

SALADA FOODS JAMAICA LIMITED (GROUP)

INTERIM REPORT

March 31, 2020

2nd QUARTER



SALADA FOODS JAMAICA LIMITED (GROUP)

INTERIM REPORT TO SHAREHOLDERS

The Board of Directors hereby release the following financial results for Salada Foods Group for the six-months ending March 31, 2020.

	6 months March 31 2020	6 months March 31 2019	% Change
Gross Revenue	562,782	494,500	14%
Gross Margin	27.0%	33.9%	-20%
Operating Profit	52,267	78,335	-33%
Interest and Other Investment Income and Exchange Gains	(36,112)	(10,229)	-253%
Profit after Tax	11,703	53,769	-78%
EPS (cents)	11.4	52.0	-78%

For the six months ending March 2020, revenues increased 14% vs the same period the previous year, \$562.78M vs \$494.50M. This is attributed to increased sales in both export and contract manufacturing business segments. However, operating profit fell by 33% to \$52.27M compared to \$78.33M in the corresponding period last year. The fall in operating profit is attributed to the use of higher priced Jamaica Blue Mountain green beans in the manufacturing of instant coffee. We expect manufacturing costs will normalise going forward. Net profit was down 78% compared to the prior corresponding period, from \$53.77M to \$11.70M, impacted by the lower operating profit and movement in the exchange rate.

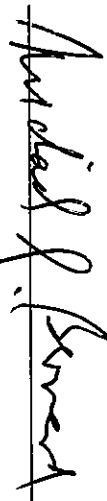
The current environment of great uncertainty, arising from the global pandemic and subsequent measures taken to limit the spread of Covid-19, the sudden contraction of the Jamaican economy as well our export markets, is negatively impacting our outlook for the remainder of the fiscal year. It is difficult to forecast product demand except to say it will decline. In spite of having to scale back, we have been able to keep the plant open and continue our manufacturing operations, and keep our people gainfully employed, while making sure we observe and practice social distancing protocols.



Finally, we Rise Up in saluting our health care providers and everyone else on the frontlines, working tirelessly and selflessly, day in, day out to keep all of us safe.



Patrick Williams Chairman



Michael Bernard Director



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Comprehensive Income

For Six Months ended March 31, 2020.

	Three Months ended		Six Months ended	
	March 31 2020	March 31 2019	March 31 2020	March 31 2019
	\$'000	\$'000	\$'000	\$'000
Sales	274,324	322,165	562,782	494,500
Cost of Sales	(187,452)	(188,504)	(410,632)	(326,831)
Gross Profit	86,872	133,661	152,150	167,669
Other operating (loss)/income	105	4,460	606	4,460
Administrative expenses	(35,776)	(33,071)	(67,171)	(68,663)
Selling and promotional expenses	(17,683)	(10,985)	(33,317)	(25,130)
Operating profit	33,519	94,065	52,267	78,335
Net Finance income	(24,591)	(6,597)	(36,112)	(10,229)
Profit before taxation	8,928	87,468	16,155	68,106
Taxation	(2,646)	(10,617)	(4,452)	(14,338)
Total comprehensive income/(Loss)	6,282	76,851	11,703	53,769
Attributable to:				
Stockholders of the company	6,382	76,964	11,872	53,983
Non-controlling interest	(100)	(113)	(168)	(215)
Earnings per stock unit	\$0.06	\$0.74	\$0.11	\$0.52



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Financial Position

March 31, 2020.

	Unaudited March 31 2020	Unaudited March 31 2019	Audited September 30 2019
	\$'000	\$'000	\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	124,456	119,654	121,544
Intangible assets	1,300	1,300	1,300
Investment	107,777	109,392	144,141
Deferred tax asset	15,441	13,178	15,441
Long term receivables	-	12,108	8,317
	<u>248,974</u>	<u>255,632</u>	<u>290,743</u>
CURRENT ASSETS			
Cash and cash equivalents	157,622	19,578	135,352
Investments	98,089	197,614	142,601
Accounts receivable	172,538	326,519	167,391
Inventories	468,560	341,420	447,090
Current portion of Long term receivables	-	7,147	7,364
Tax recoverable	-	-	6,328
	<u>896,809</u>	<u>892,279</u>	<u>906,126</u>
TOTAL ASSETS	<u>1,145,782</u>	<u>1,147,911</u>	<u>1,196,869</u>
STOCKHOLDERS' EQUITY			
Share capital	73,216	73,216	73,216
Capital reserves	16,275	16,275	16,275
Retained earnings	864,544	846,212	925,390
	<u>954,035</u>	<u>935,703</u>	<u>1,014,881</u>
NON-CONTROLLING INTEREST	887	1,394	1,055
	<u>954,922</u>	<u>937,097</u>	<u>1,015,936</u>
NON-CURRENT LIABILITY	-	-	-
Employee benefit obligation	-	-	-
	<u>(0)</u>	<u>-</u>	<u>-</u>
CURRENT LIABILITIES			
Accounts payable	191,607	197,199	160,635
Current portion of Finance lease obligation	-	1,198	-
Tax payable	(747)	12,416	20,298
	<u>190,860</u>	<u>210,813</u>	<u>180,933</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>1,145,782</u>	<u>1,147,911</u>	<u>1,196,869</u>

Approved by:

Patrick Williams – Chairman

Michael Bernard - Director



Salada Foods Jamaica Limited (Group)
Unaudited Consolidated Statement of Changes in Equity
Attributable to Stockholders of the Company
For Six Months Ended March 31, 2020.

