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## INDEPENDENT AUDITORS' REPORT

To the Members of  
SALADA FOODS JAMAICA LIMITED

### Report on the Financial Statements

We have audited the financial statements of Salada Foods Jamaica Limited (“the company”) and the consolidated financial statements of the company and its subsidiaries (“the group”), set out on pages 3 to 37, which comprise the group’s and company’s statement of financial position as at September 30, 2011, the group’s and company’s statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards 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.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



INDEPENDENT AUDITORS' REPORT

To the Members of  
SALADA FOODS JAMAICA LIMITED

**Report on the Financial Statements (Cont'd)**

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of the group and the company as at September 30, 2011, and of the group's and company's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

**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 and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

*KPMG*

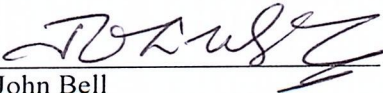
Chartered Accountants  
Kingston, Jamaica

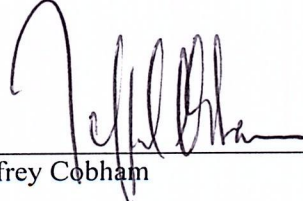
November 17, 2011

SALADA FOODS JAMAICA LIMITEDStatement of Financial Position  
September 30, 2011

	Notes	The Group		The Company	
		2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant & equipment	3	31,006	30,578	20,439	18,926
Investment in subsidiary companies	4	-	-	881	881
Employee benefit asset	5(a)	45,222	52,478	45,222	52,478
		<u>76,228</u>	<u>83,056</u>	<u>66,542</u>	<u>72,285</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6	249,507	303,411	249,507	303,411
Accounts receivable	7	102,345	59,804	102,345	59,804
Inventories	8	207,235	158,682	207,235	158,682
		<u>559,087</u>	<u>521,897</u>	<u>559,087</u>	<u>521,897</u>
<b>TOTAL ASSETS</b>		<u>635,315</u>	<u>604,953</u>	<u>625,629</u>	<u>594,182</u>
<b>STOCKHOLDERS' EQUITY</b>					
Share capital	9	73,216	73,216	73,216	73,216
Capital reserves	10	16,275	16,275	6,543	6,543
Retained earnings		453,473	417,911	455,677	419,392
		<u>542,964</u>	<u>507,402</u>	<u>535,436</u>	<u>499,151</u>
<b>NON-CURRENT LIABILITIES</b>					
Employee benefit obligation	5(b)	18,563	15,707	18,563	15,707
Deferred taxation	11	9,420	13,325	7,262	10,805
		<u>27,983</u>	<u>29,032</u>	<u>25,825</u>	<u>26,512</u>
<b>CURRENT LIABILITIES</b>					
Accounts payable	12	54,064	62,454	54,064	62,454
Taxation payable		10,304	6,065	10,304	6,065
		<u>64,368</u>	<u>68,519</u>	<u>64,368</u>	<u>68,519</u>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>		<u>635,315</u>	<u>604,953</u>	<u>625,629</u>	<u>594,182</u>

The financial statements on pages 3 to 37 were approved for issue by the Board of Directors on November 17, 2011 and signed on its behalf by:

  
John Bell Chairman

  
Jeffrey Cobham Director

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

SALADA FOODS JAMAICA LIMITEDGroup Statement of Comprehensive Income  
Year ended September 30, 2011

	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
Sales	13	560,862	426,375
Cost of sales		(363,572)	(260,151)
Gross profit		197,290	166,224
Other operating income		536	2,560
Selling and promotion expenses		( 25,731)	( 20,334)
Administration expenses		( 80,377)	( 57,048)
Operating profit before net finance income and taxation		<u>91,718</u>	<u>91,402</u>
Finance income	14	19,611	34,300
Finance costs	14	( 766)	( 2,616)
Net finance income	14	<u>18,845</u>	<u>31,684</u>
Profit before taxation	16	110,563	123,086
Taxation	15	( 38,643)	( 41,678)
Net profit attributable to members, being total comprehensive income		<u>71,920</u>	<u>81,408</u>
Dealt with in financial statements of:			
The company		72,643	82,132
The subsidiaries		( 723)	( 724)
		<u>71,920</u>	<u>81,408</u>
Earnings per ordinary stock unit	18	<u>0.69</u>	<u>0.78</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, 2011

