

RISE



W I N N I N G



2018-19
Annual Report



Our People
PROMISE

Frank

I share my ideas and opinions freely and respectfully

Accountable

I do what I say I am going to do

Integrity

Honesty and trust are non-negotiable

Result-Oriented

I am proud of how much I deliver, not of how much I do



Our VISION

To become a beverage industry leader in Jamaica, the Caribbean and Diaspora Markets.

Our MISSION

We are committed to manufacture and distribute beverages of the highest quality to meet the needs of our customers in all the markets we serve, to optimise the returns to our shareholders, and to improve the quality of life of employees and the well-being of the communities we serve in Jamaica and elsewhere.

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Notice of ANNUAL GENERAL MEETING

NOTICE is hereby given that the **Fifty Fifth Annual General Meeting** of Salada Foods Jamaica Limited will be held on **Thursday, February 20, 2020 at 3:00p.m.** at **The Jamaica Pegasus Hotel, Legacy Suite, 81 Knutsford Boulevard, Kingston 5**, for the following purposes:

1. To receive the Audited Accounts for the year ended 30th September 2019

To consider and if thought fit to pass the following ordinary resolution:

"THAT the audited accounts for the year ended 30th of September, 2019 and the report of the directors and auditors therein **BE AND IS HEREBY** received and adopted".

2. To ratify and declare dividend paid on December 21, 2018 and June 14, 2019 as final for the year ended 30th September 2019.

To consider and if thought fit pass the following ordinary resolution:

"THAT as recommended by the Directors, the interim dividend of \$0.55 per stock unit paid on December 21, 2018 and \$0.45 per stock unit paid on June 14, 2019 **BE AND IS HEREBY** ratified and declared as final and no further dividend be paid with respect to the year ended 30th September 2019."

3. Retirement and re-election of Directors

Article 72 of the Company's Articles of Incorporation provides that at every Annual General meeting one-third of the directors are subject to retirement for the time being, or, if their number is not three or a multiple of three, then the number nearest to one third, shall retire from office. The Directors retiring under this Article are **Mr. Aubyn Hill, Mr. Michael Bernard and Mr. Eric Stultz** who all being eligible, offer themselves up for re-election.

To consider and if thought fit pass the following resolution:

3 (a) **"THAT** the Directors retiring by rotation and offering themselves for re-election be re-elected en bloc."

3 (b) **"THAT** Directors **Aubyn Hill, Michael Bernard and Eric Stultz** be and are hereby re-elected as Directors of the Company."

4. Directors' Remuneration

To consider and if thought fit pass the following resolution:

"THAT the total combined remuneration of all Directors shall be determined by the Board."

5. Appointment of Auditors

To consider and if thought fit pass the following resolution:

"THAT KPMG having signified their willingness to continue in office as Auditors of the Company shall be the Company's Auditors until the conclusion of the Next Annual General Meeting, at a remuneration to be agreed by the Directors."

NOTES

- i. A member eligible to attend and vote at a General Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy, so appointed, need not be a member of the Company.
- ii. All members are entitled to attend and vote at the meeting.
- iii. Enclosed is a form of proxy which must be deposited with the Secretary, at the Registered Office of the Company not less than forty-eight hours before the time appointed for holding the meeting.

Dated the 1st day of December 2019

BY ORDER OF THE BOARD



Michelle N. Smith
COMPANY SECRETARY



Corporate DATA

WINNING



RISE

∞

Annual Report 2018-19



Registered Office

20 Bell Road
Kingston 11, Jamaica

Mailing Address
P.O. Box 71
Kingston 11, Jamaica

Telephone:

876 -923-5821-2
876- 923-7114-6
876-923-6476

Email:

info@saladafoodsja.com

Website:

www.saladafoodsja.com

Auditors:

KPMG
6 Duke Street
Kingston, Jamaica

Bankers:

National Commercial Bank
Corporate Banking Division
32 Trafalgar Road,
Kingston 10

Shareholders' REPORT

10 LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING
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
	92,350,169

SHAREHOLDINGS OF DIRECTORS & CONNECTED PARTIES

SHAREHOLDERS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
BERNARD, MICHAEL	0	0	0
HILL, AUBYN	0	0	0
LEWIS, KATHRYN	82,223,877	1000	82,222,877
STULTZ, ERIC*	272,000	0	272,000
WILLIAMS, PATRICK*	344,385	0	344,385

SENIOR MANAGEMENT HOLDINGS

SHAREHOLDERS	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, MICHELL	0	0	0

Notes:

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



Chairman's

LETTER TO SHAREHOLDERS



In November of 2018 Salada embarked on a rescue mission, purchasing and processing 22,500 boxes of Jamaica Blue Mountain coffee beans at just under \$200M, from local farmers whose livelihoods were threatened as the local industry was in upheaval due to adverse market conditions. The expressions of gratitude from the farmers and the support from our customers and consumers, which were articulated on the various social and traditional media platforms were endearing and energizing to the team. At this time, the team also had to deal with both the main and backup boilers getting damaged being taken offline for repairs, resulting in the manufacturing of coffee grinding to a halt for two months.

We performed creditably, revenue grew by 7% to \$1.13B, \$72.16M above the \$1.041B posted in 2017~2018. Exports improved by 10% above last year, representing 14.5% of total revenue. Our marketing strategies have been reaping results as penetration into traditional Diaspora areas in the United States are now meeting expectations. The domestic market also performed reasonably well, growing by 7% year on year. We continue to engage millennials whilst remaining relevant to our core consumers of Jamaica Mountain Peak brands and our Mountain Bliss 876 brand launched just under two years ago has begun to hold its own in the marketplace.

At year end, our Company posted net profit of \$141.37M, 35% below last year's \$219.17M. This decline is attributed to a single source, the cess of USD\$1.41 per Kg on imported green coffee beans, a raw material used to manufacture instant coffee. This year we paid in cess a total of \$90M with \$81M hitting cost of sales, adversely impacting operating profit which declined by 37% as a result. Operating profit of \$169.98M was recorded in comparison to 2017~2018 results of \$270.0M. We continue to lobby our Government on this matter and remain optimistic that there will eventually be a rollback of the cess as Jamaica Blue Mountain coffee is an expensive, premium specialty product which cannot be exclusively used to manufacture affordable instant coffee.

Despite these challenges, Salada remains committed to delivering good shareholder value and maintained dividend payments of \$1.00, paying out a total of \$103.883M to shareholders. We continue to evaluate ways and means of improving value to you by leveraging the strength of our brands and our relationships with our distributors and consuming public. Diversifying our product offerings remain integral to our growth strategy and Management is committed to delivering with market introductions of two new products scheduled for this fiscal year.

I would like to thank the Team at Salada for their commitment and dedication to manufacturing excellence as they continuously produce some of Jamaica's finest coffees and teas. I would also like to thank our consumers, who continue to purchase and enjoy our brands both here in Jamaica and abroad. My fellow Directors, for your confidence, support and candor, I am truly grateful.



Patrick Williams
CHAIRMAN



Five

YEAR SUMMARY



	2015 000'	2016 000'	2017 000'	2018 000'	2019 000'
Revenue	660,436	761,737	871,733	1,041,496	1,113,652
Profit before Tax	23,127	85,971	87,510	290,710	167,513
Profit after Tax	31,652	68,900	68,686	219,177	141,367
Book Value	738,948	779,261	804,156	940,464	1,015,936
Cashflow from Operations	89,801	160,284	187,984	219,158	33,727
Dividends Paid	41,553	45,709	51,942	103,883	103,883
Amortization & Depreciation	40,371	40,824	59,614	28,849	26,805
EBIDTA	63,498	126,795	147,124	319,559	194,318
Share Price	8.50	7.90	8.50	19.00	31.65
Number of Shares	103,883	103,883	103,883	103,883	103,883
IMPORTANT RATIOS					
Return on Equity	0.04	0.09	0.09	0.23	0.14
Profit before Tax / Sales	0.04	0.11	0.10	0.28	0.15
Earnings per Share	0.40	0.72	0.67	2.11	1.37
Cashflow per Share	0.86	1.54	1.81	2.11	0.32
Book Value per Share	7.11	7.50	7.74	9.05	9.78
Dividend per Share	0.40	0.44	0.5000	1.0000	1.0000
YoY Increase in Book Value	-0.44%	5.46%	3.19%	16.95%	8.02%
Dividend Yield	4.71%	5.57%	5.88%	5.26%	3.16%
Dividend Growth Rate	0.00%	10.00%	13.64%	100.00%	0.00%
Profit Attributable to Shareholders	41,393	74,837	69,631	219,677	141,921
YoY Devaluation	5.67%	7.74%	1.01%	3.01%	-0.25%
USD Exchange Rate	119.0553	128.2704	129.56	133.46	133.12



Directors' REPORT

The Directors take pleasure in submitting their report for the year ended September 30, 2019. The financial results for the year end are shown in the table below:

	2019	2018
Profit before Taxation	'000'	'000'
Other Comprehensive Profit for the Year	169,975	270,074
Taxation	42,475	21,516
Net Profit	(26,146)	(71,533)
Accumulated Surplus at Beginning of Year	183,842	240,693
Dividend	849,364	712,556
Accumulated Surplus at end of Year	103,885	103,885
Earnings per Ordinary Stock Unit	925,390	849,364
	1.37	2.12

Details of the results for the year were approved by the Board on November 18, 2019 and a comparison with the previous year is set out in the Group Statement of Comprehensive Income on page (11) of the Audited Financial Statements.

DIVIDENDS

In the 1st quarter of the year the Directors declared and paid a dividend of \$0.55 per stock unit on December 21, 2018 and in the 2nd quarter of the year declared and paid a dividend of \$0.45 per stock unit on June 14, 2019.

The Directors recommend that the interim dividend paid on December 21, 2018 and June 14, 2019 be declared as final for the year ended 30th September 2019.

BOARD AND COMMITTEES

There were no changes to the composition of the Board and Committees in the year. The Directors remain as follows:

- Mr. Patrick Williams (Chairman)
- Mr. Aubyn Hill
- Mrs. Kathryn Lewis-Green
- Mr. Eric Stultz
- Mr. Michael Bernard

Miss Michelle N. Smith remains the Company's Corporate Secretary.

Pursuant to article 72 of the Company's Articles of Incorporation one-third of the Directors subject to retirement shall retire and may be re-elected to office at every Annual General Meeting. The Directors retiring under this article are Mr. Aubyn Hill, Mr. Michael Bernard and Mr. Eric Stultz, who all being eligible offer themselves for re-election.

OFFICERS

Effective November 30, 2019 Mr. Garfield Edwards resigned as Financial Controller of the Company. The Company is actively seeking to fill the position but in the interim have considered internally Mr. Zayous Hamilton to act as Financial Controller with effect November 30, 2019. Mr. Hamilton has acted in the position before and the Board is satisfied that he can effectively perform the required duties until the position is filled.

The Board is thankful to Management and all its staff for their unwavering dedication to the business of the Company and congratulate them on the Company's financial and other achievements during the year under review.

The Board also wish to express its appreciation and thanks to customers, partners and shareholders of the Company whose support have made the Company a success. We look forward to your continued support for the year 2020 and beyond.

Dated the 1st day of December 2019

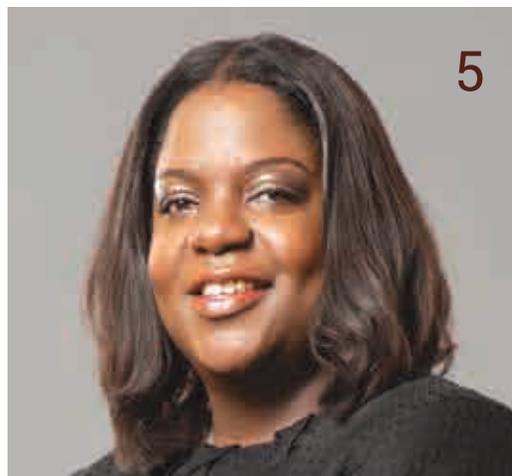
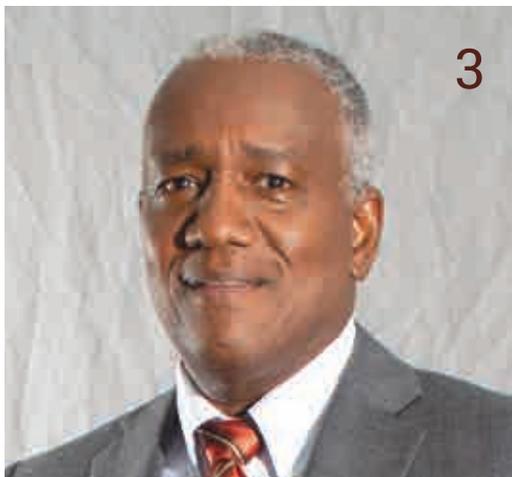
BY ORDER OF THE BOARD



