



SALADA FOODS JAMAICA LIMITED (GROUP)

INTERIM REPORT

June 30, 2020

3rd QUARTER



SALADA FOODS JAMAICA LIMITED (GROUP)

INTERIM REPORT TO SHAREHOLDERS

The Board of Directors is pleased to release the following financial results for Salada Foods Group for the nine-months ended June 30, 2020.

	9 months June 30 2020	9 months June 30 2019	%	Change
Gross Revenue	819,551	769,640		6%
Gross Margin	28.2%	34.6%		-19%
Operating Profit	87,756	120,983		-27%
Interest and Other Investment income and Exchange Gains	(39,737)	24,358		-263%
Profit after Tax	35,519	114,148		-69%
EPS (cents)	34.4	110.1		-69%

For the nine months ending June 2020, revenues increased 6% vs the same period the previous year, \$819.55M vs \$769.64M. Despite the pandemic, our exports and contract manufacturing business segments continue to perform well and are the growth drivers. Operating profit declined by 27% to \$87.76M compared to \$120.98M for the corresponding period last year. Higher local green bean prices used in the manufacture of instant coffee in earlier quarters continue to impact the business although there has been some amount of recovery since the last reporting period which is expected to continue. Net profit was down 69% compared to the prior corresponding period, from \$114.14M to \$35.52M, impacted by the lower operating profit and movement in the exchange rate.

There remains great uncertainty but as we pivot, we continue to look for new opportunities to improve shareholder value. We remain optimistic that exports will continue to perform and that with easing of restrictions locally, the domestic market will rebound.

Patrick Williams Chairman

Michael Bernard Director



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Comprehensive Income

For Six Months ended June 30, 2020.

	Three Months ended		Nine Months ended	
	June 30 2020	June 30 2019	June 30 2020	June 30 2019
	\$'000	\$'000	\$'000	\$'000
Sales	256,769	275,140	819,551	769,640
Cost of Sales	(177,597)	(176,146)	(588,229)	(502,977)
Gross Profit	79,172	98,994	231,322	266,663
Other operating (loss)/income	73	463	679	4,923
Administrative expenses	(30,336)	(38,651)	(97,507)	(107,314)
Selling and promotional expenses	(13,420)	(18,160)	(46,737)	(43,289)
Operating profit	35,490	42,646	87,756	120,983
Net Finance income	(3,625)	34,588	(39,737)	24,358
Profit before taxation	31,866	77,234	48,019	145,341
Taxation	(8,048)	(16,855)	(12,500)	(31,193)
Total comprehensive income/(Loss)	23,818	60,379	35,519	114,148
Attributable to:				
Stockholders of the company	23,915	60,406	35,786	114,389
Non-controlling interest	(99)	(27)	(267)	(242)
	23,818	60,379	35,519	114,148
Earnings per stock unit	\$0.23	\$0.58	\$0.34	\$1.10



Salada Foods Jamaica Limited (Group)

Unaudited Consolidated Statement of Financial Position

June 30, 2020.

