
SALADA FOODS JAMAICA LIMITED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2018



KPMG
Chartered Accountants
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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 8 to 55 which comprise the group's and company's statement of financial position as at September 30, 2018, 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, 2018, 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.



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 45% 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>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.• 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.• 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)

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.

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.



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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 (continued)

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 6 to 7, 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 23, 2018



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.

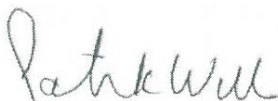
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

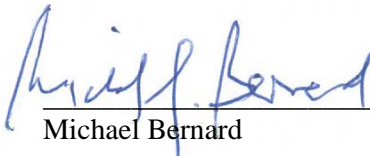
SALADA FOODS JAMAICA LIMITEDStatement of Financial Position
September 30, 2018

	Notes	Group		Company	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
NON-CURRENT ASSET					
Property, plant and equipment	3	115,381	104,263	79,224	62,588
Intangible asset	4	1,300	1,300	1,300	1,300
Assets held-for-sale	3(e)	-	39,000	-	-
Investment in subsidiary companies	5(a)	-	-	103,976	110,476
Investment	9(a)	95,666	42,150	95,666	42,150
Deferred tax asset	10	20,933	46,735	12,363	21,886
Due from subsidiary	5(b)	-	-	-	70,682
Long-term receivables	6	<u>15,681</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>248,961</u>	<u>233,448</u>	<u>292,529</u>	<u>309,082</u>
CURRENT ASSETS					
Cash and cash equivalents	8	80,890	146,349	71,515	141,301
Investment	9(b)	303,199	176,302	303,199	176,302
Accounts receivable	11	236,945	192,138	101,005	119,066
Inventories	12	224,206	209,145	218,139	198,579
Current portion of long-term receivables	6	7,076	-	-	-
Due from subsidiary	5(c)	-	-	149,979	97,681
Tax recoverable		<u>5,416</u>	<u>93</u>	<u>4,846</u>	<u>-</u>
		<u>857,732</u>	<u>724,027</u>	<u>848,683</u>	<u>732,929</u>
TOTAL ASSETS		<u>1,106,693</u>	<u>957,475</u>	<u>1,141,212</u>	<u>1,042,011</u>
STOCKHOLDERS' EQUITY					
Share capital	14	73,216	73,216	73,216	73,216
Capital reserves	15	16,275	16,275	6,543	6,543
Retained earnings		<u>849,364</u>	<u>712,556</u>	<u>905,282</u>	<u>817,102</u>
		938,855	802,047	985,041	896,861
NON-CONTROLLING INTERESTS	16	<u>1,609</u>	<u>2,109</u>	<u>-</u>	<u>-</u>
		<u>940,464</u>	<u>804,156</u>	<u>985,041</u>	<u>896,861</u>
NON-CURRENT LIABILITY					
Finance lease obligation	17	-	5,251	-	5,251
Employee benefit obligation	7(b)(i)	<u>-</u>	<u>33,370</u>	<u>-</u>	<u>33,370</u>
		<u>-</u>	<u>38,621</u>	<u>-</u>	<u>38,621</u>
CURRENT LIABILITIES					
Accounts payable	18	130,999	94,375	120,941	86,206
Current portion of finance lease obligation	17	5,255	8,154	5,255	8,154
Taxation payable		<u>29,975</u>	<u>12,169</u>	<u>29,975</u>	<u>12,169</u>
		<u>166,229</u>	<u>114,698</u>	<u>156,171</u>	<u>106,529</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		<u>1,106,693</u>	<u>957,475</u>	<u>1,141,212</u>	<u>1,042,011</u>

The financial statements on pages 8 to 55 were approved for issue by the Board of Directors on November 23, 2018 and signed on its behalf by:



Patrick Williams Chairman



Michael Bernard 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, 2018

	<u>Notes</u>	<u>2018</u> \$'000	<u>2017</u> \$'000
Sales	19	1,041,496	871,733
Cost of sales	21(a)	(641,540)	(595,482)
Gross profit		399,956	276,251
Administration expenses	21(c)	(84,979)	(148,855)
Selling and promotion expenses	21(b)	(44,903)	(32,756)
Other expenses	21(d)	-	(14,590)
Operating profit before net finance income and taxation		<u>270,074</u>	<u>80,050</u>
Finance income	20	22,201	9,765
Finance costs	20	(1,565)	(2,305)
Net finance income	20	<u>20,636</u>	<u>7,460</u>
Profit before taxation	21	290,710	87,510
Taxation	22	(71,533)	(18,824)
Profit for the year		<u>219,177</u>	<u>68,686</u>
Profit attributable to:			
Stockholders of the company		219,677	69,631
Non-controlling interests	16	(500)	(945)
		<u>219,177</u>	<u>68,686</u>
Earnings per share:			
Earnings per ordinary stock unit	24	\$ <u>2.12</u>	<u>0.67</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, 2018

	<u>Notes</u>	<u>2018</u> \$'000	<u>2017</u> \$'000
Profit for the year		<u>219,177</u>	<u>68,686</u>
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Re-measurement gain on employee benefits			
assets and obligation	7(a)(vi), 7(b)(iii)	-	12,404
Tax on re-measurement gain	10	<u>-</u>	<u>(3,101)</u>
		-	9,303
Items that are or may be reclassified subsequently			
to profit or loss:			
Available for sale financial assets net change in			
fair value		<u>21,516</u>	<u>10,615</u>
Other comprehensive income for the year, net of tax		<u>21,516</u>	<u>19,918</u>
Total comprehensive income for the year		<u>240,693</u>	<u>88,604</u>
Total comprehensive income attributable to:			
Stockholders of the company		241,193	89,549
Non-controlling interests	16	<u>(500)</u>	<u>(945)</u>
		<u>240,693</u>	<u>88,604</u>

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

SALADA FOODS JAMAICA LIMITEDGroup Statement of Changes in Stockholders' Equity
Year ended September 30, 2018

	Attributable to stockholders of the company			Non- controlling interests (note 16) \$'000	Total \$'000
	Share capital (note 14) \$'000	Capital reserves (note 15) \$'000	Retained earnings \$'000		
Balances at September 30, 2016	<u>73,216</u>	<u>16,275</u>	<u>686,716</u>	<u>3,054</u>	<u>779,261</u>
Profit for the year	-	-	69,631	(945)	68,686
Other comprehensive income:					
Remeasurement gain on employee benefits assets and obligation, net of tax	-	-	9,303	-	9,303
Fair value gains on investments	-	-	<u>10,615</u>	-	<u>10,615</u>
	-	-	<u>19,918</u>	-	<u>19,918</u>
Total comprehensive income	-	-	<u>89,549</u>	(945)	<u>88,604</u>
Dividends (note 14)	-	-	(45,709)	-	(45,709)
Changes in ownership interests:					
Acquisition of non-controlling interest without change in control	-	-	(18,000)	-	(18,000)
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>21,516</u>	-	<u>21,516</u>
Total comprehensive income	-	-	<u>240,693</u>	(500)	<u>240,193</u>
Dividends (note 14)	-	-	(103,885)	-	(103,885)
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>
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>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>
Retained in the financial statements of:					
The company	73,216	6,543	817,102	-	896,861
The subsidiaries	-	9,732	(104,546)	-	(94,814)
Non-controlling interests	-	-	-	<u>2,109</u>	<u>2,109</u>
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>