Michelle N. Smith
COMPANY SECRETARY



Board
OF DIRECTORS

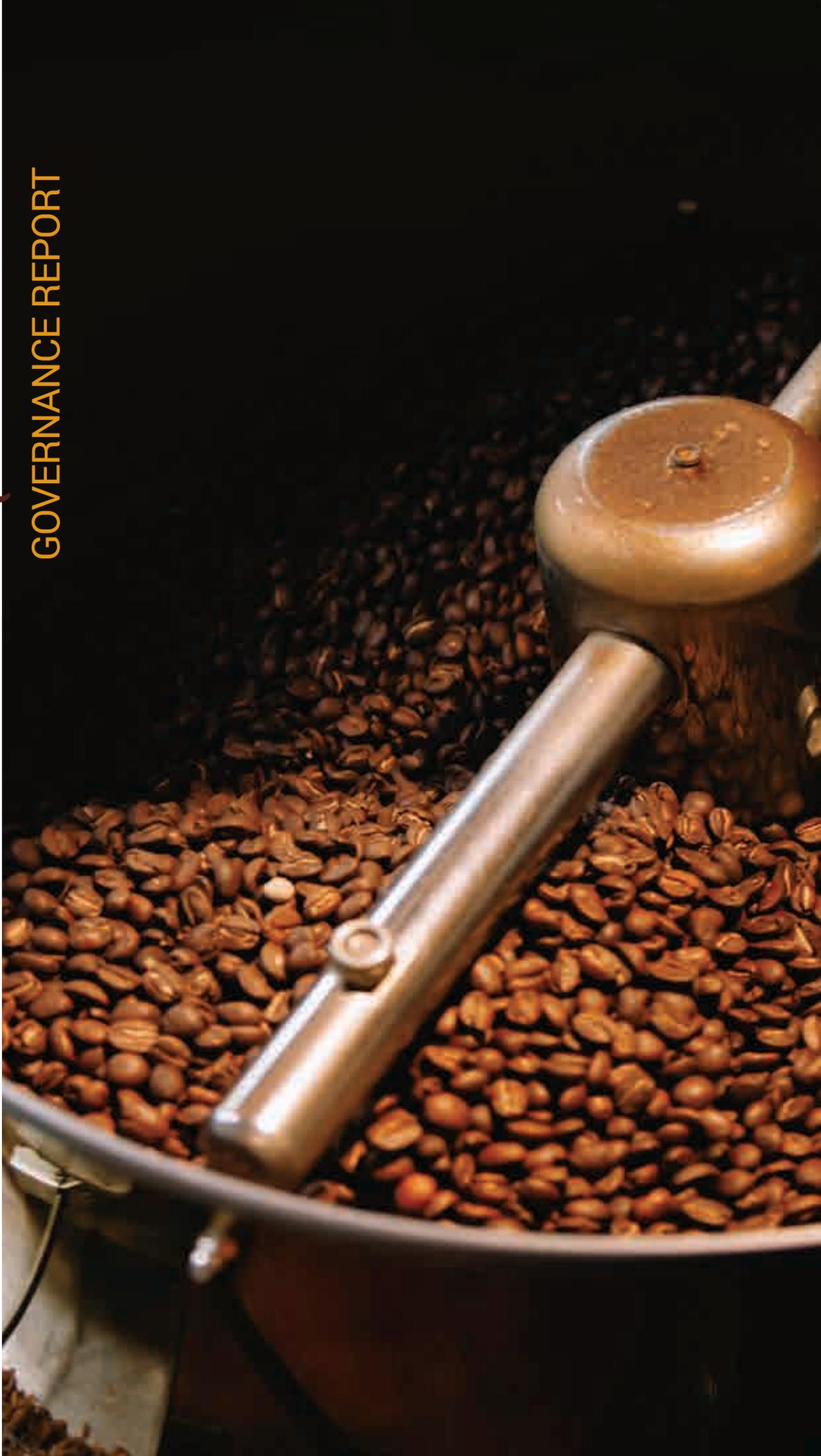


- 1 Aubyn Hill
- 2 Patrick Williams (Chairman)
- 3 Michael Bernard
- 4 Eric Stultz
- 5 Kathryn Lewis-Green
- 6 Michelle N. Smith (Company Secretary)



Corporate

GOVERNANCE REPORT



THE BOARD

The Board and Management of Salada are continuously working towards making corporate governance systems and practices its core strength. It is understood and accepted by the Company that good corporate governance creates a business environment that fosters accountability and long-term sustainability. As such, all staff, officers, Directors and Agents working on the Company's behalf are expected to observe a high standard of integrity and comply with all the applicable legal and regulatory requirements under which the Company carry on its business locally and overseas.

It is our belief at Salada that being a good corporate citizen includes being a role model in our environment and surrounding community in which we operate our business. Providing sustainable economic benefits through employing and training the local workforce, supporting local suppliers of the raw materials we use in our production and investing in communities through outreach programmes are three areas the Company focuses.

Examples are, the Company employs about 120 persons who work in its factory that are primarily from neighboring communities. This year specifically, the Company undertook a special project to support our local Blue Mountain coffee farmers during a period of crisis for them, by buying directly from them approximately 22,500 boxes of coffee cherries valued at \$189million. The Company also includes as part of its capital expenditure every year, a budget for the improvement to our country's early childhood education for a school in its neighbouring community.

We at Salada are proud to be able to carry out our social responsibility as the oldest instant coffee manufacturing company in Jamaica and the English speaking Caribbean. As we enter a new era and decade we are committed to evaluating internally and taking the required steps to improve our corporate governance systems and practices.

COMPOSITION OF THE BOARD

The Board is composed of five (5) members, four (4) of which are independent directors and one (1) non-independent director. Our independent directors have no substantial shareholdings in the Company, are not close relatives of a significant shareholder and have no employment relationship with the Company or its subsidiaries.

The Company's independent Directors are Mr. Patrick Williams (**Chairman**), Mr. Michael Bernard, Mr. Eric Stultz, Mr. Aubyn Hill. Mrs. Kathryn Lewis-Green is our non-independent Director. The Company's Corporate Secretary is Miss Michelle N. Smith.

Each of Salada's Directors brings to the Board a broad range of skills, expertise, industry, other knowledge and business experience useful to the effective oversight of the Company's business. The expertise of the members of the Board that support and challenge Management is reflected in the table below.

EXPERTISE	Patrick Williams (Chairman)	Kathryn Lewis-Green	Eric Stultz	Aubyn Hill	Michael Bernard
Independent (I) / Non-independent (NI)	I	NI	I	I	I
General Management	✓	✓	✓	✓	✓
Strategic Management	✓	✓	✓	✓	✓
Finance & Accounting	✓	✓	✓	✓	✓
Sales & Marketing			✓	✓	✓
Legal		✓			
Manufacturing	✓		✓		✓
Risk Management	✓	✓	✓	✓	✓



Corporate GOVERNANCE

BOARD MEETINGS

The Board of Directors meetings are held once per month for eleven months in the year or for such other agreed period in the year. Three (3) members form a quorum. There were nine (9) meetings held during the financial year under review. The Board Members' attendance at these meetings for the year is reflected in the table below.

Members	Record of Attendance
Patrick Williams (Chairman)	9/9
Kathryn Lewis-Green	8/9
Eric Stultz	8/9
Michael Bernard	9/9
Aubyn Hill	8/9

EVALUATION

The Directors have completed the Board, Committees and Directors evaluations for the year under review. While they have noted room for improvement in some areas evaluated, overall the Board and Committees were satisfied with their performance. The Chairman was generally pleased with the performance of each Director.

DIRECTORS' COMPENSATION

Directors' total fees for the year under review was \$12.67million.

BOARD COMMITTEES

The Board has the following three (3) established Committees that meet quarterly for the year or for such other agreed period in the year. For each Committee, two (2) members form a quorum.

- i. The Audit Committee
- ii. The Corporate Governance Committee; and
- iii. The Procurement Committee

AUDIT COMMITTEE

The Audit Committee oversees the financial reporting and the auditing process of the Company's financials. The Committee's role and functions entail:

- reviewing the unaudited quarterly financials and audited financials
- monitoring and ensuring that the integrity of the financials are maintained

- ensuring that proper accounting standards are complied with in the preparation of the financials
- ensuring internal controls and systems are in place to identify and contain business risks.

The Audit Committee consist of four (4) members, namely Mr. Aubyn Hill (Chairman), Mrs. Kathryn Lewis-Green, Mr. Michael Bernard and Mr. Patrick Williams. There were four (4) Committee meetings during the year. Each member's attendance at the meetings and the attendance of a Director who is not a member but attended by invitation, are reflected in the table below.

Members	Record of Attendance
Aubyn Hill (Chairman)	4/4
Kathryn Lewis-Green	3/4
Michael Bernard	4/4
Patrick Williams	4/4
Invitees	Record of Attendance
Eric Stultz	4/4

During the year the Committee:

- reviewed and recommended to the Board the approval of quarterly unaudited financial statements and releases to shareholders
- reviewed the audited financials for year ended September 30, 2019 prepared by the external auditors, KPMG
- assessed the efficiency of the external auditors, KPMG, with a view to recommending for approval the scope of work to be done by it and the fees to be paid for services rendered
- analyzed the Company's business operations cost efficiency
- analyzed the full impact of the Government imposed cess on imported coffee green beans on the Company's bottom line, cash flow and budget.

CORPORATE GOVERNANCE COMMITTEE

The Corporate Governance Committee plays a pivotal role in holding the Board and Management accountable to the Company's corporate governance systems and practices. Other functions of the Committee include:

- making timely disclosure to its Stockholders/ Stakeholders and other regulatory bodies
- ensure a formal and transparent compensation/ remuneration policy for Executives, Directors and Senior Management
- mediating disputes and conflicts on the Board and with Management within a timely fashion
- monitor as appropriate, Directors' orientation to update the skills and knowledge required to fulfill their roles both on the Board and Committees
- review the Board and Management performances and implement the recommendations
- keep the Board and Management abreast of best practice for good corporate governance.

The Committee has three (3) members, namely Mrs. Kathryn Lewis-Green (**Chairperson**), Mr. Eric Stultz and Mr. Aubyn Hill. There were three (3) Committee meetings during the year. Each member's attendance at the meetings and the attendance of a Director who is not a member but attended by invitation, are reflected in the table below.

Members	Record of Attendance
Kathryn Lewis-Green (Chairperson)	3/3
Aubyn Hill	3/3
Eric Stultz	3/3
Invitees	Record of Attendance
Patrick Williams	3/3
Michael Bernard	2/3

During the year the main activities carried out by the Committee were as follows:

- oversee Management's project to refurbish and furnish Jebb Basic School
- oversee the Board, Committees and Directors' Annual Performance Evaluation.

PROCUREMENT COMMITTEE

The Procurement Committee is the overseer of Management's procurement of goods, services and machinery for the Company's effective operation and production. The Committee's primary role is to ensure there is cost effective use by Management of Salada's resources when procuring.

The Committee is made up of two (2) members, namely Mr. Eric Stultz (Chairman) and Mr. Patrick Williams, who together form a quorum. Each member's attendance at the meetings and the attendance of a Director who is not a member but attended by invitation, are reflected in the table below.

Members	Record of Attendance
Eric Stultz (Chairman)	4/4
Patrick Williams	4/4
Invitees	Record of Attendance
Aubyn Hill	2/4
Michael Bernard	2/4

During the year the matters considered by the Committee were as follows:

- reviewed periodically Management's reports on the purchase of local coffee cherries from local coffee farmers for the Company's coffee cherries project
- reviewed periodically Management's reports on expenditure for processing of local coffee cherries
- reviewed and approved the purchase of a new boiler for the Company's factory
- reviewed and approved the costs associated with restructuring the Company's factory boiler room to satisfy industry safety standards
- reviewed and approved other periodic expenditure as required under the procurement policy.

To view Salada's Corporate Governance Charter please visit our website at www.saladafoodsja.com under tab "About Us" and select tab "Corporate Governance".



Management TEAM



1 | Dianna Blake-Bennett
General Manager

2 | Lorna Lewis
Group Operations Manager

3 | Tamii Brown
Commercial & Corporate Affairs Manager

4 | Zayous Hamilton
Acting Financial Controller

5 | Nadine Francis
Quality Assurance Manager



Support TEAM



1 | Karine Sealey
Innovations & Quality Officer

2 | Marvin Kerr
Marketing Co-ordinator

3 | Janet Johnson
Executive Assistant
& Export Coordinator

4 | Nicola Hyman
Supply Chain Officer

5 | Nikeisha Cousins
Administrative Assistant - Finance

6 | Karlene Shaw-Spence
Sales Representative

7 | Marlon Blenman
IT & Special Projects Officer



Management

DISCUSSION & ANALYSIS



The 2019 fiscal year for Salada Foods Jamaica Limited brought continued growth as we leveraged our manufacturing capabilities and executed on our marketing strategies to improve market share both locally and internationally resulting in our best revenue performance to date.

The Company had two significant activities in the year under review.

We established new partnerships with local farmers and processors of Jamaica Blue Mountain coffee during the year, spending \$189M to purchase and process 22,500 boxes of coffee cherries. This initiative aided the farmers during a challenging period as exports of Jamaica Blue Mountain coffee were thwarted as Japan, Jamaica's main export market, pushed back against increases in price. This purchase will allow us to execute our strategic pillars – introduction of new products and export growth, allowing us to readily introduce new premium coffee products.

In October 2018, the first month of the new year, operations were adversely impacted because of an accident in our boiler room, damaging both boilers, halting production for two months. Our first quarter results were negatively affected but we managed to finish the year strongly.