	Share capital (Note 9) \$'000	Capital reserves (Note 10) \$'000	Retained earnings \$'000	Total \$'000
Balances at September 30, 2009	73,216	16,275	367,647	457,138
Net profit, being total comprehensive income	-	-	81,408	81,408
Dividends (note 9)	<u>-</u>	<u>-</u>	( 31,144)	( 31,144)
Balances at September 30, 2010	73,216	16,275	417,911	507,402
Net profit, being total comprehensive income	-	-	71,920	71,920
Dividends (note 9)	<u>-</u>	<u>-</u>	( 36,358)	( 36,358)
Balances at September 30, 2011	<u>73,216</u>	<u>16,275</u>	<u>453,473</u>	<u>542,964</u>
Retained in the financial statements of:				
The company	73,216	6,543	455,677	535,436
The subsidiaries	<u>-</u>	<u>9,732</u>	( 2,204)	<u>7,528</u>
Balance at September 30, 2011	<u>73,216</u>	<u>16,275</u>	<u>453,473</u>	<u>542,964</u>
The company	73,216	6,543	419,392	499,151
The subsidiaries	<u>-</u>	<u>9,732</u>	( 1,481)	<u>8,251</u>
Balances at September 30, 2010	<u>73,216</u>	<u>16,275</u>	<u>417,911</u>	<u>507,402</u>

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

SALADA FOODS JAMAICA LIMITEDGroup Statement of Cash Flows  
Year ended September 30, 2011

	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the year	71,920	81,408
Adjustments for:		
Items not involving cash:		
Depreciation	4,171	3,852
Income tax expense	42,548	40,429
Deferred taxation	( 3,905)	1,249
Interest income	( 19,369)	( 34,300)
Employee benefits, net	<u>10,112</u>	<u>( 5,569)</u>
	105,477	87,069
Changes in operating assets and liabilities:		
Inventories	( 48,553)	( 50,168)
Accounts receivable	( 45,112)	23,242
Accounts payable	<u>( 8,390)</u>	<u>23,003</u>
Cash generated from operations	3,422	83,146
Taxation paid	<u>( 38,309)</u>	<u>( 49,142)</u>
Net cash (used)/provided by operating activities	<u>( 34,887)</u>	<u>34,004</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	21,940	30,959
Purchase of property, plant & equipment	<u>( 4,599)</u>	<u>( 2,636)</u>
Net cash provided by investing activities	<u>17,341</u>	<u>28,323</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividends paid	( 36,358)	( 31,144)
Repayment of long-term loans	<u>-</u>	<u>( 3,447)</u>
Net cash used by financing activities	<u>( 36,358)</u>	<u>( 34,591)</u>
Net (decrease)/increase in cash and cash equivalents	( 53,904)	27,736
Cash and cash equivalents at beginning of year	<u>303,411</u>	<u>275,675</u>
Cash and cash equivalents at end of year (note 6)	<u>249,507</u>	<u>303,411</u>

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

SALADA FOODS JAMAICA LIMITEDCompany Statement of Comprehensive Income  
Year ended September 30, 2011

	<u>Notes</u>	<u>2011</u> \$'000	<u>2010</u> \$'000
Sales	13	560,862	426,375
Cost of sales		(363,572)	(260,151)
Gross profit		197,290	166,224
Other operating income		536	2,560
Selling and promotion expenses		( 25,731)	( 20,334)
Administration expenses		( 79,292)	( 55,963)
Operating profit before net finance income and taxation		<u>92,803</u>	<u>92,487</u>
Finance income	14	19,611	34,300
Finance costs	14	( 766)	( 2,616)
Net finance income	14	<u>18,845</u>	<u>31,684</u>
Profit before taxation	16	111,648	124,171
Taxation	15	( 39,005)	( 42,039)
Net profit for the year, being total comprehensive income		<u>72,643</u>	<u>82,132</u>

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

SALADA FOODS JAMAICA LIMITEDCompany Statement of Changes in Stockholders' Equity  
Year ended September 30, 2011