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

SALADA FOODS JAMAICA LIMITEDGroup Statement of Cash Flows
Year ended September 30, 2018

	<u>Notes</u>	<u>2018</u> \$'000	<u>2017</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		218,677	68,686
Adjustments for:			
Items not involving cash:			
Depreciation	3	28,849	57,386
Amortisation of intangible assets	4	-	2,228
Loss on disposal of property, plant and equipment		-	67
Impairment of assets held for sale	3(e)	-	4,030
Impairment of property, plant and equipment	3(a)	-	4,617
Impairment of intangible asset	4	-	5,943
Write off of biological assets	13	-	2,050
Income tax expense	22(a)	45,731	28,329
Deferred taxation	22(a)	25,802	(9,505)
Interest income	20	(6,835)	(7,300)
Interest expense		1,565	1,583
Employee benefits, net		(33,370)	38,076
		280,419	196,190
Changes in operating assets and liabilities:			
Inventories		(15,061)	69,957
Accounts receivable		(48,008)	(44,740)
Accounts payable		36,621	(8,412)
Cash provided by operations		253,971	212,995
Interest paid		(1,565)	(1,583)
Taxation paid or deducted at source		(33,248)	(23,428)
Net cash provided by operating activities		<u>219,158</u>	<u>187,984</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		10,039	7,103
Purchase of property, plant and equipment	3	(39,967)	(12,563)
Intangible asset	4	-	(1,300)
Proceeds from sale of property, plant and equipment		39,000	683
Investments, net		(158,897)	(90,903)
Long term receivable		(22,757)	-
Net cash used by investing activities		<u>(172,582)</u>	<u>(96,980)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Finance lease obligation		(8,150)	(7,415)
Acquisition of non-controlling interest	16	-	(18,000)
Net cash used by financing activities		(8,150)	(25,415)
Net cash provided before dividends		38,426	65,589
Dividends paid	14	(103,885)	(45,709)
Net (decrease)/increase in cash and cash equivalents		(65,459)	19,880
Cash and cash equivalents at beginning of year		<u>146,349</u>	<u>126,469</u>
Cash and cash equivalents at end of year	8	<u>80,890</u>	<u>146,349</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, 2018

	<u>Notes</u>	<u>2018</u> \$'000	<u>2017</u> \$'000
Sales	19	911,190	789,444
Cost of sales	21(a)	<u>(622,857)</u>	<u>(564,178)</u>
Gross profit		288,333	225,266
Administration expenses	21(c)	(75,414)	(138,110)
Selling and promotion expenses	21(b)	(88)	(11,509)
Other expenses	21(d)	<u>(6,500)</u>	<u>(34,006)</u>
Operating profit before net finance income and taxation		<u>206,331</u>	<u>41,641</u>
Finance income	20	20,930	8,827
Finance costs	20	<u>(1,457)</u>	<u>(2,220)</u>
Net finance income	20	<u>19,473</u>	<u>6,607</u>
Profit before taxation	21	225,804	48,248
Taxation	22	<u>(55,255)</u>	<u>(12,224)</u>
Profit for the year		<u>170,549</u>	<u>36,024</u>
Other comprehensive income:			
Items that will never be reclassified to profit or loss			
Re-measurement gain on employee benefits, assets and liabilities	7(a)(vi), 7(b)(iii)	-	12,404
Tax on re-measurement gain	10	<u>-</u>	<u>(3,101)</u>
		<u>-</u>	<u>9,303</u>
Items that are or maybe reclassified subsequently to profit or loss:			
Available for sale financial assets net change in fair value		<u>21,516</u>	<u>10,615</u>
Other comprehensive profit for the year, net of tax		<u>21,516</u>	<u>19,918</u>
Total comprehensive income for the year		<u>192,065</u>	<u>55,942</u>

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

SALADA FOODS JAMAICA LIMITED

Company Statement of Changes in Stockholders' Equity
 Year ended September 30, 2018

	Share capital (note 14) \$'000	Capital reserves (note 15) \$'000	Retained earnings \$'000	Total \$'000
Balances at September 30, 2016	<u>73,216</u>	<u>6,543</u>	<u>806,869</u>	<u>886,628</u>
Total comprehensive income for the year:				
Profit for the year	-	-	36,024	36,024
Other comprehensive income for the year	<u>-</u>	<u>-</u>	<u>19,918</u>	<u>19,918</u>
Total comprehensive income	<u>-</u>	<u>-</u>	<u>55,942</u>	<u>55,942</u>
Dividend (note 14)	<u>-</u>	<u>-</u>	(45,709)	(45,709)
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	<u>-</u>	<u>-</u>	192,065	192,065
Dividend (note 14)	<u>-</u>	<u>-</u>	(103,885)	(103,885)
Balances at September 30, 2018	<u>73,216</u>	<u>6,543</u>	<u>905,282</u>	<u>985,041</u>

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

SALADA FOODS JAMAICA LIMITEDCompany Statement of Cash Flows
Year ended September 30, 2018

	<u>Notes</u>	<u>2018</u> \$'000	<u>2017</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		170,549	36,024
Adjustments for:			
Items not involving cash:			
Depreciation	3(b)	22,896	46,850
Investment in biological asset	13	-	2,050
Income tax expense	22(a)	45,731	28,328
Deferred taxation	22(a)	9,523	(16,104)
Interest income	20	(5,864)	(6,406)
Loss on disposal of property, plant and equipment		-	22
Impairment of investment in subsidiary	5	6,500	19,000
Interest expense		848	1,583
Employee benefits, net		(33,370)	38,076
		216,813	149,423
Changes in operating assets and liabilities:			
Inventories		(19,560)	71,290
Accounts receivable		20,791	14,301
Due from/(to) subsidiary		18,384	26,870
Accounts payable		34,735	(11,145)
Cash provided by operations		271,163	250,739
Interest paid		(848)	(1,583)
Taxation paid		(32,771)	(23,369)
Net cash provided by operating activities		<u>237,544</u>	<u>225,787</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		3,134	6,210
Investments		(158,897)	(90,903)
Purchase of property, plant and equipment	3(b)	(39,532)	(11,969)
Proceeds from sale of asset		-	58
Investment in intangible assets	4	-	(1,300)
Net cash used by investing activities		<u>(195,295)</u>	<u>(97,904)</u>
CASH FLOWS FROM FINANCING ACTIVITY			
Finance lease obligation		(8,150)	(7,415)
Acquisition of non-controlling interest		-	(18,000)
Net cash used by financing activities		<u>(8,150)</u>	<u>(25,415)</u>
Net cash provided before dividends		<u>34,099</u>	<u>102,468</u>
Dividends paid	14	(103,885)	(45,709)
Net (decrease)/increase in cash and cash equivalents		(69,786)	56,759
Cash and cash equivalents at beginning of year		<u>141,301</u>	<u>84,542</u>
Cash and cash equivalents at end of year	8	<u>71,515</u>	<u>141,301</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, 2018