FINANCIAL HIGHLIGHTS

Revenue for the year was \$1.11 billion, 7% higher than last fiscal year's \$1.04 billion. Gross margins were \$361.57 million or 9% lower than the \$399.96 million last period. Cess of \$81 million paid to JACRA on imported green beans, our main raw material, is the contributing factor for higher cost of sales. As a result, operating profit fell to \$169.98 million, 37% lower than the \$270.07 million last year.

Although administrative expenses increased to \$138.80 million against \$84.98 million, last year's results included a write-back of \$33.37 million related to post- retirement medical benefit. So, in real terms with the adjustment to prior year's numbers, administrative expenses increased by \$20.45 million or 17%.

Selling and Promotional expenses increased to \$66.45 million up from \$44.90 million last period and is attributed to increased promotional and marketing activities to support our Mountain Bliss 876 and Jamaica Mountain Peak brands.

Net profit for the year was \$141.37 million, lower than last year's \$219.17 million. The \$90 million paid to Government in cess, of which \$81 million hit cost of sales, is the only reason for not returning a better profit position considering revenue growth of 7%.

Earnings per share was reflective of our net profit position at \$1.37 per share compared to \$2.12 last year.

FIVE YEAR STATISTICS	2019	2018	2017	2016	2015
	000'	000'	000'	000'	000'
Turnover	1,113,652	1,041,000	871,733	761,737	660,436
Cost of Sales	752,086	641,540	595,482	510,087	493,584
Gross Profit	361,566	399,965	276,251	251,650	166,852
Operating Profit	169,975	270,074	80,050	74,816	14,228
Net Profit	141,367	219,177	68,686	68,900	31,652



Management DISCUSSION & ANALYSIS

SALES & MARKETING

Both domestic and export markets performed reasonably well during the year and contributed to our improved revenue position. Domestic sales grew by 7% year on year to \$739.29 million aided by the performance of our Mountain Peak ginger teas and recently launched Mountain Bliss 876 brands. Export sales increased by 10 % above last year as our marketing strategies to improve brand awareness in Diaspora communities in the United States paid dividends. Our Jamaica Mountain Peak brands have pride of place in all major supermarkets and green groceries to include retail giant Walmart.

The private labeling segment of our business was also adversely affected by the introduction of the cess on imported green coffee beans as other companies for which we manufacture instant coffee were forced to reduce the frequency and volume of production as a result.

Our engagement of younger consumers continued throughout the year with marketing activities on university campuses. We partnered with the students' halls through sponsored study sessions and recruited new brand fans by supporting the Universities' orientation programmes. Social media remains a key ingredient in our engagement and communication strategy with this demographic as it facilitates immediate feedback and from their responses our brands have been placed in the hands of this millennial generation.

Our core consumers of Jamaica Mountain Peak brands continue to be engaged through our in-store tasting and promotions in major retailers and wholesalers across the island and through traditional media sources.

The Jamaica Mountain Peak brand solidified its position as the coffee and teas of choice for runners through our sponsorship of 5K runs across the island. This year, the sponsorship took on a new dimension as we used it to launch the first-ever Rise Up and Run loyalty programme. Participants were able to use this no hurdles entry platform to donate to their favourite local charities.

We launched our Rise Up Jamaica campaign in the third quarter of the year encouraging Jamaicans to support our brands which are locally manufactured,

in support of local farmers, providing jobs and growing our economy.

OPERATIONS & QUALITY

Operations were restored in December 2018 following the boiler accident and the replacement boiler commissioned at the start of 2020 from which we expect to gain improved efficiency in our operations.

During the fiscal year we commenced training for the development and implementation of an Occupational Health and Safety policy. Full implementation is scheduled for the third quarter of the new fiscal year.

We continue to operate as a certified Safe Quality Foods (SQF) manufacturing facility and were re-certified in November 2019.

HUMAN RESOURCES

During the year we made a few changes within the organization to support our growth going forward.

We welcomed to the team Ms. Nicola Hyman in March 2019 as Supply Chain Officer, Mrs Karlene Shaw-Spence in September 2019 as Sales Representative and Ms. Karine Sealey, our Innovations and Quality Officer, in October 2019.

Mrs. Darlene Jackson-Anderson, Supply Chain Manager retired in May 2019.

Mr. Garfield Edwards, Financial Controller resigned at the end of November 2019.

SUBSIDIARIES

Mountain Peak Food Processors Limited continues to operate as the distribution arm of the Group and remains profitable.

We continue to look for a buyer for Salada's shares in the Pimora subsidiary.

OUTLOOK

As consumer and business confidence improve domestically, we anticipate that the demand for our products will continue to grow. On the export side of the business, as we solidify our partnerships with key retailers in the United States and Canada, as well as follow through on our marketing strategies, growth prospects remain promising.

We plan to introduce two new products, a premium coffee and a line extension of our ginger teas within the year, coupled with our continued push to enter new channels. These initiatives are expected to further aid the growth of our market share all around.

We will continue to leverage our manufacturing expertise and improve on our capacity to roll out new products which will strengthen our contract manufacturing business segment.

Notwithstanding the positive economic outlook, Salada's business model as it now stands is under imminent threat if JACRA takes no conciliatory action regarding the cess on imported green beans used for instant coffee manufacturing.



Dianna Blake-Bennett
General Manager



Risk

MANAGEMENT



We recognise that an important aspect of creating and improving shareholder value requires a measured approach and acceptance of risks. Risk Management policies are established to identify and analyse the risks faced and to set appropriate limits and controls to monitor and ensure adherence. This includes systems and policies to ensure the effective monitoring of our daily operations and adherence to our quality management programme. It also involves systems that ensure compliance with all statutory requirements and that the integrity of our financial reporting is sound. Senior Management is responsible for identifying, evaluating, assessing, monitoring and managing operational risks. Material risks are escalated to the Audit Committee of the Board and where necessary the Board of Directors. The Audit Committee is responsible for Risk Management.

Our strategic risks are two-fold. Firstly, there have been changes in the regulatory environment relating to importation of agricultural products, including green coffee beans used in our manufacturing of instant coffee. Development and market introduction of new non-coffee-based products, to add diversity to what the Company currently manufactures, is a key component we must implement as a mitigatory strategy.

Secondly, the macro- economic environment, although relatively stable, still possesses characteristics which make it susceptible to volatility. Continuous improvements in our operations and processes, to ensure that our products are manufactured competitively, is how we manage this risk. Exports and growth in this area is another avenue.

Like all other businesses, the Company's business is exposed to different kinds of risks, which we anticipate, measure and manage through our policies and processes.

Market risk arises mainly from the changes in market prices, such as foreign exchange rates and interest rates, which affect the Company's income or value of its holding of financial instruments.

- Interest rate risks is the risk that the value of a financial instrument will fluctuate due to changes in market rates. The Company manages this risk by investing in monetary instruments contracted at fixed interest rates for the duration of their terms.
- Foreign Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Foreign exchange exposure is managed by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

Liquidity risk is where the Company is not able to meet its financial obligations as they fall due. Our approach to managing liquidity is to ensure that the Company maintain sufficient cash and marketable securities and that an adequate amount of our financial assets are in liquid form to meet contractual obligations and other recurring payments.

Credit risk arises principally from receivables by credit given to customers and investments with financial institutions. Our exposure is mainly influenced by the characteristics of the individual. The demographics of our customer base including the default risk in which customers operate has less of an influence on our credit risk. A provisional matrix is used to estimate credit losses (ECL) on trade receivables. This is based on historical observed default rates over the expected life of the trade receivable and is adjusted for forward looking estimates.



Corporate

SOCIAL RESPONSIBILITY





Salada Foods Jamaica Limited has had a long association with Jebb Memorial Basic School and over the last five years our relationship with the school has deepened to truly embody our Mission Statement of “improving the well-being of the communities we serve in Jamaica and elsewhere”.

Jebb Memorial Basic School accommodates children from Spanish Town Road, where they are situated, and surrounding communities. The school registers children from the ages 2 to 6 years old and has a population of 70 children.

This year we invested over \$1M in improving the school’s infrastructure in our bid to have the centre certified by the Early Childhood Commission.

To provide an environment that would facilitate focused learning their large classroom was partitioned so that different age groups of students were separated. All the classrooms were painted and new tables and chairs along with storage bins for their toys and learning material put in place.

“improving the well-being of the communities we serve in Jamaica and elsewhere”

An important aspect of development for young children is play. A newly fenced and gravelled play area was constructed for students to have a safe area for this activity. Now that the requirements of the Early Childhood Commission have been completed, we expect the school to be certified within the first quarter of 2020.

We continue to support their breakfast, lunch, monthly pest control and yard maintenance programmes.



Fueling JAMAICA'S LIFESTYLE



WINNING

RISE UP

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Annual Report 2018-19

Audited Financial Statements

September 30, 2019



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INDEPENDENT AUDITORS' REPORT

To the Members of
SALADA FOODS JAMAICA LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Salada Foods Jamaica Limited ("the company") comprising the separate financial statements of the company and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 9 to 59 which comprise the group's and company's statement of financial position as at September 30, 2019, the group's and company's statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as at September 30, 2019, and of the group's and company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Jamaican Companies Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

R. Tarun Handa
Cynthia L. Lawrence
Rajin Trehan
Norman O. Rainford
Ngel K. Chambers

Nyssa A. Johnson
W. Ghan C. de Mel
Wilbert A. Spence
Rochelle N. Stephenson
Sandra A. Edwards

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SALADA FOODS JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Inventory costing and valuation

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>The group's inventory cost calculation for finished goods and work-in-progress accounts for raw and packaging materials, direct labour, other direct costs and a proportion of related production overheads. At reporting date, finished goods and work-in-progress inventories account for 42% of total inventories.</p> <p>In view of the group's manufacturing processes and its numerous product lines, the basis of cost allocation is complex and highly dependent on management's estimate.</p> <p>Due to the complexity involved, there is an inherent risk that a material misstatement could arise due to cost of inventory being incorrectly recorded.</p> <p>During the year the company started a project where cherries are processed into green beans. There is a risk that if not properly stored and a market available for sale/usage, then the product may be impaired.</p>	<p>In this area, our audit procedures included, among others the following:</p> <ul style="list-style-type: none"> • Testing controls over management review and recording of inventory costing. • Observe annual inventory count and select a sample of items for testing and agreeing count quantities to final inventory listings and assess the conditions under which inventory is stored. • Testing a sample of inventory to assess whether all elements of costs have been accurately input into the costing calculations including testing the basis and calculation of overheads absorbed; and agreeing the cost of raw materials and packaging inventories to supporting documentation e.g. purchase invoices. • Performing a detail impairment assessment of inventories by comparing the recent sale price to carrying cost. • Considering the accuracy of disclosures in relation to inventory in the financial statements.





INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SALADA FOODS JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. Measurement of Expected Credit Losses

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>IFRS 9, <i>Financial Instruments</i>, was implemented by the group effective October 1, 2018. The standard is new and complex and requires the group to recognise expected credit losses ('ECL') on financial assets. The determination of ECL is highly subjective and requires management to make significant judgements and estimates and the application of forward-looking information.</p> <ul style="list-style-type: none"> • The identification of significant increases in credit risk is a key area of judgement as the criteria determine whether a 12 month or lifetime allowance is recorded. • IFRS 9 requires the group to incorporate forward-information, reflecting a range of possible future economic conditions, in measuring expected credit losses. Significant management judgement is used in determining the economic scenarios and management overlay. 	<p>Our audit procedures in response to this matter, included:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the model used by management for the calculation of expected credit losses on accounts receivables and investments. • Testing the completeness and accuracy of the data used in the models to the underlying accounting records. • Involving our financial risk modelling specialist, to review the ECL model, assess the appropriateness of the group's impairment methodology, management's assumptions and compliance with the new requirements of IFRS 9, <i>Financial Instruments</i>. • Involving our financial risk modelling specialists to evaluate the appropriateness of economic parameters including the use of forward looking information. • Assessing the adequacy of the disclosures of the key assumptions and judgements as well as the details of the transition adjustment for compliance with IFRS 9.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SALADA FOODS JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Key Audit Matters (continued)

2. *Measurement of Expected Credit Losses (continued)*

<i>Key Audit Matter</i>	<i>How the matter was addressed in our audit</i>
<p>We therefore determined that the estimates of impairment in respect of trade receivables and investments have a high degree of estimation uncertainty.</p> <p>In addition, disclosures regarding the group's application of IFRS 9 are key to understanding the change from IAS 39 as well as explaining the key judgements and material inputs to the IFRS 9 ECL results.</p>	

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon. The annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.





INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SALADA FOODS JAMAICA LIMITED

Report on the Audit of the Financial Statements (continued)

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditors' report. This description, which is located at pages 7 to 8, forms part of our auditors' report.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SALADA FOODS JAMAICA LIMITED

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

The engagement partner on the audit resulting in this independent auditors' report is Rajan Trehan.

