attributable to the cess. Profitability has been adversely affected as a result. Similarly, both operating profit and gross margins have also declined.

Operating Profit amounted to \$120.98M, a decline of 27% when compared to \$164.90M last period last year. Gross Margin also declined by 11% when compared to prior year. Administrative expenses in the nine-month period increased by \$17.75M to \$107.31M up from \$89.56M last year and is attributable to salary, staff welfare and training expenses. Selling and promotional expenses increased negligibly by \$2.12M, to \$43.29M compared to prior year's \$41.11M.

Revenue grew by 3% to \$ 769.64M in comparison to \$748.70M last year at this time. Improvements in domestic sales coupled with stronger sales in export markets



The outlook for the remaining three months to year end remains favourable with the strengthening of our marketing efforts in both domestic and overseas markets.

A handwritten signature in black ink, appearing to read "Patrick Williams", written over a horizontal line.

Patrick Williams Chairman

A handwritten signature in black ink, appearing to read "Aubyn Hill", written over a horizontal line.

Aubyn Hill Director



Salada Foods Jamaica Limited (Group)
Unaudited Consolidated Statement of Comprehensive Income
For Nine Months ended June 30, 2019

	Three Months ended		Nine Months ended	
	June 30 2019	June 30 2018	June 30 2019	June 30 2018
	\$'000	\$'000	\$'000	\$'000
Sales	275,140	266,429	769,640	748,703
Cost of Sales	<u>(176,146)</u>	<u>(164,864)</u>	<u>(502,977)</u>	<u>(455,906)</u>
Gross Profit	98,994	101,565	266,663	292,797
Other operating (loss)/income	463	735	4,923	2,766
Administrative expenses	(38,651)	(28,501)	(107,314)	(89,560)
Selling and promotional expenses	(18,160)	(16,275)	(43,289)	(41,108)
Operating profit	42,646	57,524	120,983	164,895
Net Finance income	34,588	16,007	24,358	15,955
Profit before taxation	77,234	73,531	145,341	180,851
Taxation	(16,855)	(16,954)	(31,193)	(43,996)
Total comprehensive income/(Loss)	60,379	56,577	114,148	136,855
Attributable to:				
Stockholders of the company	60,406	56,596	114,389	137,223
Non-controlling interest	(27)	(19)	(242)	(368)
	60,379	56,577	114,148	136,855
Earnings per stock unit	\$0.58	\$0.54	\$1.10	\$1.32



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Financial Position

June 30, 2019

	Unaudited June 30 2019	Unaudited June 30 2018	Audited September 30 2018
	\$'000	\$'000	\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	115,975	116,197	115,381
Intangible assets	1,300	1,300	1,300
Investment	132,158	74,567	95,666
Deferred tax asset	12,363	36,805	20,933
Long term receivables	10,210	-	15,681
	<u>272,005</u>	<u>228,869</u>	<u>248,961</u>
CURRENT ASSETS			
Cash and cash equivalents	46,481	130,985	80,890
Investments	108,023	253,280	303,199
Accounts receivable	302,732	220,736	236,945
Inventories	442,719	274,526	224,206
Current portion of Long term receivables	7,267	-	7,076
Tax recoverable	-	-	5,416
	<u>907,223</u>	<u>879,527</u>	<u>857,732</u>
TOTAL ASSETS	<u>1,179,229</u>	<u>1,108,396</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	859,850	745,915	849,364
	949,341	835,406	938,855
	1,367	1,741	1,609
NON-CONTROLLING INTEREST	950,709	837,147	940,464
NON-CURRENT LIABILITY			
Employee benefit obligation	-	34,016	-
	<u>(0)</u>	<u>34,016</u>	<u>-</u>
CURRENT LIABILITIES			
Accounts payable	205,773	209,296	130,999
Taxation payable	22,747	20,572	29,975
Current portion of Finance lease obligation	0	7,363	5,255
	<u>228,520</u>	<u>237,231</u>	<u>166,229</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>1,179,229</u>	<u>1,108,396</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 Nine Months Ended June 30, 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	849,344	1,609	940,444
Total comprehensive income for the period			114,389	(242)	114,148
	73,216	16,275	963,733	1,367	1,054,592
Dividends paid			(103,883)		(103,883)
Balances at June 30, 2019	73,216	16,275	859,850	1,367	950,709
				Non-	
	Share	Capital	Retained	controlling	Total
	Capital	Reserve	Earnings	Interest	
	\$'000	\$'000	\$'000	\$'000	\$'000
Balances at September 30, 2017	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)
Balances at June 30, 2018	73,216	16,275	745,915	1,741	837,147



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Cash Flows

Period ended June 30, 2019

	Unaudited June 30 2019	Unaudited June 30 2018
	\$'000	\$'000
Cash flows from operating activities:		
Profit for the period	114,148	136,855
Adjustments for items not involving cash:		
Depreciation	18,186	21,234
Income Tax Expense	21,373	34,048
Deferred Taxation	9,820	9,926
Interest Income	(4,721)	(4,442)
Interest Expense	157	706
Employee benefit Asset	-	646
	158,962	198,974
Changes in operating assets and liabilities:		
Inventories	(218,481)	(65,381)
Accounts receivable	(62,706)	(26,314)
Accounts payable	74,859	115,915
Mortgage Receivable	10,763	-
Cash provided by operations	(36,603)	223,194
Interest Paid	(157)	(706)
Taxation paid or deducted at source	(24,588)	(25,757)
Net cash provided by operating activities	(61,348)	196,731
Cash flows from investing activities		
Investments, Net	158,664	(109,395)
Long term Receivables	0	-
Interest Received	3,495	2,293
Purchase of property, plant and equipment	(18,781)	(33,168)
Proceeds from sale of Assets	0	39,000
Cash provided/(used) by investing activities	143,378	(101,270)
Cash flows from Financing activities		
Shares issued during period, being cash provided	(5,255)	(6,961)
Lease Obligation	(7,267)	-
Mortgage Receivable-current portion	-	-
Interest Expense	(12,522)	(6,961)
Cash used by Financing Activities	69,475	88,500
Cash provided before dividends	(103,883)	(103,864)
Dividends paid	(34,375)	(15,364)
Increase/(decrease) in cash and cash equivalents	80,890	146,349
Cash and cash equivalents at beginning of period	46,515	130,985
Cash and cash equivalents at end of period	127,405	277,334



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended June 30, 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, 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 June 30, 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 June 30, 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 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 June 30, 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 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 30 JUNE 2019

10 LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING
RESORCEIN MOTION LIMITED	60,236,700
ANC JAMAICA LIMITED	8,988,120
DOMTWS LIMITED	7,504,280
IDEAL PORTFOLIO SERVICES COMPANY LIMITED	3,723,554
IDEAL BETTING COMPANY LIMITED	2,755,919
IDEAL GROUP CORPORATION LIMITED	2,726,000
IDEAL FINANCE CORPORATION LIMITED	2,620,000
DONOVAN A LEWIS	1,677,493
PAN - HOLED EQUITY FUND	1,489,044
CARIBBEAN TRUST & MERCHANT BANK	1,030,760
	92,350,169

SHAREHOLDINGS OF DIRECTORS & CONNECTED PARTIES

DIRECTORS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
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

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

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

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