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. In the prior year, operations of another subsidiary, Pimora Company Limited were discontinued.

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, basis of preparation and significant accounting policies

(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, revised and amended standards that became effective during the year

Certain new and amended standards came into effect during the current financial year. The group has assessed and adopted those which are relevant to its financial statements.

New, revised and amended standards not yet effective

At the date of authorisation of these financial statements, the following relevant standards, amendments to existing standards and interpretations have been published but were not yet effective and the Group has not early-adopted them:

- (i) The Group is required to adopt IFRS 9 *Financial Instruments* effective October 1, 2018. The standard replaces IAS 39 *Financial Instruments: Recognition and Measurement* and sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. Accordingly, the basis of measurement for the Group’s financial assets may change. The standard 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).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(a) Statement of compliance (continued):

New, revised and amended standards not yet effective (continued)

(i) (Continued)

Classification and measurement (continued)

The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. The Group does not expect the implementation to result in a significant change in the classification and measurement of the Group's financial assets.

Impairment

The adoption of IFRS 9 will have a significant impact on the Group's impairment methodology. IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The probability weighted outcome considers multiple scenarios based on reasonable and supportable forecasts. The new impairment model will apply to financial assets measured at amortised cost or FVOCI.

Under IFRS 9, loss allowances will be measured on either of the following stages, based on the extent of credit deterioration since origination:

- Stage 1 - 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date. This stage 1 approach differs from the current approach which estimates a collective allowance to recognise losses that have been incurred but not reported on performing loans;
- Stage 2 - Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. Provisions are higher at this stage because of an increase in risk and the impact of a longer time horizon being considered compared to 12 months in Stage 1; and
- Stage 3 – Financial assets that have an objective evidence of impairment will be included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

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

(a) Statement of compliance (continued):

New, revised and amended standards not yet effective (continued)

(i) (Continued)

Impairment

Under IFRS 9, loss allowances will be measured on either of the following stages, based on the extent of credit deterioration since origination:

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for short-term receivables without a significant financing component.

Transition impact

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as follows:

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement as well as impairment changes. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 will generally be recognised in retained earnings and reserves as at October 1, 2018.
- The Group will determine the business model within which a financial asset is held based on the facts and circumstances that exist at the date of initial application.

- (ii) The Group is required to adopt IFRS 15 *Revenue from Contracts with Customers* from October 1, 2018. The standard establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

The standard introduces a five-step model to determine when to recognise revenue, and at what amount. The model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised at a point in time, when control of goods or services is transferred to the customer; or over time, in a manner that best reflects the entity's performance.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

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

(a) Statement of compliance (continued):

New, revised and amended standards not yet effective (continued)

(ii) (Continued)

The standard scopes out contracts that are considered to be lease contracts, insurance contracts and financial instruments, and as such will not impact the majority of the Group's revenue, including interest income, interest expense, trading revenue and securities gains.

The group is assessing the impact, if any, of the amendments and new standards on its financial statements when the standards become effective in 2019.

- (iii) IFRS 16, *Leases*, which is effective for annual reporting periods beginning on or after January 1, 2019, 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.

Lessor accounting remains similar to current practice as the lessor will continue to classify leases as finance and operating leases. Early adoption is permitted if IFRS 15, *Revenue from Contracts with Customers* is also adopted.

IFRS 16 will result in leases being recorded on the Group's balance sheet, including those currently classified as operating leases.

- (iv) 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 the prepayment amount substantially represents unpaid principal and interest and reasonable compensation. Reasonable compensation may be positive or negative. Prior to this amendment, financial assets with this negative compensation feature would have failed the solely payments of principal and interest test and be mandatorily measured at fair value through profit or loss.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(a) Statement of compliance (continued):

New, revised and amended standards not yet effective (continued)

(iv) (Continued):

(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 not been substantially modified. 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 this interpretation will have on its 2020 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 (aa) below conform in all material respects with IFRS.

(c) Basis of consolidation:

- (i) A “subsidiary” is an enterprise 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:

<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

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

2. Statement of compliance, basis of preparation and significant accounting policies (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 (continued):

<u>Entity</u>	<u>Holding</u>	<u>Main activity</u>	<u>Territory of incorporation</u>
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

* In May 2017, the company acquired the remaining 0.20% of Mountain Peak Food Processors Limited, making the company a wholly owned subsidiary.

(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, 2018

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

(d) Use of estimates and judgements:

The preparation of the financial statements to conform to 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 expense 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 period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(i) Pension and other post-retirement benefits:

The amounts recognised in the statement of financial position and statement of comprehensive income for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations.

The expected return on plan assets considers the long-term returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. Any changes in the foregoing assumptions will affect the amounts recorded in the financial statements for these obligations.

(ii) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment of losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default and 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 not observable on individual significant receivables with similar characteristics, such as credit risks.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

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

(iii) Net realisable value of inventories:

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.

(e) 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(f) Assets held-for-sale:

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale, rather than continuing use, are classified as held-for-sale. Assets held-for-sale are measured at the lower of their carrying amount and fair values less cost to sell.

Impairment losses on initial reclassification as held-for-sale and subsequent gains and losses on re-measurement are recognised in profit or loss. Once classified as held-for-sale, property, plant and equipment are no longer depreciated.

(g) Investment in subsidiary companies:

Investments in subsidiary companies are measured at cost.

(h) Employee benefits:

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the group's post-employment benefits asset as computed by the actuary. In carrying out their audit, the auditors make use of the work of the actuary and the actuary's report.

(i) Pension arrangements:

The group operates a defined benefit plan, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The Plan was discontinued as of August 31, 2017 (see note 7).