KPMG

Chartered Accountants
Kingston, Jamaica

November 28, 2019





INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SALADA FOODS JAMAICA LIMITED

Appendix to the Independent Auditors' Report

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's/group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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INDEPENDENT AUDITORS' REPORT (CONTINUED)

To the Members of
SALADA FOODS JAMAICA LIMITED

Appendix to the Independent Auditors' Report (continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

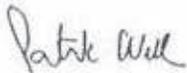
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



SALADA FOODS JAMAICA LIMITEDStatement of Financial Position
September 30, 2019

	Notes	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
NON-CURRENT ASSET					
Property, plant and equipment	5	121,544	115,381	96,570	79,224
Intangible asset	6	1,300	1,300	1,300	1,300
Investment in subsidiary companies	7(a)	-	-	103,976	103,976
Investments	11	144,141	95,666	144,141	95,666
Deferred tax asset	12	15,441	20,933	8,549	12,363
Long-term receivables	8	8,317	15,681	-	-
		<u>290,743</u>	<u>248,961</u>	<u>354,536</u>	<u>292,529</u>
CURRENT ASSETS					
Cash and cash equivalents	10	135,352	80,890	83,330	71,515
Investments	11	142,601	303,199	142,601	303,199
Accounts receivable	13	167,391	236,945	117,080	101,005
Inventories	14	447,090	224,206	445,000	218,139
Current portion of long-term receivables	8	7,364	7,076	-	-
Due from subsidiary	7(b)	-	-	36,789	149,979
Tax recoverable		6,328	5,416	5,908	4,846
		<u>906,126</u>	<u>857,732</u>	<u>830,708</u>	<u>848,683</u>
TOTAL ASSETS		<u>1,196,869</u>	<u>1,106,693</u>	<u>1,185,244</u>	<u>1,141,212</u>
STOCKHOLDERS' EQUITY					
Share capital	15	73,216	73,216	73,216	73,216
Capital reserves	16	16,275	16,275	6,543	6,543
Retained earnings		925,390	849,364	950,989	905,282
		1,014,881	938,855	1,030,748	985,041
NON-CONTROLLING INTERESTS	17	1,055	1,609	-	-
		<u>1,015,936</u>	<u>940,464</u>	<u>1,030,748</u>	<u>985,041</u>
CURRENT LIABILITIES					
Accounts payable	19	160,635	130,999	141,032	120,941
Current portion of finance lease obligation	18	-	5,255	-	5,255
Taxation payable		20,298	29,975	13,464	29,975
		<u>180,933</u>	<u>166,229</u>	<u>154,496</u>	<u>156,171</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		<u>1,196,869</u>	<u>1,106,693</u>	<u>1,185,244</u>	<u>1,141,212</u>

The financial statements on pages 9 to 59 were approved for issue by the Board of Directors on November 28, 2019 and signed on its behalf by:



 Patrick Williams Chairman



 Aubyn Hill Director

The accompanying notes form an integral part of the financial statements.

SALADA FOODS JAMAICA LIMITEDGroup Statement of Profit or Loss
Year ended September 30, 2019

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
Sales	20	1,113,652	1,041,496
Cost of sales	22(a)	(752,086)	(641,540)
Gross profit		<u>361,566</u>	<u>399,956</u>
Operating expense:			
Administration expenses	22(c)	(138,799)	(84,979)
Impairment losses on investments	11	2,137	-
Impairment losses on trade receivables, net		1,798	-
Selling and promotion expenses	22(b)	(62,455)	(44,903)
		<u>(197,319)</u>	<u>(129,882)</u>
Operating profit before other income, net finance cost and taxation		164,247	270,074
Other income		<u>5,728</u>	<u>-</u>
Operating profit before net finance cost and taxation		<u>169,975</u>	<u>270,074</u>
Finance income	21	6,140	22,201
Finance costs	21	(8,602)	(1,565)
Net finance income	21	(2,462)	<u>20,636</u>
Profit before taxation		167,513	290,710
Taxation	23	(26,146)	(71,533)
Profit for the year		<u>141,367</u>	<u>219,177</u>
Profit attributable to:			
Stockholders of the company		141,921	219,677
Non-controlling interests	17	(554)	(500)
		<u>141,367</u>	<u>219,177</u>
Earnings per share:			
Earnings per ordinary stock unit	25	<u>1.37</u>	<u>2.12</u>

The accompanying notes form an integral part of the financial statements.



SALADA FOODS JAMAICA LIMITEDGroup Statement of Other Comprehensive Income
Year ended September 30, 2019

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
Profit for the year		<u>141,367</u>	<u>219,177</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of fair value through OCI (2018: Available-for-sale) investments		<u>42,475</u>	<u>21,516</u>
Other comprehensive income for the year, net of tax		<u>42,475</u>	<u>21,516</u>
Total comprehensive income for the year		<u>183,842</u>	<u>240,693</u>
Total comprehensive income attributable to:			
Stockholders of the company		184,396	241,193
Non-controlling interests	17	<u>(554)</u>	<u>(500)</u>
		<u>183,842</u>	<u>240,693</u>

SALADA FOODS JAMAICA LIMITEDGroup Statement of Changes in Stockholders' Equity
Year ended September 30, 2019

	Attributable to stockholders of the company			Non- controlling interests (note 17) \$'000	Total \$'000
	Share capital (note 15) \$'000	Capital reserves (note 16) \$'000	Retained earnings \$'000		
Balances at September 30, 2017	<u>73,216</u>	<u>16,275</u>	<u>712,556</u>	<u>2,109</u>	<u>804,156</u>
Profit for the year	-	-	219,177	(500)	218,677
Other comprehensive income:					
Fair value gain on investment	<u>-</u>	<u>-</u>	<u>21,516</u>	<u>-</u>	<u>21,516</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>240,693</u>	<u>(500)</u>	<u>240,193</u>
Dividends (note 15)	<u>-</u>	<u>-</u>	<u>(103,885)</u>	<u>-</u>	<u>(103,885)</u>
Balances at September 30, 2018	<u>73,216</u>	<u>16,275</u>	<u>849,364</u>	<u>1,609</u>	<u>940,464</u>
Transition adjustment on initial application of IFRS 9, net of taxes (note 3)	<u>-</u>	<u>-</u>	<u>(4,485)</u>	<u>-</u>	<u>(4,485)</u>
Adjusted balances at October 1, 2018	<u>73,216</u>	<u>16,275</u>	<u>844,879</u>	<u>1,609</u>	<u>935,979</u>
Profit for the year	-	-	141,921	(554)	141,367
Other comprehensive income:					
Fair value gains on investments	<u>-</u>	<u>-</u>	<u>42,475</u>	<u>-</u>	<u>42,475</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>184,396</u>	<u>(554)</u>	<u>183,842</u>
Dividends (note 15)	<u>-</u>	<u>-</u>	<u>(103,885)</u>	<u>-</u>	<u>(103,885)</u>
Balances at September 30, 2019	<u>73,216</u>	<u>16,275</u>	<u>925,390</u>	<u>1,055</u>	<u>1,015,936</u>
Retained in the financial statements of:					
The company	73,216	6,543	950,989	-	1,030,748
The subsidiaries	-	9,732	(25,599)	-	(15,867)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,055</u>	<u>1,055</u>
Balances at September 30, 2019	<u>73,216</u>	<u>16,275</u>	<u>925,390</u>	<u>1,055</u>	<u>1,015,936</u>
Retained in the financial statements of:					
The company	73,216	6,543	905,282	-	985,041
The subsidiaries	-	9,732	(55,918)	-	(46,186)
Non-controlling interests	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,609</u>	<u>1,609</u>
Balances at September 30, 2018	<u>73,216</u>	<u>16,275</u>	<u>849,364</u>	<u>1,609</u>	<u>940,464</u>

The accompanying notes form an integral part of the financial statements.

SALADA FOODS JAMAICA LIMITEDGroup Statement of Cash Flows
Year ended September 30, 2019

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		141,367	219,177
Adjustments for:			
Items not involving cash:			
Depreciation	5	26,805	28,849
Income tax expense	23(a)	19,160	45,731
Deferred taxation	23(a)	6,986	25,802
Interest income	23	(6,140)	(6,835)
Interest expense		948	1,565
Employee benefits, net		<u>-</u>	<u>(33,370)</u>
		189,126	280,919
Changes in operating assets and liabilities:			
Inventories		(222,884)	(15,061)
Accounts receivable		70,040	(48,008)
Accounts payable		<u>29,636</u>	<u>36,121</u>
Cash provided by operations		65,918	253,971
Interest paid		(948)	(1,565)
Taxation paid or deducted at source		<u>(31,243)</u>	<u>(33,248)</u>
Net cash provided by operating activities		<u>33,727</u>	<u>219,158</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,399	10,039
Purchase of property, plant and equipment	5	(32,993)	(39,967)
Proceeds from sale of property, plant and equipment		25	39,000
Investments, net		152,368	(158,897)
Long term receivable		<u>7,076</u>	<u>(22,757)</u>
Net cash provided/(used) by investing activities		<u>129,875</u>	<u>(172,582)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Finance lease obligation		<u>(5,255)</u>	<u>(8,150)</u>
Net cash used by financing activities		<u>(5,255)</u>	<u>(8,150)</u>
Net cash provided before dividends		<u>158,347</u>	<u>38,426</u>
Dividends paid	15	<u>(103,885)</u>	<u>(103,885)</u>
Net increase/(decrease) in cash and cash equivalents		54,462	(65,459)
Cash and cash equivalents at beginning of year		<u>80,890</u>	<u>146,349</u>
Cash and cash equivalents at end of year	10	<u>135,352</u>	<u>80,890</u>

The accompanying notes form an integral part of the financial statements.

SALADA FOODS JAMAICA LIMITEDCompany Statement of Profit and Loss and Other Comprehensive Income
Year ended September 30, 2019

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
Sales	20	990,928	911,190
Cost of sales	22(a)	(733,998)	(622,857)
Gross profit		<u>256,930</u>	<u>288,333</u>
Operating expenses:			
Administration expenses	22(c)	(132,338)	(75,414)
Selling and promotion expenses	22(b)	(14)	(88)
Impairment losses on investment	11	2,137	-
Impairment losses on trade receivables		(1,727)	-
Other expenses	22(d)	<u>-</u>	<u>(6,500)</u>
		<u>(131,942)</u>	<u>82,002</u>
Operating profit before other income, net finance cost and taxation		124,988	206,331
Other income		<u>5,728</u>	<u>-</u>
Operating profit before net finance cost and taxation		<u>130,716</u>	<u>206,331</u>
Finance income	21	5,075	20,930
Finance costs	21	(8,539)	(1,457)
Net finance income	21	<u>3,464</u>	<u>19,473</u>
Profit before taxation		127,252	225,804
Taxation	23	(17,137)	(55,255)
Profit for the year		<u>110,115</u>	<u>170,549</u>
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Gain on revaluation of fair value through OCI (2018: Available for sale) investments		<u>42,475</u>	<u>21,516</u>
Other comprehensive profit for the year, net of tax		<u>42,475</u>	<u>21,516</u>
Total comprehensive income for the year		<u>152,590</u>	<u>192,065</u>

The accompanying notes form an integral part of the financial statements.



SALADA FOODS JAMAICA LIMITEDCompany Statement of Changes in Stockholders' Equity
Year ended September 30, 2019

	Share capital (note 15) \$'000	Capital reserves (note 16) \$'000	Retained earnings \$'000	Total \$'000
Balances at September 30, 2017	<u>73,216</u>	<u>6,543</u>	<u>817,102</u>	<u>896,861</u>
Total comprehensive income for the year:				
Profit for the year	-	-	170,549	170,549
Other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>21,516</u>	<u>21,516</u>
Total comprehensive income	-	-	192,065	192,065
Dividend (note 15)	<u>-</u>	<u>-</u>	<u>(103,885)</u>	<u>(103,885)</u>
Balances at September 30, 2018	73,216	6,543	905,282	985,041
Transition adjustment on initial application of IFRS 9, net of taxes (note 3)	<u>-</u>	<u>-</u>	<u>(2,998)</u>	<u>(2,998)</u>
Adjusted balances at October 1, 2018	73,216	6,543	902,284	982,043
Total comprehensive income for the year:				
Profit for the year	-	-	110,115	110,115
Other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>42,475</u>	<u>42,475</u>
Total comprehensive income	73,216	6,543	1,054,874	1,134,633
Dividend (note 15)	<u>-</u>	<u>-</u>	<u>(103,885)</u>	<u>(103,885)</u>
Balances at September 30, 2019	<u>73,216</u>	<u>6,543</u>	<u>950,989</u>	<u>1,030,748</u>

The accompanying notes form an integral part of the financial statements.