	Share capital (Note 9) \$'000	Capital reserves (Note 10) \$'000	Retained earnings \$'000	Total \$'000
Balances at September 30, 2009	73,216	6,543	368,404	448,163
Net profit for the year, being total comprehensive income	-	-	82,132	82,132
Dividends (note 9)	<u>-</u>	<u>-</u>	( 31,144)	( 31,144)
Balances at September 30, 2010	73,216	6,543	419,392	499,151
Net profit for the year, being total comprehensive income	-	-	72,643	72,643
Dividends (note 9)	<u>-</u>	<u>-</u>	( 36,358)	( 36,358)
Balances at September 30, 2011	<u>73,216</u>	<u>6,543</u>	<u>455,677</u>	<u>535,436</u>

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

SALADA FOODS JAMAICA LIMITEDCompany Statement of Cash Flows  
Year ended September 30, 2011

	<u>2011</u> \$'000	<u>2010</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the year	72,643	82,132
Adjustments for:		
Items not involving cash:		
Depreciation	3,086	2,767
Income tax expense	42,548	40,429
Deferred taxation	( 3,543)	1,610
Interest income	( 19,369)	( 34,300)
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Inventories	( 48,553)	( 50,168)
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Cash and cash equivalents at end of year (note 6)	<u>249,507</u>	<u>303,411</u>

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

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements  
Year ended September 30, 20111. 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. The company has two wholly-owned subsidiaries, Coffee Company of Jamaica Limited and Shirriff’s (Jamaica) Limited. The company’s registered office is located at 20 Bell Road, Kingston 11, Jamaica West Indies.

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 adopted by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

Certain new IFRS, and interpretations of and amendments to existing standards which were in issue, came into effect for the current financial year. Those that are considered relevant and which were adopted are as follows:

- *Amendments to IAS 32 Financial instruments: Presentation* (effective February 1, 2010). The *amendments* allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. This change had no impact on the group’s 2011 financial statements.
- *Business Combinations* (effective July 1, 2010) is amended to state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) that has been settled or otherwise resolved at the effective date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004). IFRS 3 has also been amended to limit the accounting policy choice to measure non-controlling interests (NCI) upon initial recognition either at fair value or at the NCI’s proportionate share of the acquiree’s identifiable net assets to instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation. IFRS 3 was also amended to provide guidance on unreplaced and voluntary replaced share-based payment awards. This change had no impact on the group’s 2011 financial statements.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

(a) Statement of compliance (cont'd):

At the date of approval of the financial statements, there were certain standards and interpretations which were in issue but not yet effective. Those which are considered relevant to the group are as follows:

- *IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* (effective July 1, 2012) has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles. The group is assessing the impact that the standard will have in its 2013 financial statements.
- *IFRS 7 Financial Instruments: Disclosures* (effective January 1, 2011) is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial statements. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed. The group is assessing the impact that the standard will have on its 2012 financial statements.
- *Disclosures—Transfer of Financial Assets (Amendments to IFRS 7)* (effective July 1, 2011). The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets. The group is assessing the impact, if any, the amendment will have on the 2013 financial statements.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

(a) Statement of compliance (cont'd):

- *IFRS 9, Financial Instruments*, is (effective January 1, 2013). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities. The group is assessing the impact that this standard would have on its 2014 financial statements.
- *IFRS 10 Consolidated Financial Statements* (effective January 1, 2013) supersedes *IAS 27 Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008). The group is assessing the impact that this standard will have in its 2014 financial statements.
- *IFRS 12, Disclosure of Interests in Other Entities*, (effective January 1, 2013) contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate:
  - the nature of, and risks associated with, an entity's interests in other entities; and
  - the effects of those interests on the entity's financial position, financial performance and cash flows

Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards. The group is assessing the impact that the standard will have on the 2014 financial statements.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

(a) Statement of compliance (cont'd):

- *IFRS 13, Fair Value Measurement*, (effective January 1, 2013) replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. It defines *fair value* as 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, i.e. an exit price. The group is assessing the impact that the standard will have on the 2014 financial statements.
- *IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective January 1, 2011). It applies when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. The amendments permit such an entity to treat the benefit of such an early payment as an asset. The group is assessing the impact that the standard will have on the 2012 financial statements.
- *IAS 19 Employee Benefits* (effective January 1, 2013) has been amended to require all actuarial gains and losses to be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss. It also requires the expected return on plan assets recognized in profit or loss is to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard. The group is currently assessing the impact the standard will have on its 2014 financial statements.
- *IAS 24, Related Party Disclosure, revised* (effective January 1, 2011) introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure. The group is assessing the impact, if any, the amendment will have on the 2012 financial statements.