The group's net obligation in respect of the defined benefit pension plan is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any plan assets is deducted. To the extent that the obligation is less than the fair value of plan assets, the asset recognised is restricted to the discounted value of future benefits available to the group.

Re-measurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income.

The discount rate applied is based on the rate used to discount the defined benefit obligations. The calculation is performed by a qualified actuary, using the projected unit credit method.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(h) Employee benefits (continued):

(ii) Other 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.

(iii) Other 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.

(i) 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.

(j) Biological assets:

Biological assets consists materially of ginger rhizomes cultivation expenses, which will be written off against the crop to which they relate. Ginger rhizomes are not sold but, when harvested are used in production, and no active market exists for these assets. Valuation based on a discounted cash flow method is considered to be unreliable given the uncertainty with respect to the harvesting quantities and costs. Consequently, the balance is stated at cost less impairment losses, measured by reference to estimated crop proceeds less cultivation, reaping, harvesting and transportation expenses to the point of sale.

(k) Accounts receivable:

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

(l) 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(m) Investments:

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.

(n) Accounts payable:

Trade and other payables are measured at amortised cost.

(o) 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.

(p) Impairment:

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 at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or group of operating assets 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 independent cash inflows, the recoverable amount is determined for the group of operating assets to which the asset belongs.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(p) Impairment (continued):

(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.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) 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.

(r) 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.

(s) 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(s) Income tax (continued):

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.

(t) Dividends:

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

(u) 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.

(v) 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(w) 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.
 - (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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(x) 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.

(y) 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.

(z) Financial instruments:

(i) General:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

For the purposes of the financial statements, financial assets have been determined to include cash and cash equivalents, accounts receivable and due from subsidiary. Financial liabilities comprise accounts payable and due to subsidiary.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(z) Financial instruments (continued):

(ii) Recognition and derecognition:

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of ownership of the asset. Regular way purchases and sales of financial assets are accounted for at transaction date, i.e., the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

(aa) 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.

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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(aa) Finance leases (continued):

(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.

3. 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, 2016	10,000	52,445	337,476	-	399,921
Additions	-	1,131	11,432	-	12,563
Disposals	-	-	(977)	-	(977)
September 30, 2017	10,000	53,576	347,931	-	411,507
Additions	-	15,077	16,520	8,370	39,967
September 30, 2018	<u>10,000</u>	<u>68,653</u>	<u>364,451</u>	<u>8,370</u>	<u>451,474</u>
Depreciation:					
September 30, 2016	-	39,622	205,845	-	245,467
Charge for the year	-	3,140	54,246	-	57,386
Eliminated on disposal	-	-	(226)	-	(226)
Impairment loss	-	-	4,617	-	4,617
September 30, 2017	-	42,762	264,482	-	307,244
Charge for the year	-	1,469	27,380	-	28,849
September 30, 2018	-	<u>44,231</u>	<u>291,862</u>	-	<u>336,093</u>
Net book values:					
September 30, 2018	<u>10,000</u>	<u>24,422</u>	<u>72,589</u>	<u>8,370</u>	<u>115,381</u>
September 30, 2017	<u>10,000</u>	<u>10,814</u>	<u>83,449</u>	-	<u>104,263</u>

During the year, the group recognised an impairment loss of \$Nil (2017: \$4,617,000) relating to machinery and equipment of its subsidiary, due to discontinued manufacturing and trading of its primary product.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

3. Property, plant and equipment

(b) The Company:

	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, 2016	6,144	34,880	268,053	-	309,077
Additions		1,131	10,838	-	11,969
Disposals	-	-	(167)	-	(167)
September 30, 2017	6,144	36,011	278,724	-	320,879
Additions	-	<u>15,077</u>	<u>16,085</u>	<u>8,370</u>	<u>39,532</u>
September 30, 2018	<u>6,144</u>	<u>51,088</u>	<u>294,809</u>	<u>8,370</u>	<u>360,411</u>
Depreciation:					
September 30, 2016	-	24,427	187,101	-	211,528
Charge for the year	-	2,054	44,796	-	46,850
Eliminated on disposal	-	-	(87)	-	(87)
September 30, 2017	-	26,481	231,810	-	258,291
Charge for the year	-	<u>1,270</u>	<u>21,626</u>	-	<u>22,896</u>
September 30, 2018	-	<u>27,751</u>	<u>253,436</u>	-	<u>281,187</u>
Net book values:					
September 30, 2018	<u>6,144</u>	<u>23,337</u>	<u>41,373</u>	<u>8,370</u>	<u>79,224</u>
September 30, 2017	<u>6,144</u>	<u>9,530</u>	<u>46,914</u>	-	<u>62,588</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 17):

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
At cost	25,111	25,111
Accumulated depreciation	(8,928)	(5,952)
Net book value	<u>16,183</u>	<u>19,159</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 15).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

3. Property, plant and equipment (continued)

(e) Assets held-for-sale:

This represented land and building located at 7 Norwich Avenue, Kingston 11, and classified as held for sale, following the decision of the directors to sell the property. During the year, the sale was completed at a consideration equal to the net realisable value (see note 6).

This comprise:

	<u>The Group</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Land and building	-	43,030
Less: Impairment losses (see note below)	<u>-</u>	<u>(4,030)</u>
	<u>-</u>	<u>39,000</u>

In the previous year, the group recognised an impairment loss of \$4,030,000 to adjust the carrying value of these assets to net realisable value.

4. Intangible asset

This represents development costs incurred.

	<u>The Group</u>	<u>The Company</u>
	\$'000	\$'000
At cost:		
September 30, 2016 and 2017	12,443	1,300
Write-off	<u>(11,143)</u>	<u>-</u>
September 30, 2018	1,300	1,300
Amortisation:		
September 30, 2016	2,972	-
Charge for year	2,228	-
Impairment loss	<u>5,943</u>	<u>-</u>
September 30, 2017	11,143	-
Write-off	<u>(11,143)</u>	<u>-</u>
September 30, 2018	<u>-</u>	<u>-</u>
Net book value:		
September 30, 2018	<u>1,300</u>	<u>1,300</u>
September 30, 2017	<u>1,300</u>	<u>1,300</u>

During the year, the group recognised an impairment loss of \$Nil (2017: \$5,943,000) relating to intangible asset in its subsidiary, due to discontinued manufacturing and trading of its primary product.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

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

(a) Investment in subsidiary companies comprises:

	<u>The Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Shares at cost:		
Coffee Company of Jamaica Limited	790	790
Shirriff's (Jamaica) Limited	91	91
Mountain Peak Food Processors Limited [see note 2(c)(i)]	102,595	102,595
Pimora Company Limited	<u>500</u>	<u>7,000</u>
	<u>103,976</u>	<u>110,476</u>
	<u>The Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
(b) Due from subsidiary (due after twelve months):		
Mountain Peak Food Processors Limited	<u>-</u>	<u>70,682</u>
(c) Due from subsidiary (within twelve months):		
Pimora Company Limited	1,261	-
Mountain Peak Food Processors Limited - trading	85,904	52,681
Mountain Peak Food Processors Limited – other	<u>62,814</u>	<u>45,000</u>
	<u>149,979</u>	<u>97,681</u>

During the year, the company recognised an impairment loss of \$Nil (2017: \$15,006,000) relating to a related party balance and \$6,500,000 (2017: \$19,000,000) relating to an investment in its subsidiary, Pimora Limited, due to discontinued manufacturing and trading of its primary product [see note 21(c)].