SALADA FOODS JAMAICA LIMITEDCompany Statement of Cash Flows
Year ended September 30, 2019

	<u>Notes</u>	<u>2019</u> \$'000	<u>2018</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		110,115	170,549
Adjustments for:			
Items not involving cash:			
Depreciation	5(b)	15,647	22,896
Income tax expense	23(a)	12,323	45,731
Deferred taxation	23(a)	4,814	9,523
Interest income	21	(5,075)	(5,864)
Impairment of investment in subsidiary	7	-	6,500
Interest expense		157	848
Employee benefits, net		-	(33,370)
		137,981	216,813
Changes in operating assets and liabilities:			
Inventories		(226,861)	(19,560)
Accounts receivable		(15,167)	20,791
Due from subsidiary		113,190	18,384
Accounts payable		<u>20,091</u>	<u>34,735</u>
Cash provided by operations		29,234	271,163
Interest paid		(157)	(848)
Taxation paid		<u>(30,896)</u>	<u>(32,771)</u>
Net cash (used)/provided by operating activities		<u>(1,819)</u>	<u>237,544</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,399	3,134
Investments, net		152,368	(158,897)
Purchase of property, plant and equipment	5(b)	<u>(32,993)</u>	<u>(39,532)</u>
Net cash provided/(used) by investing activities		<u>122,774</u>	<u>(195,295)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease obligation		<u>(5,255)</u>	<u>(8,150)</u>
Net cash used by financing activities		<u>(5,255)</u>	<u>(8,150)</u>
Net cash provided before dividends		<u>115,700</u>	<u>34,099</u>
Dividends paid	15	<u>(103,885)</u>	<u>(103,885)</u>
Net increase/(decrease) in cash and cash equivalents		11,815	(69,786)
Cash and cash equivalents at beginning of year		<u>71,515</u>	<u>141,301</u>
Cash and cash equivalents at end of year	10	<u>83,330</u>	<u>71,515</u>

The accompanying notes form an integral part of the financial statements.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements
Year ended September 30, 2019

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” [also see note 2(c)]. 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. The operations of Pimora Company Limited were discontinued in the 2017 financial year.

The company is listed on the Jamaica Stock Exchange.

A shareholder of the company controls 76% of the voting rights in the company.

2. Statement of compliance and basis of preparation(a) Statement of compliance:

The 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.

New and amended standards that came into effect during the current financial year:

Certain new and amended standards that were in issue came into effect during the current financial year. This is the first set of the group’s annual financial statements in which IFRS 9, *Financial Instruments*, and IFRS 15, *Revenue from Contracts with Customers*, have been applied from October 1, 2018. Changes to significant accounting policies are described in note 3.

New and amended standards and interpretations not yet effective:

At the date of approval of the financial statements, there were certain new and amended standards and interpretations to existing standards, which were in issue, but were not yet effective and had not been early adopted by the group. Those which management considered may be relevant to the group are as follows:

- The group will adopt IFRS 16, *Leases*, effective October 1, 2019. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting.

Entities will be required to bring all major leases on-balance sheet, recognising new assets and liabilities. The on-balance sheet liability will attract interest; the total lease expense will be higher in the early years of a lease even if a lease has fixed regular cash rentals. Optional lessee exemption will apply to short-term leases and for low-value items with value of US\$5,000 or less.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations not yet effective (continued):• IFRS 16, *Leases* (continued)

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases.

The group does not have any material lease arrangements. The group is assessing the impact that the amendment will have on its 2020 financial statements

• Amendments to IFRS 9, *Financial Instruments*, effective retrospectively for annual periods beginning on or after January 1, 2019 clarifies the treatment of:

(i) Prepayment features with negative compensation:

Financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9.

(ii) Modifications to financial liabilities:

If the initial application of IFRS 9 results in a change in accounting policy arising from modified or exchanged fixed rate financial liabilities, retrospective application is required, subject to particular transitional reliefs. There is no change to the accounting for costs and fees when a liability has been modified, but not substantially. These are recognised as an adjustment to the carrying amount of the liability and are amortised over the remaining term of the modified liability.

The group is assessing the impact that the amendment will have on its 2020 financial statements.

• IFRIC 23, *Uncertainty Over Income Tax Treatments*, is effective for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted. IFRIC 23 clarifies that tax treatments that have yet to be accepted by tax authorities are to be applied in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty.

If the entity concludes that it is probable that the tax authority will accept a particular tax treatment in the tax return, the entity will determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings and record the same amount in the financial statements. The entity will disclose uncertainty.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations not yet effective (continued):

- IFRIC 23, *Uncertainty Over Income Tax Treatments* (continued)

If the entity concludes that it is not probable that a particular tax treatment will be accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better prediction of the resolution of the uncertainty.

The group is assessing the impact that the interpretation will have on its 2020 financial statements.

- Amendment to IAS 1, *Presentation of Financial Statements* and IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* is effective for annual periods beginning on or after January 1, 2020, and provides the following definition of ‘material’ to guide preparers of financial statements in making judgements about information to be included in financial statements.

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The group is assessing the impact that this new amendment will have on its 2021 financial statements.

- Annual Improvements to IFRS Standards 2015-2017 cycle contain amendments to IFRS 3, *Business Combinations*, IFRS 11, *Joint Arrangements*, IAS 12, *Income Taxes* and IAS 23, *Borrowing Costs* that are effective for annual periods beginning on or after January 1, 2019.
 - (i) The amendments to IFRS 3 and IFRS 11 clarify how an increased interest in a joint operation should be accounted for. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, this is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
 - (ii) IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently (either in profit or loss, OCI or equity) with the transactions that generated the distributable profits.

The group is assessing the impact that the amendments will have on its 2020 financial statements.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New and amended standards and interpretations not yet effective (continued):

- Amendments to *References to Conceptual Framework in IFRS Standards* is effective retrospectively for annual reporting periods beginning on or after January 1, 2020. The revised framework covers all aspects of standard setting including the objective of financial reporting.

The main change relates to how and when assets and liabilities are recognised and de-recognised in the financial statements.

- New ‘bundle of rights’ approach to assets will mean that an entity may recognise a right to use an asset rather than the asset itself;
- A liability will be recognised if a company has no practical ability to avoid it. This may bring liabilities on balance sheet earlier than at present.
- A new control-based approach to de-recognition will allow an entity to derecognise an asset when it loses control over all or part of it; the focus will no longer be on the transfer of risks and rewards.

The group is assessing the impact that this new amendment will have on its 2021 financial statements.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars (\$), which is the functional currency of the group. All financial information presented in Jamaica dollars have been rounded to the nearest thousand, except when otherwise indicated.

The financial statements are prepared on the historical cost basis. The significant accounting policies stated in paragraphs (c) to (d) and note 4 below conform in all material respects with IFRS.

(c) Basis of consolidation:

- (i) A “subsidiary” is an entity controlled by the company. The company controls an entity when it is exposed to, or has rights, to the variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The balance in the consolidated financial statements include the financial statements of the company and its subsidiaries:



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

2. Statement of compliance and basis of preparation (continued)

(c) Basis of consolidation (continued):

(i) (Continued)

The balance in the consolidated financial statements include the financial statements of the company and its subsidiaries:

<u>Entity</u>	<u>Holding</u>	<u>Main activity</u>	<u>Territory of incorporation</u>
Coffee Company of Jamaica Limited	100%	Dormant entity	Jamaica
Shirriff's (Jamaica) Limited	100%	Dormant entity	Jamaica
Mountain Peak Food Processors Limited	100%	Distribution and sale of instant coffee, juices and condiments (see note 1)	Jamaica
Pimora Company Limited	70%	Manufacture of flavoured Briquettes (see note 1)	Jamaica

(ii) Loss of control:

On the loss of control, the group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any gain or loss arising on the loss of control is recognized in profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(iii) Non-controlling interests:

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Transactions eliminated on consolidation

Balances and transactions between companies within the group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions between the group and its subsidiaries are eliminated to the extent of the group's interest in the subsidiary. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgements:

The preparation of the financial statements to conform with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

Judgements made by management in the application of IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next financial year are discussed below:

(i) Judgements:

For the purpose of these financial statements, judgement refers to the informed identification and analysis of reasonable alternatives, considering all relevant facts and circumstances, and the well-reasoned, objective and unbiased choice of the alternative that is most consistent with the agreed principles set out in IFRS. The key relevant judgements are as follows:

Applicable from October 1, 2018

Classification of financial assets:

The assessment of the business model within which the assets are held and assessment of whether the contractual cash flows from a financial asset are solely payments of principal and interest (SPPI) on the principal amount requires management to make certain judgements on its business operations.

Impairment of financial assets:

Establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of expected credit loss (ECL) and selection and approval of models used to measure ECL requires significant judgement.

(ii) Key assumptions concerning the future and other sources of estimation uncertainty:

Applicable from October 1, 2018

Allowance for impairment losses on financial assets:

Measurement of the expected credit loss allowance

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

2. Statement of compliance and basis of preparation (continued)

(d) Use of estimates and judgements (continued):

- (ii) Key assumptions concerning the future and other sources of estimation uncertainty (continued):

Applicable from October 1, 2018 (continued)

Allowance for impairment losses on financial assets (continued):

Measurement of the expected credit loss allowance (continued)

Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in notes 4(s) and 4(t), which also set out key sensitivities of the ECL to changes in these elements.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

Applicable before October 1, 2018

Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, caused for example, by default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are observable on significant receivables with similar characteristics, such as credit risks.

- (iii) Net realisable value of inventories:

Applicable for 2019 and 2018

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from those assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

3. Changes in accounting policies

The group has initially adopted IFRS 9 *Financial Instruments* and IFRS 15, *Revenue from Contracts with Customers* from October 1, 2018.

A number of other new standards were also effective from October 1, 2018 but they do not have a material effect on the group's financial statements.

Due to the transition method chosen by the group in applying IFRS 15 and IFRS 9, comparative information throughout these financial statements has not generally been restated to reflect the requirements of these new standards.

The effect of initially applying these standards is mainly attributed to the following:

- additional disclosures related to IFRS 9 [see notes 4(s), 4(t), 13 and 26(a)(i)];
- additional disclosures related to IFRS 15 [see note 4(j)].

IFRS 15, *Revenue from Contract with Customers*

Under IFRS 15, an entity recognises revenue to reflect the transfer of promised goods or services to customers exchange for those goods or services, following a five step model: Step 1: Identify the contract(s) with a customer (agreement that creates enforceable rights and obligations); Step 2: Identify the different performance obligations (promises) in the contract and account for those separately; Step 3: Determine the transaction price (amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services); Step 4: Allocate the transaction price to each performance obligation based on the relative stand-alone selling prices of each distinct good or service; and Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time.

IFRS 15 also includes disclosure requirements to provide comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 was adopted on October 1, 2018, and supersedes all existing guidance on revenue recognition.

The adoption of IFRS 15 did not impact the timing or amount of sales from contracts with customers and the related assets and liabilities recognised by the group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.

IFRS 9, *Financial Instruments*

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

As a result of the adoption of IFRS 9, the group has adopted consequential amendments to IAS 1 *Presentation of Financial Statements*, which require impairment of financial assets to be presented separately in the statement of profit or loss and OCI.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

3. Changes in accounting policies (continued)IFRS 9, *Financial Instruments* (continued)

Additionally, the group has adopted consequential amendments to IFRS 7 *Financial Instruments: Disclosures* that are applied to disclosures about 2019, but have not been applied to the comparative information.

The impact, net of tax, of transition to IFRS 9 on the opening retained earnings and other reserve is as follows:

	Retained earnings	
	Group \$'000	Company \$'000
Closing balance under IAS 39 (September 30, 2018)	849,364	905,282
Recognition of expected credit losses under IFRS 9:		
Accounts receivable	(3,006)	(1,025)
Investments	(2,973)	(2,973)
Deferred tax on transition	<u>1,494</u>	<u>1,000</u>
	<u>4,485</u>	<u>2,998</u>
Opening balance under IFRS 9 (October 1, 2018)	<u>844,879</u>	<u>902,284</u>

Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The following table explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the group's and company's financial assets as at October 1, 2018. The effect of adopting IFRS 9 on the carrying amount of financial assets at October 1, 2018 relates solely to the new impairment requirements. There is no change to the classification of financial liabilities.

The Group					
	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at September 30, 2018	Remeasurement	IFRS 9 carrying amount at October 1, 2018
			\$'000	\$'000	\$'000
Financial assets					
Investments	Loans and receivables	Amortised cost	303,199	(2,973)	300,226
	Available for sale equity investment	Fair value through other comprehensive income	95,666	-	95,666
Cash and cash equivalents	Loans and receivables	Amortised cost	80,890	-	80,890
Accounts receivable	Loans and receivables	Amortised cost	236,945	(3,006)	233,939
Long-term receivables	Loans and receivables	Amortised cost	<u>22,757</u>	<u>-</u>	<u>22,757</u>
Total			<u>739,457</u>	<u>(5,979)</u>	<u>733,478</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

3. Changes in accounting policies (continued)IFRS 9, *Financial Instruments* (continued)*Classification and measurement of financial assets and financial liabilities (continued)*

The Company					
	Original classification under IAS 39	New classification under IFRS 9	IAS 39 carrying amount at September 30, 2018 \$'000	Remeasurement \$'000	IFRS 9 carrying amount at October 1, 2018 \$'000
Financial assets					
Investments	Loans and receivables	Amortised cost	303,199	(2,973)	300,226
	Available for sale equity investment	Fair value through other comprehensive income	95,666	-	95,666
Cash and cash equivalents	Loans and receivables	Amortised cost	71,515	-	71,515
Accounts receivable	Loans and receivables	Amortised cost	101,005	(1,025)	99,980
Due from subsidiary	Loans and receivables	Amortised cost	<u>149,979</u>	<u>-</u>	<u>149,979</u>
Total			<u>721,364</u>	<u>(3,998)</u>	<u>717,366</u>

A deferred tax credit of \$1,494,000 for the group and \$1,000,000 for the company was recognised on transition to IFRS 9 arising from the increase in impairment allowance.