The adoption of *IAS 1, IFRS 7, Disclosures – Transfer of Financial Assets, IFRS 9, IFRS 10, IFRS 12, IFRS 13, IFRIC 14 IAS 19 and IAS 24*, are expected to result in adjustments and additional disclosures to the financial statements. Management is currently in the process of evaluating the impact on the financial statements of adopting these standards.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

## (b) Basis of preparation:

The financial statements are presented in Jamaica dollars (\$), which is the functional currency of the company.

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

## (c) Basis of consolidation:

(i) A “subsidiary” is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The consolidated financial statements include the financial statements of the company and its wholly-owned subsidiaries, Coffee Company of Jamaica Limited and Shirriff’s (Jamaica) Limited made up to September 30, 2011. The company and its subsidiaries are collectively referred to as “the group”. These companies are currently dormant and the shareholdings are the same for 2011 and 2010.

(ii) Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

## (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 balance sheet 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

(d) Use of estimates and judgements (cont'd):

(i) Pension and other post-retirement benefits (cont'd):

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.

(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 & equipment:

(i) Property, plant & equipment are stated 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

(e) Property, plant & equipment (cont'd):

(ii) Depreciation:

Depreciation is computed on a straight-line basis at annual rates estimated to write down the property, plant & equipment to their estimated residual values at the end of their expected useful lives. No depreciation is charged on the freehold land or capital work-in-progress. Annual depreciation rates are as follows:

Buildings	2.5 - 6.5%
Machinery and equipment	2.5 - 20%
Motor vehicles	20%

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

(f) Investment in subsidiary companies:

Investments in subsidiary companies are stated at cost.

(g) 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 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

## (g) Employee benefits (cont'd):

## (i) Pension arrangements(cont'd):

Cumulative actuarial gains or losses that exceed 10% of both the present value of the obligation and the fair value of plan assets are recognised in the statement of comprehensive income over the expected average remaining working lives of the employees participating in the plan. Otherwise, actuarial gains or losses are not recognised.

The discount rate is determined by reference to the yield at the statement of financial position date on long-term government bonds with maturities approximating the terms of the group's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

## (ii) Other post-retirement benefits:

The post-retirement medical benefits for full-time employees and pensioners are sponsored by the company that pays the full premiums on an Insured Health Plan.

## (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.

## (h) Inventories:

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

The cost of other inventories is based on the FIFO principles and includes expenses incurred in acquiring and bringing them to their existing location and condition.

## (i) Accounts receivable:

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

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

## (j) Cash and cash equivalents:

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

## (k) Accounts payable:

Trade and other payables are stated at amortised cost.

## (l) Provisions:

A provision is recognised in the balance sheet 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.

## (m) Impairment:

The carrying amounts of the company's and its subsidiaries' assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet 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 company's and its subsidiaries' 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

## (m) Impairment (cont'd):

## (i) Calculation of recoverable amount (cont'd):

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.

## (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.

## (n) Revenue:

Revenue from the sale of goods is recognised in the income statement 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.

## (o) 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.

## (p) 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 equity.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

## (p) Income tax (cont'd):

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

Deferred tax is provided using the balance sheet liability method, providing 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 statement of financial position date.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except to the extent that the company and its subsidiaries are 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.

## (q) 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.

## (r) 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 statement of financial position 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, 2011

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

## (s) Related parties:

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - (a) is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
  - (b) has an interest in the company that gives it significant influence over the entity; or
  - (c) has joint control over the company;
- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

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

## (t) Segment reporting:

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

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

## (u) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable. Similarly, financial liability includes accounts payable.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