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

6. Long term receivables

	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Receivable	22,757	-
Current portion	<u>(7,076)</u>	<u>-</u>
	<u>15,681</u>	<u>-</u>

This represents mortgage receivable for land and building located at 7 Norwich Avenue Kingston, which was sold during the 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

7. Employee benefits

(a) Defined benefit pension plan:

The Group operated a pension plan which provided retirement and death benefits to its employees. The plan was administered by trustees and was managed by Guardian Life Limited. Contributions to the plan were made by the company and employees based on a percentage of the employees' pensionable earnings. Retirement benefits were based on the final pensionable salary which was the members' annualised pensionable salary as at the normal retirement date.

Pursuant to Section 27(4) of the Pensions (Superannuation Funds and Retirement Schemes) Act (the "Act"), the FSC granted approval for the winding up of the plan with termination date effective August 31, 2017. The effects of the winding up are reflected below:

- (i) The amounts recognised in the statement of financial position are determined as follows:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Fair value of plan assets	-	83,006
Present value of funded obligation	<u>-</u>	<u>(83,006)</u>
	<u>-</u>	<u>-</u>

- (ii) The movement in the asset recognised in the statement of financial position is as follows:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
At beginning of year	-	24,662
Contributions paid	-	1,232
Pension expenses recognised in profit or loss	-	(36,782)
Remeasurement recognised in other comprehensive income	<u>-</u>	<u>10,888</u>
At end of year	<u>-</u>	<u>-</u>

- (iii) The movement in present value of funded obligations is as follows:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
At beginning of year	-	(44,276)
Benefit paid	-	1,263
Employees' contributions	-	(2,297)
Current service and interest costs	-	(6,628)
Curtailed gain	-	7,571
Plan termination benefit	-	(42,513)
Actuarial gain due to:		
Experience gain	<u>-</u>	<u>3,874</u>
At end of year	<u>-</u>	<u>(83,006)</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(iv) The movement in the plan assets is as follows:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Fair value of plan assets at beginning of year	-	68,938
Contributions paid	-	3,529
Interest income on plan assets	-	5,633
Benefit paid	-	(1,263)
Re-measurement gain on plan assets included in OCI	-	7,014
Administrative fees	-	(845)
Fair value of plan assets at end of year	<u>-</u>	<u>83,006</u>

In the prior year the assets of the fund were invested in Guardian Life's Pooled Investment and Money Market Fund and the Deposit Administration Fund as at August 31, 2017 as follows:

	<u>The Group and the Company</u>			
	<u>2018</u>		<u>2017</u>	
	<u>\$'000</u>	<u>%</u>	<u>\$'000</u>	<u>%</u>
Pooled Investment and Money Market Fund	-	-	76,256	92
Deposit Administration Fund	-	-	<u>6,750</u>	<u>8</u>
	<u>-</u>	<u>-</u>	<u>83,006</u>	<u>100</u>

(v) The amounts recognised in profit or loss included in staff costs are as follows:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Employer's current service cost	-	3,062
Interest income on plan assets	-	(5,633)
Interest costs on obligation	-	3,566
Plan termination benefit	-	42,513
Curtailement gain	-	(7,571)
Administrative fees	-	<u>845</u>
At the end of the year	<u>-</u>	<u>36,782</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

7. Employee benefits (continued)

(a) Defined benefit pension plan (continued):

(vi) Components of defined benefit income recognised in other comprehensive income

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Remeasurement of defined benefit liability	-	3,874
Remeasurement of plan assets	<u>-</u>	<u>7,014</u>
	<u>-</u>	<u>10,888</u>

(vii) The principal actuarial assumptions used were as follows:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	%	%
Discount rate	-	9.0
Future salary increases	-	7.0
Future pension increases	-	2.5
Inflation rate	<u>-</u>	<u>6.5</u>

Assumptions regarding future mortality are based on GAM 94 table, with no age set back. The expected long-term discount rate on plan assets were based on the assumed long-term rate of inflation.

(b) 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>2018</u>	<u>2017</u>
Balance at beginning of year	33,370	32,360
Current service costs	-	1,899
Interest cost	-	2,814
Benefits paid	-	(2,187)
Termination of health benefits	(33,370)	-
Actuarial gains arising from:		
Experience adjustments	-	(2,888)
Changes in demographic assumptions	-	(2,232)
Changes in financial assumptions	<u>-</u>	<u>3,604</u>
Balance at end of year	<u>-</u>	<u>33,370</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

7. Employee benefits (continued)

(b) Post retirement medical benefit obligation (continued):

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

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
Current service costs	1,080	1,899
Interest on obligation	-	2,814
Termination of health benefits	(33,370)	-
	<u>(32,290)</u>	<u>4,713</u>

(iii) Credit recognised in other comprehensive income:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
Experience adjustments	-	(2,888)
Changes in demographic assumptions	-	(2,232)
Changes in financial assumptions	-	3,604
Re-measurement loss on obligation	-	(1,516)

(iv) The principal actuarial assumptions used were as follows:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
Discount rate	-	9.0%
Health cost inflation	-	8.5%

Post-employment mortality for active members and mortality for pensioners is based on the 1994 Group Annuity Mortality Tables (GAM) 94 table (U.S. mortality tables) with no age setback.

At September 30, 2017 the weighted average duration at the defined benefit obligation was 12.4 years.