The impact, net of tax, of transition to IFRS 9 on the opening accumulated surplus at October 1, 2018 is as follows:

	The Group \$'000	The Company \$'000
Impairment allowance on:		
Accounts receivable	3,006	1,025
Investments	2,973	2,973
Related deferred tax (note 12)	(1,494)	(1,000)
	<u>4,485</u>	<u>2,998</u>

Impairment of financial assets

IFRS 9 replace the “incurred loss” model in IAS 39 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

For an explanation of how the group classifies and measures financial instruments under IFRS 9, see note 4(t).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

3. Changes in accounting policies (continued)

IFRS 9, *Financial Instruments* (continued)

Transition

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The group and the Company has determined that application of IFRS 9's impairment requirements at October 1, 2018 resulted in an additional allowance for impairment as follows:

	<u>The Group</u> \$'000	<u>The Company</u> \$'000
Loss allowance at September 30, 2018 under IAS 39	1,705	87
Increase in impairment recognised at October 1, 2018:		
Accounts receivable	3,006	1,025
Investments	<u>2,973</u>	<u>2,973</u>
Loss allowance at October 1, 2018 under IFRS 9	<u>7,684</u>	<u>4,085</u>

Additional information about how the group measures allowance for impairment is described in note 26(a)(i).

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that comparative periods generally have not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in retained earnings as at October 1, 2018. Accordingly, the information presented for 2018, does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2019 under IFRS 9.

4. Significant accounting policies

(a) Investment in subsidiary companies:

Investments in subsidiary companies are measured at cost.

(b) Employee benefits:

(i) Post-retirement benefits:

The post-retirement medical benefits for employees and pensioners are sponsored by the company that pays the full premiums on an Insured Health Plan. The plan was discontinued as at March 1, 2018.

(ii) Employee benefits:

Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the statement of financial position date.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(c) Inventories:

Inventories are measured 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 packaging material and goods in transit is based on their cost.

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.

(d) Accounts receivable:

Trade and other receivables are measured at amortised cost, less impairment losses.

(e) 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.

(f) Investments:

Applicable after October 1, 2018

Investments are classified as amortised cost or fair value through other comprehensive income. Amortised cost are those that have a fixed or determinable payment and which are not quoted in an active market. Amortised cost is calculated on the effective interest rate method, less impairment losses.

Other comprehensive income are initially recognised at cost and subsequently at fair value through where a quoted market price is available in an active market. Any resultant gain or loss is recognised in investment revaluation reserve through other comprehensive income. Fair value gains recognised in other comprehensive income cannot be recycled through the profit or loss account.

Applicable before October 1, 2018

Investments are classified as loans and receivables or available-for-sale. Loans and receivables are those that have a fixed or determinable payment and which are not quoted in an active market. Loans and receivables investments are initially measured at cost and subsequently at amortised cost, calculated on the effective interest rate method, less impairment losses.

Available-for-sale investments are initially recognised at cost and subsequently at fair value where a quoted market price is available in an active market. Any resultant gain or loss is recognised in investment revaluation reserve through other comprehensive income. This is done until the investment is sold or otherwise disposed of, or when the carrying amount of the investment is judged to be impaired, at which time the cumulative gain or loss previously recognised in investment revaluation reserve is transferred to profit or loss.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

4. Significant accounting policies (continued)

(g) Accounts payable:

Trade and other payables are measured at amortised cost.

(h) Provisions:

A provision is recognised in the statement of financial position when the company and its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(i) Property, plant and equipment:

(i) Property, plant and 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 costs of day-to-day servicing of property, plant and equipment are recognised in profit or loss.

(ii) Depreciation:

Depreciation is computed on a straight-line basis at annual rates estimated to write down the property, plant and equipment to their estimated residual values at the end of their expected useful lives. No depreciation is charged on the 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.

(j) Revenue:

The effect of initially applying IFRS 15 on the group's revenue from contracts is described in note 3.

Revenue recognition under IFRS 15 (applicable after October 1, 2018)

Performance obligations and revenue recognition policies:

Revenue is measured based on the consideration specified in a contract with a customer. The group recognises revenue when it transfers control over a good or service to a customer.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(j) Revenue (continued):

Revenue recognition under IFRS 15 (applicable after October 1, 2018) (continued)

Performance obligations and revenue recognition policies (continued):

The nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies are as follows:

<i>Type of product</i>	Its principal activity is the manufacture and sale of instant coffee and roasted and ground coffee beans and other consumer products.
<i>Nature and timing of satisfaction of performance obligations, including significant payment terms.</i>	<p>Customers obtain control of goods when the goods are delivered to and accepted by them. Invoices are generated and the revenue is recognised at that point in time.</p> <p>Invoices are usually payable within 45 days.</p> <p>Some contracts permit the customer to return an item. Returned goods are exchanged only for new goods – i.e. no cash refunds are offered. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical data for specific types of goods. In these circumstances, a refund liability and a right to recover returned goods asset are recognised.</p> <p>The right to recover returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables and the right to recover returned goods is included in inventory.</p> <p>The group reviews its estimate of expected returns at each reporting date and updates the amounts of the asset and liability accordingly.</p>
<i>Revenue recognition under IFRS 15 (applicable from October 1, 2018).</i>	Revenue is recognised when the goods are delivered and have been accepted by the customers.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(j) Revenue (continued):

Revenue recognition under IAS 18 (applicable before October 1, 2018)

Revenue from the sale of goods is recognised 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.

(k) Net finance income:

Net finance income comprises interest payable on long-term loan, calculated using the effective interest rate method, interest income on funds invested, material bank charges and foreign exchange gains and losses recognised in profit or loss.

Interest income is recognised in profit or loss as it accrues, taking into account the yield on the asset.

(l) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in 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 reporting 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.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except to the extent that the group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(m) Dividends:

Dividends are recognised in the period in which they are declared.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(n) Determination of profit and loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery. Losses are taken in the year in which they are realised or determinable.

(o) Foreign currencies:

Transactions in foreign currencies are converted at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising from fluctuations in exchange rates are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined.

(p) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

4. Significant accounting policies (continued)

(p) Related parties (continued):

(b) An entity is related to a reporting entity if any of the following conditions applies (continued):

(vi) The entity is controlled, or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

(q) Intangible assets:

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses. Amortization is calculated using the straight line method to allocate cost over five years.

(r) 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 assesses 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

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(s) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. In these financial statements, financial assets comprise investments, cash and cash equivalents, accounts receivable, long-term receivables, and interest in subsidiary. Financial liabilities comprise accounts payable and related company balances.

(i) Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Financial assets – Policy applicable from October 1, 2018

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVOCI) – debt investment; FVOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition unless the group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI).

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(s) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets – Policy applicable from October 1, 2018 (continued)

In making this assessment, the company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the company's claim to cash flows from specified assets (e.g. non-recourse features).

Amortised cost represents the net present value (“NPV”) of the consideration receivable or payable as of the transaction date. This classification of financial assets comprises the following captions:

- Investments
- Cash and cash equivalents
- Accounts receivable

Due to their short-term nature, the group initially recognises these assets at the original invoiced or transaction amount less expected credit losses.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial recognition, the group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial liabilities

All financial liabilities are recognised initially at fair value and in the case of borrowings, plus directly attributable transaction costs. The group's financial liabilities, which includes accounts payable are recognised initially at fair value.

Financial assets and liabilities – Subsequent measurement and gains and losses: Policy applicable from October 1, 2018

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

The subsequent measurement of financial liabilities depends on their classification as described in the particular recognition methods disclosed in the individual policy statements associated with each item.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(s) Financial instruments (continued):

(ii) Classification and subsequent measurement (continued)

Financial assets and liabilities– Policy applicable before October 1, 2018

The group classified non-derivative financial assets as *Loans and receivables*: measured at amortised cost using the effective interest method.

The company classified non-derivative financial liabilities into the other financial liabilities category. These are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

*Financial assets**Financial asset and liabilities – Policy applicable from October 1, 2018*

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts recognised in the consolidated statement of comprehensive income.

The group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised.

Financial liabilities

The group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expired.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(s) Financial instruments (continued):

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(t) Impairment:

Financial assets

Policy applicable from October 1, 2018

Measurement of ECLs

The group recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost and at fair value through OCI.

The group measures loss allowances at an amount equal to lifetime ECLs.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the group considers reasonable and supportable information relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the group's historical experience and informed credit assessment and including forward looking information.

The group assumes that the credit risk on financial assets has increased significantly if it is more than 180 days past due.

The group recognises loss allowances for ECLs and considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the group in full, without recourse by the group to action such as realising security if any is held; or
- the financial asset is more than 180 days past due.

Life-time ECLs are the ECLs that result from all possible default events over the expected life of the financial instrument.

The maximum period considered when estimating ECLs is the maximum contractual period over which the group is exposed to credit risk.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(t) Impairment (continued):

Financial assets (continued)

Policy applicable from October 1, 2018 (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the group in accordance with the contract and the cash flows that the group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the group assesses whether financial assets carried at amortised costs are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is the case when the group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the statement of profit or loss.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the group's procedures for recovery of amounts due.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

4. Significant accounting policies (continued)

(t) Impairment (continued):

Financial assets (continued)

Policy applicable before October 1, 2018

The carrying amounts of the group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount:

The recoverable amount of the group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(u) 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

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

4. Significant accounting policies (continued)

(u) Finance leases (continued):

(ii) Leased assets (continued):

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.

5. Property, plant and equipment

(a) The Group:

	Freehold land \$'000	Freehold buildings and infrastructure \$'000	Machinery equipment & vehicles \$'000	Work-in- progress \$'000	Total \$'000
At cost or deemed cost:					
September 30, 2017	10,000	53,576	347,931	-	411,507
Additions	<u>-</u>	<u>15,077</u>	<u>16,520</u>	<u>8,370</u>	<u>39,967</u>
September 30, 2018	10,000	68,653	364,451	8,370	451,474
Additions	-	2,512	8,884	21,597	32,993
Disposals	(25)	-	-	-	(25)
Transfers	<u>-</u>	<u>12,264</u>	<u>1,174</u>	<u>(13,438)</u>	<u>-</u>
September 30, 2019	<u>9,975</u>	<u>83,429</u>	<u>374,509</u>	<u>16,529</u>	<u>484,442</u>
Depreciation:					
September 30, 2017	-	42,762	264,482	-	307,244
Charge for the year	<u>-</u>	<u>1,469</u>	<u>27,380</u>	<u>-</u>	<u>28,849</u>
September 30, 2018	-	44,231	291,862	-	336,093
Charge for the year	<u>-</u>	<u>1,633</u>	<u>25,172</u>	<u>-</u>	<u>26,805</u>
September 30, 2019	<u>-</u>	<u>45,864</u>	<u>317,034</u>	<u>-</u>	<u>362,898</u>
Net book values:					
September 30, 2019	<u>9,975</u>	<u>37,565</u>	<u>57,475</u>	<u>16,529</u>	<u>121,544</u>
September 30, 2018	<u>10,000</u>	<u>24,422</u>	<u>72,589</u>	<u>8,370</u>	<u>115,381</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

5. Property, plant and equipment (continued)

(b) The Company:

	<u>Freehold land</u> \$'000	<u>Freehold buildings and infrastructure</u> \$'000	<u>Machinery equipment & vehicles</u> \$'000	<u>Work-in- progress</u> \$'000	<u>Total</u> \$'000
At cost or deemed cost:					
September 30, 2017	6,144	36,011	278,724	-	320,879
Additions	<u>-</u>	<u>15,077</u>	<u>16,085</u>	<u>8,370</u>	<u>39,532</u>
September 30, 2018	6,144	51,088	294,809	8,370	360,411
Additions	-	2,512	8,884	21,597	32,993
Transfers	<u>-</u>	<u>12,264</u>	<u>1,174</u>	<u>(13,438)</u>	<u>-</u>
September 30, 2019	<u>6,144</u>	<u>65,864</u>	<u>304,867</u>	<u>16,529</u>	<u>393,404</u>
Depreciation:					
September 30, 2017	-	26,481	231,810	-	258,291
Charge for the year	<u>-</u>	<u>1,270</u>	<u>21,626</u>	<u>-</u>	<u>22,896</u>
September 30, 2018	-	27,751	253,436	-	281,187
Charge for the year	<u>-</u>	<u>1,634</u>	<u>14,013</u>	<u>-</u>	<u>15,647</u>
September 30, 2019	<u>-</u>	<u>29,385</u>	<u>267,449</u>	<u>-</u>	<u>296,834</u>
Net book values:					
September 30, 2019	<u>6,144</u>	<u>36,479</u>	<u>37,418</u>	<u>16,529</u>	<u>96,570</u>
September 30, 2018	<u>6,144</u>	<u>23,337</u>	<u>41,373</u>	<u>8,370</u>	<u>79,224</u>

- (c) At reporting date, property, plant and equipment subject to finance lease arrangements are included in machinery equipment and vehicles as follows (see note 18):

	<u>The Group and the Company</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
At cost	-	25,111
Accumulated depreciation	<u>-</u>	<u>(8,928)</u>
Net book value	<u>-</u>	<u>16,183</u>

- (d) Freehold land and buildings were professionally valued on a fair market value basis by Stoppi Cairney Bloomfield in September 2001. These values have been incorporated into the financial statements as deemed costs as at the date of transition to IFRS (October 1, 2001). The surpluses arising from these adjustments were credited to capital reserves (note 16).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

6. Intangible asset

This represents costs of the Mountain Bliss Brand.