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balances at September 30, 2019	73,216	16,275	925,390	1,055	1,015,936
Total comprehensive income for the period			11,872	(168)	11,703
	73,216	16,275	937,262	887	1,027,640
Dividends paid			(72,718)		(72,718)
Balances at March 31, 2020	<u>73,216</u>	<u>16,275</u>	<u>864,544</u>	<u>887</u>	<u>954,922</u>
Balances at September 30, 2018	73,216	16,275	849,364	1,609	940,464
Total comprehensive income for the period			53,984	(215)	53,769
	73,216	16,275	903,348	1,394	994,233
Dividends paid			(57,136)		(57,136)
Balances at March 31, 2019	<u>73,216</u>	<u>16,275</u>	<u>846,212</u>	<u>1,394</u>	<u>937,097</u>



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Cash Flows Period ended March 31, 2020.

	Unaudited March 31 2020 \$'000	Unaudited March 31 2019 \$'000
Cash flows from operating activities:		
Profit for the period	11,703	53,769
Adjustments for items not involving cash:		
Depreciation	10,730	9,664
Income Tax Expense	347	6,582
Deferred Taxation	4,104	8,028
Interest Income	(2,108)	(2,969)
Interest Expense	0	145
	<u>24,777</u>	<u>75,218</u>
Changes in operating assets and liabilities:		
Inventories	(85,471)	(117,182)
Accounts receivable	59,536	(83,172)
Accounts payable	<u>31,176</u>	<u>66,285</u>
Cash provided by operations	30,018	(58,851)
Interest Paid	0	(145)
Taxation paid or deducted at source	(19,348)	(19,295)
Net cash provided by operating activities	<u>10,670</u>	<u>(78,292)</u>
Cash flows from investing activities		
Investments, Net	80,844	86,290
Long term Receivables	8,414	3,502
Interest Received	1,412	2,319
Acquisition of non-controlling interest	-	0
Purchase of property, plant and equipment	(13,619)	(13,937)
Proceeds from sale of Assets	0	0
Cash provided/(used) by investing activities	<u>77,052</u>	<u>78,173</u>
Cash flows from Financing activities		
Shares issued during period, being cash provided	0	(4,057)
Lease Obligation	7,267	-
Mortgage Receivable-current portion	-	-
Interest Expense	-	-
Cash used by Financing Activities	7,267	(4,057)
Cash provided before dividends	94,955	(4,176)
Dividends paid	(72,718)	(57,136)
Increase/(decrease) in cash and cash equivalents	22,270	(61,312)
Cash and cash equivalents at beginning of period	135,352	80,890
Cash and cash equivalents at end of period	<u>157,622</u>	<u>19,578</u>



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended March 31, 2020.

1) Identification

Salad Foods Jamaica Limited (“the company”) is incorporated and domiciled in Jamaica. Its principal activity is the manufacture and sale of instant coffee, roasted and ground coffee beans and other consumer products. The company and its subsidiaries are collectively referred to as the “group”. The company’s registered office is located at 20 Bell Road, Kingston 11 Jamaica, West Indies. Effective February 1, 2017, the company outsourced the distribution of its core products in local market to its subsidiary, Mountain Peak Food Processors Limited.

2) Statement of compliance, basis of preparation and significant accounting policies

a) Statement of Compliance:

i) The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations, issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

b) Basis of preparation

i) These financial statements are presented in Jamaican dollar (\$), which is the functional currency of the group. All information presented in Jamaican dollars has been rounded to the nearest thousand, except when otherwise indicated.

ii) The financial statements are prepared on the historical cost basis, where necessary, prior period comparatives have been reclassified to conform to current period presentation. The same accounting policies and methods of computation are followed in the interim financial statements, as were followed in the most recent annual financial statements.

c) Significant accounting policies

i) Property, plant & equipment:

Property, plant & equipment are measured at historical cost or deemed cost, less accumulated depreciation and impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss.



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended March 31, 2020.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

c). Significant accounting policies (cont'd)

ii) Depreciation:

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

Annual depreciation rates are as follows:

Buildings	2.5 - 10%
Infrastructure	2.5 -- 10%
Machinery and equipment	2.5 - 20%
Motor vehicles	20%

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

iii) Inventories:

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. The cost of finished goods and work-in-progress comprises raw and packaging materials, direct labour, other direct costs and a proportion of related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses comprising raw material packaging and goods in transit is based on their costs.

The cost of other inventories comprising raw and packaging materials and goods in transit is based on their cost and expenses incurred in acquiring and bringing them to their existing location and condition.

iv) Accounts receivable:

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

v) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, other short-term investments and other monetary instruments with maturities ranging between one and three months from the reporting date.

vi) Accounts payable:

Trade and other payables are stated at amortised cost.

Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements Period ended March 31, 2020.

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

c). Significant accounting policies (cont'd)

vii) Revenue:

Revenue from the sale of goods is recognised in profit or loss when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

viii) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the reporting date.

(ix) Finance leases:

(i) Determining whether an arrangement contains a lease

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

(ii) Leased assets:

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



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended March 31, 2020.

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

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

(iii) Lease payments:

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

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

2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

c). Significant accounting policies (cont'd)

(x) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.



SALADA FOODS JAMAICA LIMITED
QUARTERLY REPORT
AS AT 31 MARCH 2020

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	3,806,638
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
	92,433,253

SHAREHOLDINGS OF DIRECTORS & CONNECTED PARTIES

DIRECTORS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
BERNARD, MICHAEL	0	0	0
HILL, AUBRYN	0	0	0
LEWIS, KATHRYN	82,306,961	1,000	82,305,961
STULTZ, ERIC*	272,000	0	272,000
WILLIAMS, PATRICK*	344,385	0	344,385

SENIOR MANAGEMENT HOLDINGS

SENIOR MANAGERS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
BLAKE-BENNETT, DIANNA	0	0	0
HAMILTON, ZAYOUS	0	0	0
LEWIS, JORNA	0	0	0

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

Notes

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