The actuarial assumption regarding mortality, inflation etc. follow the same bases as those outlined in note 7(a)(vii) above.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

7. Employee benefits (continued)

(b) Post retirement medical benefit obligation (continued):

(v) A one percentage point change at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the medical benefit obligations by amounts shown below:

<u>Actuarial assumption</u>	<u>2018</u>		<u>2017</u>	
	<u>One percentage point increase</u> \$'000	<u>One percentage point decrease</u> \$'000	<u>One percentage point increase</u> \$'000	<u>One percentage point decrease</u> \$'000
Discount rate	-	-	(3,560)	4,369
Medical inflation rate	<u>-</u>	<u>-</u>	<u>4,347</u>	<u>(3,604)</u>

8. 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>2018</u> \$'000	<u>2017</u> \$'000	<u>2018</u> \$'000	<u>2017</u> \$'000
Cash in hand and bank	78,363	71,012	68,988	66,373
Short-term deposits	<u>2,527</u>	<u>75,337</u>	<u>2,527</u>	<u>74,928</u>
	<u>80,890</u>	<u>146,349</u>	<u>71,515</u>	<u>141,301</u>

At the reporting date, cash in hand and bank include US\$170,000 (2017: US\$271,000). The company's short-term deposits include US\$Nil (2017: US\$384,000).

9. Investment(a) Long-term

	<u>The Group and the Company</u>	
	<u>2018</u> \$'000	<u>2017</u> \$'000
Available for sale - Equity investment	<u>95,666</u>	<u>42,150</u>
	<u>95,666</u>	<u>42,150</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

9. Investment (continued)(b) Short-term

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Resale agreements (i)	218,050	113,967
Fixed deposits (ii)	<u>85,149</u>	<u>62,335</u>
	<u>303,199</u>	<u>176,302</u>

(i) The fair value of the securities under resale agreements approximates the carrying value of the agreements. The resale agreements include US\$1,633,522 (2017: US\$653,697) which earns interest at a rate 1.4% to 1.6% (2017: 1.3%-2.25% per annum).

(ii) Fixed deposit includes US\$468,286 (2017: US\$486,330) and earns interest at 1.6% to 3.0% (2017: 1.55% to 3% per annum).

At the reporting date, the company had investments of \$212,616,000 (2017: \$158,084,000) with Ideal Finance Corporation Limited and Ideal Portfolio Services Company Limited, both being related parties.

10. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$'000	\$'000	\$'000	\$'000
Net deferred tax asset	<u>20,933</u>	<u>46,735</u>	<u>12,363</u>	<u>21,886</u>

Deferred tax assets are attributable to the following:

	<u>2018</u>			
	<u>The Group</u>			
	October 1,	Recognised	Recognition	September
	<u>2017</u>	in	in other	30,
	\$'000	income	comprehensive	<u>2018</u>
	\$'000	\$'000	income	\$'000
		(note 22)	\$'000	\$'000
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>-</u>	<u>20,933</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

10. Deferred taxation (continued)

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

	2017			
	The Group			
	October 1,	Recognised	Recognition	September
	<u>2016</u>	in	in other	30,
\$'000	income	comprehensive	<u>2017</u>	
	\$'000	income	income	\$'000
		(note 22)	\$'000	
Accounts payable	555	244	-	799
Property, plant and equipment	3,732	8,576	-	12,308
Employee benefits assets, net	1,925	9,519	(3,101)	8,343
Unrealised gain on exchange	10	44	-	54
Tax value of losses carried forward	34,317	(8,829)	-	25,488
Accrued interest receivable	(208)	(49)	-	(257)
	<u>40,331</u>	<u>9,505</u>	<u>(3,101)</u>	<u>46,735</u>
	2018			
	The Company			
	October 1,	Recognised	Recognition	September
	<u>2017</u>	in	in other	30,
\$'000	income	comprehensive	<u>2018</u>	
	\$'000	income	income	\$'000
		(note 22)	\$'000	
Accounts payable	530	298	-	828
Property, plant and equipment	13,216	(958)	-	12,258
Employee benefits assets, net	8,343	(8,343)	-	-
Unrealised gain on exchange	54	163	-	217
Accrued interest receivable	(257)	(683)	-	(940)
	<u>21,886</u>	<u>(9,523)</u>	<u>-</u>	<u>12,363</u>
	2017			
	The Company			
	October 1,	Recognised	Recognition	September
	<u>2016</u>	in	in other	30,
\$'000	income	comprehensive	<u>2017</u>	
	\$'000	income	income	\$'000
		(note 22)	\$'000	
Accounts payable	556	(26)	-	530
Property, plant and equipment	6,600	6,616	-	13,216
Employee benefits assets, net	1,925	9,519	(3,101)	8,343
Unrealised gain on exchange	10	44	-	54
Accrued interest receivable	(208)	(49)	-	(257)
	<u>8,883</u>	<u>16,104</u>	<u>(3,101)</u>	<u>21,886</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

11. Accounts receivable

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$'000	\$'000	\$'000	\$'000
Trade receivables	196,565	158,464	66,616	84,923
Prepayments	29,381	25,426	28,060	21,285
Other receivables	<u>12,704</u>	<u>12,845</u>	<u>6,416</u>	<u>12,862</u>
	238,650	196,735	101,092	119,070
Less: Allowances for doubtful debts	(<u>1,705</u>)	(<u>4,597</u>)	(<u>87</u>)	(<u>4</u>)
	<u>236,945</u>	<u>192,138</u>	<u>101,005</u>	<u>119,066</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 25(a)(i).

12. Inventories

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$'000	\$'000	\$'000	\$'000
Raw and packaging material	34,631	106,536	34,630	101,893
Finished goods held for sale	67,978	39,608	63,316	31,087
Work-in-progress	35,112	46,526	35,112	46,526
Fuel, spares and consumables	<u>91,198</u>	<u>26,743</u>	<u>87,053</u>	<u>26,273</u>
	228,919	219,413	220,111	205,779
Provision for obsolescence	(<u>4,713</u>)	(<u>10,268</u>)	(<u>1,972</u>)	(<u>7,200</u>)
	<u>224,206</u>	<u>209,145</u>	<u>218,139</u>	<u>198,579</u>

During the year, inventory write-offs aggregating \$5,431,000 (2017: \$5,929,000) were recognised in profit or loss.

13. Biological assets

In the prior year, this represented immature ginger rhizomes at cost.

Immature ginger rhizomes under cultivation represented five acres of farm land.

(a) Reconciliation of carrying amount:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Balance as at October 1	-	2,050
Overhead and other associated costs	-	-
Stock loss – rhizomes	-	(2,050)
Harvested rhizomes transferred to inventory during the year	<u>-</u>	<u>-</u>
Balance as at September 30	<u>-</u>	<u>-</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

14. Share capital

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	\$'000	\$'000
Authorised:		
500,000,000 ordinary units of no par value		
Stated:		
Issued and fully paid:		
103,883,300 ordinary stock units of no par value	<u>73,216</u>	<u>73,216</u>

In a meeting of the Board of Directors held on November 16, 2017 and May 17, 2018 a dividend of 50 cents and 50 cents respectively per share was declared (November 17, 2016: a dividend of 44 cents per share was declared).