7. Investment in subsidiary companies and due from/to subsidiary companies

(a) Investment in subsidiary companies comprises:

	<u>The Company</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Shares at cost:		
Coffee Company of Jamaica Limited	790	790
Shirriff's (Jamaica) Limited	91	91
Mountain Peak Food Processors Limited	102,595	102,595
Pimora Company Limited	<u>500</u>	<u>500</u>
	<u>103,976</u>	<u>103,976</u>
(b) Due from subsidiary (within twelve months):		
Pimora Company Limited	2,121	1,261
Mountain Peak Food Processors Limited - trading	33,391	85,904
Mountain Peak Food Processors Limited – other	<u>1,277</u>	<u>62,814</u>
	<u>36,789</u>	<u>149,979</u>

During the year, the company recognised an impairment loss of \$Nil (2018: \$6,500,000) relating to an investment in its subsidiary, Pimora Company Limited, due to discontinued manufacturing and trading of its primary product [see note 22(d)].

See note 2(c)(i) for share ownership in subsidiaries.

8. Long term receivables

	<u>The Group</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Receivable	15,681	22,757
Current portion	<u>(7,364)</u>	<u>(7,076)</u>
	<u>8,317</u>	<u>15,681</u>

This represents mortgage receivable for land and building located at 7 Norwich Avenue Kingston, which was sold in prior year. The interest rate on the mortgage is 4% per annum. The mortgage is scheduled to be repaid by October 2021. The mortgage is secured by the property valued at \$35,000,000.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

9. Employee benefits

Post retirement medical benefit obligation:

In 2010, a resolution was passed for the company to sponsor a post-retirement benefit scheme which covers health care for its full-time employees and its pensioners. The method of accounting and valuation are similar to that used for the defined benefit pension plan. In November 2017, a resolution was passed for the company to discontinue all medical benefits to its retired and existing employees upon retirement who were members of the Salada Foods Jamaica Limited Superannuation Fund. The company discontinued payment of health benefits premium effective March 1, 2018.

(i) Movement in the present value of the obligations:

	<u>The Group and the Company</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Balance at beginning of year	-	33,370
Termination of health benefits	-	(33,370)
Balance at end of year	-	-

(ii) Components of benefit costs recognised in the statement of profit or loss:

	<u>The Group and the Company</u>	
	<u>2019</u>	<u>2018</u>
	\$'000	\$'000
Current service costs	-	1,080
Termination of health benefits	-	(33,370)
	-	(32,290)

10. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise:

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	\$'000	\$'000	\$'000	\$'000
Cash in hand and bank	132,323	78,363	80,712	68,988
Short-term deposits	<u>3,029</u>	<u>2,527</u>	<u>2,618</u>	<u>2,527</u>
	<u>135,352</u>	<u>80,890</u>	<u>83,330</u>	<u>71,515</u>

At the reporting date, cash in hand and bank include US\$243,306 (2018: US\$170,000).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

11. Investment

	2019		
	<u>The Group and the Company</u>		
	Amortised cost \$'000	Fair value through other comprehensive income \$'000	Total \$'000
Resale agreements	110,808	-	110,808
Deposits	32,629	-	32,629
Quoted shares	<u>-</u>	<u>144,141</u>	<u>144,141</u>
	143,437	144,141	287,578
Less: impairment loss	(836)	<u>-</u>	(836)
	<u>142,601</u>	<u>144,141</u>	<u>286,742</u>

Movement in impairment losses for investments is as follows:

	<u>The Group and the Company</u>	
	<u>2019</u> \$'000	<u>2018</u> \$'000
Balance at beginning of year	-	-
Transitional adjustments – IFRS 9 (note 3)	2,973	-
Impairment loss recognised	<u>(2,137)</u>	<u>-</u>
Balance at end of year	<u>836</u>	<u>-</u>

	2018		
	<u>The Group and the Company</u>		
	Loans and receivables \$'000	Available for sale \$'000	Total \$'000
Resale agreements	218,050	-	218,050
Deposits	85,149	-	85,149
Quoted shares	<u>-</u>	<u>95,666</u>	<u>95,666</u>
	<u>303,199</u>	<u>95,666</u>	<u>398,865</u>

- (i) The fair value of the securities under resale agreements approximates the carrying value of the agreements. The resale agreements include US\$719,687 (2018: US\$1,633,522) which earns interest at a rate 1.9% to 2.6% (2018: 1.4% to 1.6% per annum).
- (ii) Fixed deposit includes US\$187,577 (2018: US\$468,286) and earns interest at 1.5% to 4.25% (2018: 1.6% to 3.0% per annum).

At the reporting date, the company had investments of \$164,734,271 (2018: \$212,616,000) with Ideal Finance Corporation Limited and Ideal Portfolio Services Company Limited, both being related parties.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

12. Deferred taxation

Deferred income taxes are calculated on temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amount used for taxation purposes, using an effective tax rate of 25%.

This comprises:

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Net deferred tax asset	<u>15,441</u>	<u>20,933</u>	<u>8,549</u>	<u>12,363</u>

Deferred tax assets are attributable to the following:

	<u>2019</u>			
	<u>The Group</u>			
	October 1, <u>2018</u>	Recognised in equity (transition (adjustment)	Recognised in <u>income</u>	September 30, <u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
			(note 23)	
Accounts payable	1,095	-	135	1,230
Property, plant and equipment	11,945	-	558	12,503
Unrealised gain on exchange	217	-	(133)	84
Tax value of losses carried forward	8,616	-	(6,876)	1,740
Accrued interest receivable	(940)	-	(419)	(1,359)
Investment	-	743	(534)	209
Receivables	-	<u>751</u>	<u>283</u>	<u>1,034</u>
	<u>20,933</u>	<u>1,494</u>	<u>(6,986)</u>	<u>15,441</u>
	<u>2018</u>			
	<u>The Group</u>			
	October 1, <u>2017</u>	Recognised in <u>income</u>	September 30, <u>2018</u>	
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	
		(note 23)		
Accounts payable	799	296	1,095	
Property, plant and equipment	12,308	(363)	11,945	
Employee benefits assets, net	8,343	(8,343)	-	
Unrealised gain on exchange	54	163	217	
Tax value of losses carried forward	25,488	(16,872)	8,616	
Accrued interest receivable	(257)	(683)	(940)	
	<u>46,735</u>	<u>(25,802)</u>	<u>20,933</u>	

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)
Year ended September 30, 201912. Deferred taxation (continued)

Deferred tax assets are attributable to the following (continued):

	2019		
	The Company		
October 1, <u>2018</u> \$'000	Recognised in equity (transition (adjustment)) \$'000	Recognised in income \$'000 (note 23)	September 30, <u>2019</u> \$'000
Accounts payable	828	-	832
Property, plant and equipment	12,258	-	8,099
Unrealised gain on exchange	217	-	80
Accrued interest receivable	(940)	-	(1,359)
Investment	-	743	209
Receivable	-	<u>257</u>	<u>688</u>
	<u>12,363</u>	<u>1,000</u>	<u>8,549</u>

	2018		
	The Company		
October 1, <u>2017</u> \$'000	Recognised in income \$'000 (note 23)	September 30, <u>2018</u> \$'000	
Accounts payable	530	828	
Property, plant and equipment	13,216	12,258	
Employee benefits assets, net	8,343	-	
Unrealised gain on exchange	54	217	
Accrued interest receivable	(257)	(940)	
	<u>21,886</u>	<u>12,363</u>	

13. Accounts receivable

	The Group		The Company	
	<u>2019</u> \$'000	<u>2018</u> \$'000	<u>2019</u> \$'000	<u>2018</u> \$'000
Trade receivables	122,477	196,565	81,381	66,616
Prepayments	30,997	29,381	24,323	28,060
Other receivables	<u>18,035</u>	<u>12,704</u>	<u>14,115</u>	<u>6,416</u>
	171,509	238,650	119,819	101,092
Less: impairment losses	(4,118)	(1,705)	(2,739)	(87)
	<u>167,391</u>	<u>236,945</u>	<u>117,080</u>	<u>101,005</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

13. Accounts receivable (continued)

- (i) Allowances for doubtful accounts were established until September 30, 2018 based on incurred loss analyses over delinquent accounts considering aging of balances, the credit history and risk profile of each customer and legal processes to recover accounts receivable. Effective October 1, 2018, such allowances are determined upon origination of the trade accounts receivable based on a model that calculates the expected credit loss (“ECL”) of the trade accounts receivable and are recognised over their term.

Under this ECL model, the group use its accounts receivable based on days past due and determines an average rate of ECL, considering actual credit loss experience over the last 12 months and analysis of future delinquency, that is applied to the balance of the accounts receivable. The average ECL rate used as at September 30, 2019 to apply against the accounts receivable balance less 180 days was 51.6% for the group and 27.1% for the company [note 26 (a)(i)].

Movement in impairment losses for trade receivables is as follows:

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Balance at beginning of year	1,705	4,597	87	4
Transitional adjustments – IFRS 9 (note 3)	3,006	-	1,025	-
Impairment loss recognised net of recoveries [note 26(a)], net	(593)	(2,892)	1,627	83
Balance at end of year	<u>4,118</u>	<u>1,705</u>	<u>2,739</u>	<u>87</u>

The exposure of the group and company to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 26(a)(i).

14. Inventories

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Raw and packaging material	171,812	34,631	168,664	34,630
Finished goods held for sale	64,872	67,978	63,163	63,316
Work-in-progress	123,778	35,112	123,778	35,112
Fuel, spares and consumables	<u>92,548</u>	<u>91,198</u>	<u>92,448</u>	<u>87,053</u>
	453,010	228,919	448,053	220,111
Provision for obsolescence	(5,920)	(4,713)	(3,053)	(1,972)
	<u>447,090</u>	<u>224,206</u>	<u>445,000</u>	<u>218,139</u>

During the year, inventory write-offs aggregating \$1,097,862 (2018: \$5,431,000) were recognised in profit or loss.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

17. Non-controlling interests (continued)

The following table summarises the information relating to Pimora Company Limited that has material NCI, before any intra-group eliminations (continued)

	<u>The Group</u>	
	<u>2019</u>	<u>2018</u>
	Pimora Company <u>Limited</u> 30% \$'000	Pimora Company <u>Limited</u> 30% \$'000
NCI share of subsidiary net assets (30%)	<u>1,055</u>	<u>1,609</u>
Revenue	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u>(1,847)</u>	<u>(1,666)</u>
Loss allocated to non-controlling interests - (NCI)	<u>(554)</u>	<u>(500)</u>
Cashflow from operating activities	<u>(48)</u>	<u>(893)</u>
Cashflow from financing activities	<u>-</u>	<u>826</u>
Net decrease in cash and cash equivalent	<u>(48)</u>	<u>(67)</u>

18. Obligations under finance lease

Finance lease liabilities are payable as follows:

	<u>The Group and the Company</u>	
	<u>2019</u> \$'000	<u>2018</u> \$'000
Within 1 year	<u>-</u>	<u>5,413</u>
Less: Future Finance Charge	<u>-</u>	<u>(158)</u>
Present value of minimum lease payments	<u>-</u>	<u>5,255</u>
Less Current Portion	<u>-</u>	<u>(5,255)</u>
	<u>-</u>	<u>-</u>

The fair value of the finance lease liability approximates its carrying amount.

Finance leases relates to the purchase of an x-ray machine and motor vehicles with lease terms of 3 years. The company's obligation under finance leases are secured by the lessor's title to the leased assets. The carrying value of leased assets amounts to \$13,208,000 (2018: \$16,183,000) (see note 5c).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

19. Accounts payable

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade payables	72,925	52,864	67,674	44,030
Accrued charges	60,799	43,477	46,447	43,477
Other payables	<u>26,911</u>	<u>34,658</u>	<u>26,911</u>	<u>33,434</u>
	<u>160,635</u>	<u>130,999</u>	<u>141,032</u>	<u>120,941</u>

The group's and company's exposure to liquidity risks to accounts payable is disclosed in note 26.

20. Sales

Sales comprise the invoiced value of goods sold, net of general consumption tax, rebates and discounts.