	Unaudited June 30 2020 \$'000	Unaudited June 30 2019 \$'000	Audited September 30 2019 \$'000
NON-CURRENT ASSETS			
Property, plant and equipment	128,734	115,975	121,544
Intangible assets	1,300	1,300	1,300
Investment	100,869	132,158	144,141
Deferred tax asset	15,441	12,363	15,441
Long term receivables	-	10,210	8,317
	<u>246,344</u>	<u>272,005</u>	<u>290,743</u>
CURRENT ASSETS			
Cash and cash equivalents	99,800	46,481	135,352
Investments	100,543	108,023	142,601
Accounts receivable	181,988	302,732	167,391
Inventories	469,046	442,719	447,090
Current portion of Long term receivables	-	7,267	7,364
Tax recoverable	-	-	6,328
	<u>851,377</u>	<u>907,223</u>	<u>906,126</u>
TOTAL ASSETS	<u>1,097,721</u>	<u>1,179,229</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	836,517	859,850	925,390
	<u>926,008</u>	<u>949,341</u>	<u>1,014,881</u>
NON-CONTROLLING INTEREST	<u>788</u>	<u>1,367</u>	<u>1,055</u>
	<u>926,796</u>	<u>950,708</u>	<u>1,015,936</u>
NON-CURRENT LIABILITY			
Employee benefit obligation	-	-	-
	<u>(0)</u>	<u>-</u>	<u>-</u>
CURRENT LIABILITIES			
Accounts payable	170,673	205,773	160,635
Current portion of Finance lease obligation	-	-	-
Tax payable	252	22,747	20,298
	<u>170,925</u>	<u>228,520</u>	<u>180,933</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES	<u>1,097,721</u>	<u>1,179,229</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 Nine Months Ended June 30, 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			35,786	(267)	35,519
	73,216	16,275	961,176	788	1,051,456
Dividends paid			(124,660)		(124,660)
Balances at June 30, 2020	73,216	16,275	836,516	788	926,796

	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- controlling Interest \$'000	Total \$'000
Balances at September 30, 2018	73,216	16,275	849,344	1,609	940,444
Total comprehensive income for the period			114,389	(242)	114,148
	73,216	16,275	963,733	1,367	1,054,592
Dividends paid			(103,883)		(103,883)
Balances at June 30, 2019	73,216	16,275	859,850	1,367	950,709



Salada Foods Jamaica Limited (Group)
Unaudited Consolidated Statement of Cash Flows
Period ended June 30, 2020.

	Unaudited June 30 2020 <u>\$'000</u>	Unaudited June 30 2019 <u>\$'000</u>
Cash flows from operating activities:		
Profit for the period	35,519	114,148
Adjustments for Items not involving cash:		
Depreciation	16,133	18,186
Income Tax Expense	4,944	21,373
Deferred Taxation	7,556	9,820
Interest Income	(2,698)	(4,721)
Interest Expense	0	157
	<u>61,453</u>	<u>158,962</u>
Changes in operating assets and liabilities:		
Inventories	(85,957)	(218,481)
Accounts receivable	49,933	(62,706)
Accounts payable	10,242	74,859
Mortgage Receivable	-	10,763
Cash provided by operations	<u>35,672</u>	<u>(36,603)</u>
Interest Paid	0	(157)
Taxation paid or deducted at source	<u>(26,398)</u>	<u>(24,588)</u>
Net cash provided by operating activities	9,274	(61,348)
Cash flows from investing activities		
Investments, Net	85,684	158,664
Long term Receivables	8,414	-
Interest Received	2,156	3,495
Purchase of property, plant and equipment	(23,687)	(18,781)
Proceeds from sale of Assets	0	0
Cash provided/(used) by investing activities	<u>72,567</u>	<u>143,378</u>
Cash flows from Financing activities		
Shares issued during period, being cash provided		
Lease Obligation	0	(5,255)
Mortgage Receivable-current portion	7,267	(7,267)
Interest Expense	-	-
Cash used by Financing Activities	<u>7,267</u>	<u>(12,522)</u>
Cash provided before dividends	89,108	69,475
Dividends paid	<u>(124,660)</u>	<u>(103,883)</u>
Increase/(decrease) in cash and cash equivalents	(35,552)	(34,375)
Cash and cash equivalents at beginning of period	<u>135,352</u>	<u>80,890</u>
Cash and cash equivalents at end of period	<u><u>99,800</u></u>	<u><u>46,515</u></u>



Salada Foods Jamaica Limited (Group)

Notes to the Interim Financial Statements

Period ended June 30, 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 June 30, 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 June 30, 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 June 30, 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 30 JUNE 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, AUBYN	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, LORNA**	0	0	0
LLOYD, STEVEN**	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*

***Mrs. Lorna Lewis retired as Operations Manager effective 30 June 2020*

Mr. Steven Lloyd was appointed Operations Manager effective 30 June 2020