15. Capital reserves

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$'000	\$'000	\$'000	\$'000
Revaluation surplus on assets carried at deemed cost	14,528	14,528	4,838	4,838
Realised gains	<u>1,747</u>	<u>1,747</u>	<u>1,705</u>	<u>1,705</u>
	<u>16,275</u>	<u>16,275</u>	<u>6,543</u>	<u>6,543</u>

16. Non-controlling interests

This represents non-controlling interests in the company's subsidiaries as follows:

	<u>% interest</u>	
	<u>2018</u>	<u>2017</u>
Pimora Limited	<u>30%</u>	<u>30%</u>

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations.

	<u>The Group</u>					
	<u>2018</u>			<u>2017</u>		
	Mountain Peak Food Processors Limited 0% \$'000	Pimora Company Limited 30% \$'000	Total \$'000	Mountain Peak Food Processors Limited 0% \$'000	Pimora Company Limited 30% \$'000	Total \$'000
Percentage ownership interest:						
Non-current assets	-	4,972	4,972	57,665	4,893	62,558
Current assets	-	2,811	2,811	124,394	3,292	127,686
Non-current liabilities	-	(1,261)	(1,261)	(115,682)	-	(115,682)
Current liabilities	-	<u>(1,160)</u>	<u>(1,160)</u>	<u>(59,692)</u>	<u>(1,156)</u>	<u>(60,848)</u>
Net (liabilities)/assets (30%)	-	<u>5,362</u>	<u>5,362</u>	<u>6,685</u>	<u>7,029</u>	<u>13,714</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

16. Non-controlling interests (continued)

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations (continued)

	The Group					
	2018			2017		
	Mountain Peak Food Processors Limited 0% \$'000	Pimora Company Limited 30% \$'000	Total \$'000	Mountain Peak Food Processors Limited 0% \$'000	Pimora Company Limited 30% \$'000	Total \$'000
NCI share of subsidiary net (liabilities)/assets	-	1,609	1,609	-	2,109	2,109
Revenue	-	-	-	-	-	-
Total comprehensive loss/profit for the year	-	(1,666)	(1,666)	17,696	(4,197)	13,499
Loss allocated to non-controlling interests - (NCI)	-	(500)	(500)	-	(945)	(945)
Cashflow from operating activities	-	(893)	(893)	(38,494)	(4,885)	(43,379)
Cashflow from investing activities	-	-	-	31,669	(9,997)	21,672
Cashflow from financing activities	-	826	826	-	-	-
Net decrease in cash and cash equivalent	-	(67)	(67)	(6,825)	(14,882)	(21,707)

In July 2017, the Group acquired additional 0.2% for a consideration of \$18,000,000 in Mountain Peak Food Processors Limited increasing its ownership from 99.8% to 100%.

17. Obligations under finance lease

Finance lease liabilities are payable as follows:

	The Group and the Company	
	2018 \$'000	2017 \$'000
Within 1 year	5,413	8,999
In 2 to 5 years	-	5,408
	5,413	14,407
Less: Future Finance Charge	(158)	(1,002)
Present value of minimum lease payments	5,255	13,405
Less Current Portion	(5,255)	(8,154)
	-	5,251

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 \$16,183,000 (2017: \$19,159,000) (see note 3).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

18. Accounts payable

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$'000	\$'000	\$'000	\$'000
Trade payables	52,864	23,763	44,030	21,114
Accrued charges	43,477	38,267	43,477	32,747
Other payables	<u>34,658</u>	<u>32,345</u>	<u>33,434</u>	<u>32,345</u>
	<u>130,999</u>	<u>94,375</u>	<u>120,941</u>	<u>86,206</u>

The group's and company's exposure to liquidity risks to accounts payable is disclosed in note 25.

19. Sales

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

20. Net finance income

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$'000	\$'000	\$'000	\$'000
Finance income:				
Interest income	6,835	7,300	5,864	6,406
Foreign exchange gain	<u>15,366</u>	<u>2,465</u>	<u>15,066</u>	<u>2,421</u>
	<u>22,201</u>	<u>9,765</u>	<u>20,930</u>	<u>8,827</u>
Finance costs:				
Bank charges and interest	(1,565)	(2,305)	(1,457)	(2,220)
	<u>20,636</u>	<u>7,460</u>	<u>19,473</u>	<u>6,607</u>

21. Nature of expenses

Profit before taxation is stated after charging:

(a) Cost of goods sold:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	\$'000	\$'000	\$'000	\$'000
Gas and fuel	30,360	26,538	30,360	26,538
Depreciation	24,306	51,692	18,862	42,662
Insurance	6,495	5,406	6,517	4,691
Outsourcing	48,614	62,919	48,603	61,526
Other	22,671	8,501	22,488	8,244
Repairs and maintenance	19,123	17,076	19,058	16,291
Security	7,529	10,113	7,180	7,160
Utilities	37,776	29,425	37,754	28,888
Salaries and other related costs	25,313	28,535	25,313	28,535
Raw material and consumables	<u>419,353</u>	<u>355,277</u>	<u>406,722</u>	<u>339,643</u>
	<u>641,540</u>	<u>595,482</u>	<u>622,857</u>	<u>564,178</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

21. Nature of expenses (continued)

Profit before taxation is stated after charging (continued):

(b) Selling and promotion expenses (continued):

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Advertising and promotions	27,514	11,506	2	4,623
Bad debt	(22)	-	86	-
Delivery and handling charges	-	3,878	-	1,459
Other	7,063	4,873	-	3,321
Outsourcing	-	1,601	-	-
Salaries and other related costs	<u>10,348</u>	<u>10,898</u>	<u>-</u>	<u>2,106</u>
	<u>44,903</u>	<u>32,756</u>	<u>88</u>	<u>11,509</u>

(c) Administration expenses:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Audit fees	3,270	3,905	1,980	2,090
Computer expenses	2,512	3,116	2,435	2,955
Depreciation and amortization	4,391	8,640	4,033	4,188
Director fees	8,949	8,949	8,949	8,949
Insurance	1,760	1,250	1,760	1,250
Outsourcing	15,844	14,138	15,544	14,138
Other	9,142	6,969	5,655	6,984
Legal and professional fees	19,287	12,321	15,233	7,989
Registrar and AGM expenses	2,062	2,334	2,062	2,334
Retirement benefit, net	(33,370)	38,076	(33,370)	38,076
Salaries and other related costs	46,782	45,252	46,783	45,252
Utilities	<u>4,350</u>	<u>3,905</u>	<u>4,350</u>	<u>3,905</u>
	<u>84,979</u>	<u>148,855</u>	<u>75,414</u>	<u>138,110</u>

In the prior year retirement benefit, net included an amount of \$35,942,000 relating to plan termination benefit net of curtailment gain recognised upon the wind-up of pension plan. [Note 7(a)(v)]. During the year, this amount includes \$33,370,000 relating to termination benefit upon discontinuation of medical benefits [note 7(b)(ii)].