21. Net finance income

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Finance income:				
Interest income	6,140	6,835	5,075	5,864
Foreign exchange (loss)/gain	<u>-</u>	<u>15,366</u>	<u>-</u>	<u>15,066</u>
	<u>6,140</u>	<u>22,201</u>	<u>5,075</u>	<u>20,930</u>
Finance costs:				
Foreign exchange (loss)/gain	(7,654)	-	(7,654)	-
Bank charges and interest	<u>(948)</u>	<u>(1,565)</u>	<u>(885)</u>	<u>(1,457)</u>
	<u>(8,602)</u>	<u>(1,565)</u>	<u>(8,539)</u>	<u>(1,457)</u>
	<u>(2,462)</u>	<u>20,636</u>	<u>(3,464)</u>	<u>19,473</u>

22. Nature of expenses

Profit before taxation is stated after charging:

(a) Cost of goods sold:

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Gas and fuel	41,598	30,360	41,598	30,360
Depreciation	20,212	24,458	10,815	18,863
Insurance	7,776	6,495	7,776	6,517
Outsourcing	57,250	48,614	57,250	48,603
Other	26,576	22,519	25,259	22,487
Repairs and maintenance	22,857	19,123	22,857	19,058
Security	8,283	7,529	8,283	7,180
Utilities	45,898	37,776	45,898	37,754
Salaries and other related costs	32,138	25,313	32,138	25,313
Raw material and consumables	<u>489,498</u>	<u>419,353</u>	<u>482,124</u>	<u>406,722</u>
	<u>752,086</u>	<u>641,540</u>	<u>733,998</u>	<u>622,857</u>



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

22. Nature of expenses (continued)

Profit before taxation is stated after charging (continued):

(b) Selling and promotion expenses:

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Advertising and promotions	38,361	27,514	14	2
Bad debt	2,739	(22)	-	86
Delivery and handling charges	3,085	-	-	-
Other	6,772	7,063	-	-
Outsourcing	446	-	-	-
Salaries and other related costs	<u>11,052</u>	<u>10,348</u>	<u>-</u>	<u>-</u>
	<u>62,455</u>	<u>44,903</u>	<u>14</u>	<u>88</u>

(c) Administration expenses:

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Audit fees	5,086	3,270	3,297	1,980
Computer expenses	3,432	2,512	3,415	2,435
Depreciation	5,900	4,391	4,832	4,033
Director fees	12,672	8,949	12,672	8,949
Insurance	1,994	1,760	1,994	1,760
Outsourcing	18,064	15,844	18,064	15,544
Other	14,868	9,142	13,219	5,655
Legal and professional fees	8,768	19,287	6,829	15,233
Registrar and AGM expenses	3,886	2,062	3,886	2,062
Retirement benefit, net	-	(33,370)	-	(33,370)
Salaries and other related costs	59,070	46,782	59,071	46,783
Utilities	<u>5,059</u>	<u>4,350</u>	<u>5,059</u>	<u>4,350</u>
	<u>138,799</u>	<u>84,979</u>	<u>132,338</u>	<u>75,414</u>

In the prior year, this amount includes \$33,370,000 relating to termination benefit upon discontinuation of medical benefits (note 9).

(d) Other expenses:

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Impairment of investment in subsidiary (see note 7)	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,500</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

23. Taxation

- (a) Taxation is based on net profit for the year adjusted for taxation purposes and represents income tax charged at 25%.

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current tax expense:				
Income tax	37,737	54,915	30,900	54,916
Adjustment in respect of prior year	(9,743)	-	(9,743)	-
Employment tax credit	(8,834)	(9,184)	(8,834)	(9,184)
	<u>19,160</u>	<u>45,731</u>	<u>12,323</u>	<u>45,732</u>
Deferred taxation:				
Originating and reversal of other timing differences, net	<u>6,986</u>	<u>25,802</u>	<u>4,814</u>	<u>9,523</u>
	<u>26,146</u>	<u>71,533</u>	<u>17,137</u>	<u>55,255</u>

- (b) Reconciliation of effective tax rate:

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before tax	<u>167,513</u>	<u>290,710</u>	<u>127,252</u>	<u>225,804</u>
Computed "expected" tax expense @ 25%	41,878	72,677	31,813	56,450
Difference between profits for financial statements and tax reporting purposes on:				
Employment tax credit	(8,834)	(9,184)	(8,834)	(9,184)
Adjustment in respect of prior year	(9,743)	-	(9,743)	-
Disallowed expenses and capital adjustments, net	<u>2,845</u>	<u>8,040</u>	<u>3,901</u>	<u>7,989</u>
Actual expense	<u>26,146</u>	<u>71,533</u>	<u>17,137</u>	<u>55,255</u>

- (c) As at September 30, 2019, subject to the agreement of The Commissioner, Tax Administration Jamaica, tax losses available for offset against future taxable profits for the group was \$44,135,166 (2018: \$69,323,160) and for the company \$Nil (2018: \$Nil). As at January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utilised in any one year is restricted to 50% of the current year's taxable profits.

Deferred tax asset of \$8,787,367 (2018: \$8,325,615) for the group has not been recognised in respect of tax losses in a subsidiary amounting to \$35,149,467 (2018: \$33,302,461).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

24. Transactions with related parties

	<u>The Group</u>		<u>The Company</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(i) Directors emoluments:				
Fees	<u>12,672</u>	<u>8,949</u>	<u>12,672</u>	<u>8,949</u>

Key management personnel compensation is as follows:

	<u>The Group and the Company</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term employee benefits	<u>19,500</u>	<u>17,624</u>

25. Earnings per ordinary stock unit

Basic earnings per share are calculated by dividing the net profit attributable to members by the number of stock units in issue during the year.

	<u>2019</u>	<u>2018</u>
Net profit attributable to shareholders (\$'000)	<u>141,921</u>	<u>219,677</u>
Number of stock units in issue	<u>103,883,300</u>	<u>103,883,300</u>
Basic earnings per stock unit (\$'000)	<u>1.37</u>	<u>2.12</u>

26. Financial instruments

(a) Financial risk management:

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

The Board of Directors, together with senior management has overall responsibility for the establishment and oversight of the group's risk management framework.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

26. Financial instruments (continued)

(a) Financial risk management (continued):

The group's risk management policies are established to identify and analyse the risks faced by the group to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and group's activities.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises principally from the receivables arising from credit given to customers and deposits and investments with financial institutions. The maximum credit exposure is represented by the carrying amount of the financial assets in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents are maintained with substantial counter-parties deemed to have low risk of default.

Accounts receivable

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. The group does not require collateral in respect of trade and other receivables.

Trade receivables mainly consist of balances due from retail and hospitality customers across Jamaica. Apart from the concentration of customers in Jamaica, the group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

Expected credit loss assessment – Policy applicable from October 1, 2018

The group allocates each exposure to a credit risk grade based on the data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and the available press information about its customers) and applying experienced credit judgement.

The group uses a provision matrix to measure ECLs on trade receivables. The provision matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Loss rates are calculated based on the probability of a receivable progressing through successive stages of delinquency to write-off, current conditions and the economic conditions over the expected lives of the receivables.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

26. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

Expected credit loss assessment – Policy applicable from October 1, 2018 (continued)

The following table provides information about the exposure to credit risk and ECL for trade receivables as at September 30, 2019 (see also note 13).

	<u>The Group</u>			
	<u>2019</u>			
	<u>Weighted</u> <u>average</u> <u>loss rate</u>	<u>Gross</u> <u>carrying</u> <u>amount</u> \$'000	<u>Loss</u> <u>allowance</u> \$'000	<u>Credit</u> <u>impaired</u>
Current (not past due)	3.6%	117,997	2,515	No
31-60 days past due	5.7%	2,076	87	No
61-90 days past due	31.5%	50	8	No
91-180 days past due	51.6%	<u>2,354</u>	<u>1,508</u>	No
		<u>122,477</u>	<u>4,118</u>	
	<u>The Company</u>			
	<u>2019</u>			
	<u>Weighted</u> <u>average</u> <u>loss rate</u>	<u>Gross</u> <u>carrying</u> <u>amount</u> \$'000	<u>Loss</u> <u>allowance</u> \$'000	<u>Credit</u> <u>impaired</u>
Current (not past due)	2.8%	78,502	2,212	No
31-60 days past due	4.5%	1,898	85	No
61-90 days past due	16.8%	35	6	No
91-180 days past due	27.1%	<u>946</u>	<u>436</u>	No
		<u>81,381</u>	<u>2,739</u>	

Policy applicable before October 1, 2018

The company establishes an allowance for impairment that represents its estimates of incurred losses in respect of trade and other receivables. The company addresses impairment assessment in two areas: individually assess allowances and collectively assessed allowances.

The ageing of trade receivables at the reporting date was:

	<u>The Group</u>	
	<u>2018</u>	
	<u>Gross</u> \$'000	<u>Impairment</u> \$'000
Past due 0-30 days	192,160	-
Past due 31-60 days	2,243	-
More than 60 days	<u>2,162</u>	<u>(1,705)</u>
	<u>196,565</u>	<u>(1,705)</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

26. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

Policy applicable before October 1, 2018 (continued)

	<u>The Company</u>	
	<u>2018</u>	
	<u>Gross</u>	<u>Impairment</u>
	\$'000	\$'000
Past due 0-30 days	53,478	-
Past due 31-60 days	1,784	-
More than 60 days	<u>11,354</u>	<u>(87)</u>
	<u>66,616</u>	<u>(87)</u>

Investments

The company limits its exposure to credit risk associated with investment securities by investing mainly in liquid securities with counterparties that have high credit quality.

Credit quality

The company identifies changes in credit risk by tracking published external credit ratings. To determine whether published ratings remain up to date and to assess whether there has been a significant increase in credit risk at the reporting date that has not been reflected in published ratings, the company supplements this by reviewing changes in bond yields together with available press and regulatory information on issuers.

Twelve (12)-month and lifetime probabilities of default are based on historical data supplied by each credit rating and are recalibrated based on current bond yields. Loss given default (LGD) parameters generally reflect an assumed recovery rate of percent except when the security is credit-impaired, in which case the estimate of loss based on the instrument's current market price and original effective interest rate.

The following table sets out the credit quality of debt investment securities based on Standard and Poor's and Moody's ratings as follows:

	<u>2019</u>	<u>2018</u>
	Stage 1	
	<u>12-month ECL</u>	
	\$'000	\$'000
Debt investment securities at amortised cost,		
being total gross carrying amount	143,437	303,199
Loss allowance	<u>(836)</u>	<u>-</u>
	<u>142,601</u>	<u>303,199</u>

(ii) Liquidity risk:

Liquidity risk is the risk that the group will not meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company and or its subsidiaries reputation.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

26. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

Management aims at maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. The management of the group maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

The contractual outflows as at September 2019 and 2018 for accounts payable are represented by their carrying amounts in the statement of financial position, and require settlements within 12 months of the reporting date.

There is no change from the prior year in the nature of the company's exposure to liquidity risk or the manner in which it manages and measures the risk.

(iii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the group's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

- Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The group materially contracts financial liabilities at fixed interest rates for the duration of the term. At September 30, 2019 and 2018, there were no financial liabilities subject to variable interest rate risk.

Interest-bearing financial assets mainly comprise monetary instruments, bank deposits and short-term investments, which have been contracted at fixed interest rates for the duration of their terms.

At the reporting date the interest profile of the group's interest bearing financial instruments was:

	<u>The Group and the company</u>	
	<u>Carrying amount</u>	
	<u>2019</u>	<u>2018</u>
	<u>\$'000</u>	<u>\$'000</u>
Variable rate:		
Assets	<u>31,641</u>	<u>22,710</u>

Fair value sensitivity analysis for fixed rate instruments

The group does not hold any fixed rate financial assets that are subject to material changes in fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or equity.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2019

26. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- Interest rate risk (continued):

Cash flow sensitivity analysis for variable rate instruments

An increase in interest rate of change of 1% (2018: 1%) at the reporting date would have increased profit or loss by \$316,406 (2018: \$227,105), while a 1% (2018: 1%) decline in interest rate at reporting date would have decreased profit by \$316,406 (2018: \$227,105).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2018.

- Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group is exposed to significant foreign currency risk, primarily on purchases that are denominated in a currency other than the Jamaica dollar. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in that currency. The main foreign currency risks of the group are denominated in United States dollars (US\$), which is the principal intervening currency for the group.

The group jointly manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

The table below shows the group's main foreign currency exposure at the reporting date.

	The Group and the Company			
	Net foreign currency			
	<u>monetary assets</u>			
	2019		2018	
	<u>US\$</u>	<u>J\$</u>	<u>US\$</u>	<u>J\$</u>
Cash and cash equivalents	243,306	32,390,107	412,131	55,003,704
Investments	907,264	120,779,429	1,712,800	228,593,200
Accounts receivable	500,610	66,643,640	446,001	59,524,058
Accounts payable	(369,892)	(49,241,847)	(163,958)	(21,882,131)
Net exposure	<u>1,281,288</u>	<u>170,571,329</u>	<u>2,406,974</u>	<u>321,238,831</u>

Exchange rates for the US dollar, in terms of Jamaica dollars, were as follows:

September 30, 2019	133.12
September 30, 2018	133.46

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2019

26. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- Foreign currency risk (continued):

Sensitivity analysis

A 2% (2018: 2%) strengthening of the Jamaican dollar against the US\$ would have decreased profit for the year by \$3,411,427 (2018: \$6,424,777).

A 4% (2018: 4%) weakening of the Jamaica dollar against the US\$ would have increased profits for the year by \$6,822,853 (2018: \$12,849,553).

This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2018.

There is no change from the prior year in the nature of the company's exposure to market risk or the manner in which it manages and measures the risk.

(iv) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from external factors, other than financial risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(b) Capital management:

The Board's policy is to maintain a strong capital base to maintain customer, creditor and other stakeholder confidence, and to sustain future development of the business. The Board of Directors monitor the return on capital, which is defined as total shareholders' equity and the level of dividends to shareholders. The company and its' subsidiaries are not subject to any externally imposed capital requirements.

(c) Fair value disclosure:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participants at the measurement date. The fair values of amounts disclosed as cash and cash equivalents, investment, accounts receivable, due to subsidiary/due from subsidiary and accounts payable approximate to their carrying value due to their short-term nature.

The group had no other financial instruments which were carried at fair value.

NOTES





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