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

21. Nature of expenses (continued)

(d) Other expenses:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Impairment of related party balance (see note 5)	-	-	-	15,006
Impairment of assets [see notes 3(a), 3(e) and 4]	-	14,590	-	-
Impairment of investment in subsidiary (see note 5)	-	-	<u>6,500</u>	<u>19,000</u>
	<u>-</u>	<u>14,590</u>	<u>6,500</u>	<u>34,006</u>

22. 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current tax expense:				
Income tax	54,915	37,306	54,915	37,305
Employment tax credit	(9,184)	(8,977)	(9,184)	(8,977)
	<u>45,731</u>	<u>28,329</u>	<u>45,731</u>	<u>28,328</u>
Deferred taxation:				
Originating and reversal of other timing differences, net	<u>25,802</u>	(9,505)	<u>9,524</u>	(16,104)
	<u>71,533</u>	<u>18,824</u>	<u>55,255</u>	<u>12,224</u>

(b) Reconciliation of effective tax rate:

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before tax	<u>290,710</u>	<u>87,510</u>	<u>225,804</u>	<u>48,248</u>
Computed "expected" tax expense @ 25%	72,677	21,877	56,450	12,062
Difference between profits for financial statements and tax reporting purposes on:				
Employment tax credit	(9,184)	(8,977)	(9,184)	(8,977)
Disallowed expenses and capital adjustments, net	<u>8,040</u>	<u>5,924</u>	<u>7,989</u>	<u>9,139</u>
Actual expense	<u>71,533</u>	<u>18,824</u>	<u>55,255</u>	<u>12,224</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

22. Taxation (continued)

- (c) As at September 30, 2018, subject to the agreement of The Commissioner, Tax Administration Jamaica, tax losses available for offset against future taxable profits for the group was \$69,323,160 (2017: \$123,777,448) and for the company \$Nil (2017: \$Nil). As at January 1, 2014, tax losses may be carried forward indefinitely; however, the amount that can be utilized in any one year is restricted to 50% of the current year's taxable profits.

Deferred tax asset of \$8,325,615 (2017: \$7,654,052) for the group has not been recognised in respect of tax losses in a subsidiary amounting to \$33,302,461 (2017: \$30,616,208).

23. Transactions with related parties

	<u>The Group</u>		<u>The Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(i) Directors emoluments:				
Fees	<u>8,949</u>	<u>8,949</u>	<u>8,949</u>	<u>8,949</u>
(ii) For directors/executive officers who receive salaries, the company contracts to a post employment defined benefit plan on their behalf.				

Key management personnel compensation is as follows:

	<u>The Group and the Company</u>	
	<u>2018</u>	<u>2017</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term employee benefits	<u>17,624</u>	<u>17,437</u>

24. 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>2018</u>	<u>2017</u>
Net profit attributable to shareholders (\$'000)	<u>219,677</u>	<u>69,631</u>
Number of stock units in issue	<u>103,883,300</u>	<u>103,883,300</u>
Basic earnings per stock unit (\$)	<u>2.12</u>	<u>0.67</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

25. 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.

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.

Trade receivables

The group generally does not require collateral in respect of non-cash financial assets. The group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit. Management establishes an allowance for impairment that represents its estimate of losses in respect of trade and other receivables. Management's policy is to provide for balances based on past default experience, current economic conditions and expected recovery.

At reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

25. Financial instruments (continued)

(a) Financial risk management (continued):

(i) Credit risk (continued):

Trade receivables (continued)

The aging of trade receivables at the reporting date was:

	The Group			
	2018		2017	
	<u>Gross</u> \$'000	<u>Impairment</u> \$'000	<u>Gross</u> \$'000	<u>Impairment</u> \$'000
Past due 0-30 days	181,683	-	118,173	-
Past due 31-60 days	2,243	-	33,137	-
More than 60 days	<u>2,162</u>	<u>(1,705)</u>	<u>7,154</u>	<u>(4,597)</u>
	<u>186,088</u>	<u>(1,705)</u>	<u>158,464</u>	<u>(4,597)</u>

	The Company			
	2018		2017	
	<u>Gross</u> \$'000	<u>Impairment</u> \$'000	<u>Gross</u> \$'000	<u>Impairment</u> \$'000
Past due 0-30 days	53,478	-	37,274	-
Past due 31-60 days	1,784	-	47,032	-
More than 60 days	<u>11,267</u>	<u>(87)</u>	<u>617</u>	<u>(4)</u>
	<u>66,529</u>	<u>(87)</u>	<u>84,923</u>	<u>(4)</u>

Based on past experience, the group and the company believes that trade receivables not provided for, relates to customers that have a good track record with the company, as such no additional provision is considered necessary.

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

(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.

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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2018

25. Financial instruments (continued)

(a) Financial risk management (continued):

(ii) Liquidity risk (continued):

The contractual outflows as at September 2018 and 2017 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, 2018 and 2017, 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>2018</u>	<u>2017</u>
	\$'000	\$'000
Variable rate:		
Assets	<u>398,068</u>	<u>325,682</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, 2018

25. 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% (2017: 1%) at the reporting date would have increased profit or loss by \$3,986,685 (2017: \$3,256,828), while a 1% (2017: 1%) decline in interest rate at reporting date would have decreased profit by \$3,986,685 (2017: \$3,256,828).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

- 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 monetary assets			
	2018		2017	
	<u>US\$</u>	<u>J\$</u>	<u>US\$</u>	<u>J\$</u>
Cash and cash equivalents	412,131	55,003,704	655,000	84,160,295
Investments	1,712,800	228,593,200	1,140,207	146,480,929
Accounts receivable	446,001	59,524,058	608,041	78,126,643
Accounts payable	(163,958)	(21,882,131)	(32,114)	(4,126,355)
Net exposure	<u>2,406,974</u>	<u>321,238,831</u>	<u>2,371,134</u>	<u>304,641,512</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

25. Financial instruments (continued)

(a) Financial risk management (continued):

(iii) Market risk (continued):

- Foreign currency risk:

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

September 30, 2018	133.46
September 30, 2017	128.49

Sensitivity analysis

A 2% (2017: 2%) strengthening of the Jamaican dollar against the US\$ would have decreased profit for the year by \$6,424,777 (2017: \$6,050,660).

A 4% (2017: 6%) weakening of the Jamaica dollar against the US\$ would have increased profits for the year by \$12,849,553 (2017: \$18,151,980).

This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2017.

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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2018

25. Financial instruments (continued)

(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 market 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.