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

## (v) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

3. Property, plant & equipment

	Freehold <u>land</u> \$'000	Freehold <u>buildings</u> \$'000	Machinery equipment & <u>vehicles</u> \$'000	<u>Total</u> \$'000
(a) The Group:				
At cost or deemed cost:				
September 30, 2009	10,000	34,484	97,763	142,247
Additions	<u>-</u>	<u>279</u>	<u>2,357</u>	<u>2,636</u>
September 30, 2010	10,000	34,763	100,120	144,883
Additions	-	-	4,599	4,599
Disposals	<u>-</u>	<u>-</u>	<u>( 1,486)</u>	<u>( 1,486)</u>
September 30, 2011	<u>10,000</u>	<u>34,763</u>	<u>103,233</u>	<u>147,996</u>
Depreciation:				
September 30, 2009	-	17,268	93,185	110,453
Charge for the year	<u>-</u>	<u>2,208</u>	<u>1,644</u>	<u>3,852</u>
September 30, 2010	-	19,476	94,829	114,305
Charge for the year	-	1,134	3,037	4,171
Disposals	<u>-</u>	<u>-</u>	<u>( 1,486)</u>	<u>( 1,486)</u>
September 30, 2011	<u>-</u>	<u>20,610</u>	<u>96,380</u>	<u>116,990</u>
Net book value:				
September 30, 2011	<u>10,000</u>	<u>14,153</u>	<u>6,853</u>	<u>31,006</u>
September 30, 2010	<u>10,000</u>	<u>15,287</u>	<u>5,291</u>	<u>30,578</u>

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 20113. Property, plant & equipment (cont'd)

	Freehold <u>land</u> \$'000	Freehold <u>buildings</u> \$'000	Machinery equipment & <u>vehicles</u> \$'000	<u>Total</u> \$'000
(b) The Company:				
At cost or deemed cost:				
September 30, 2009	6,144	16,919	97,763	120,826
Additions	<u>-</u>	<u>279</u>	<u>2,357</u>	<u>2,636</u>
September 30, 2010	6,144	17,198	100,120	123,462
Additions	-	-	4,599	4,599
Disposal	<u>-</u>	<u>-</u>	<u>( 1,486)</u>	<u>( 1,486)</u>
September 30, 2011	<u>6,144</u>	<u>17,198</u>	<u>103,233</u>	<u>126,575</u>
Depreciation:				
September 30, 2009	-	8,584	93,185	101,769
Charge for the year	<u>-</u>	<u>1,123</u>	<u>1,644</u>	<u>2,767</u>
September 30, 2010	-	9,707	94,829	104,536
Charge for the year	-	1,134	1,952	3,086
Disposal	<u>-</u>	<u>-</u>	<u>( 1,486)</u>	<u>( 1,486)</u>
September 30, 2011	<u>-</u>	<u>10,841</u>	<u>95,295</u>	<u>106,136</u>
Net book values:				
September 30, 2011	<u>6,144</u>	<u>6,357</u>	<u>7,938</u>	<u>20,439</u>
September 30, 2010	<u>6,144</u>	<u>7,491</u>	<u>5,291</u>	<u>18,926</u>

- (c) 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 10).

4. Investment in subsidiary companies

Investment in subsidiary companies at year end comprises:

	<u>The Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Shares at cost:		
Coffee Company of Jamaica Limited	790	790
Shirriff's (Jamaica) Limited	<u>91</u>	<u>91</u>
	<u>881</u>	<u>881</u>

During the year, the company had no significant related party transactions.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

5. Employee benefits

## (a) Defined benefit pension plan:

The Group operates a pension plan which provides retirement and death benefits to its employees. The plan is administered by trustees and is managed by Guardian Life Limited. Contributions to the plan are made by the company and employees based on a percentage of the employees' pensionable earnings. Retirement benefits are based on the average of the final three years' salary.

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

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Fair value of plan assets	77,321	86,702
Present value of funded obligation	(36,137)	(41,093)
	41,184	45,609
Unrecognised actuarial losses	19,233	11,759
Unrecognised amount due to limitation	(15,195)	( 4,890)
	<u>45,222</u>	<u>52,478</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>2011</u>	<u>2010</u>
	\$'000	\$'000
At beginning of year	52,478	31,202
Amounts recognised in profit or loss	( 7,413)	21,097
Contributions paid	<u>157</u>	<u>179</u>
At end of year	<u>45,222</u>	<u>52,478</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

5. Employee benefits (cont'd)

## (a) Defined benefit pension plan (cont'd):

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

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
At beginning of year	(41,093)	(34,726)
Benefit paid	19,840	1,449
Current service and interest costs	( 8,343)	(11,380)
Actuarial (loss)/gain	( 6,541)	<u>3,564</u>
At end of year	<u>(36,137)</u>	<u>(41,093)</u>

(iv) The movement in the plan assets recognised in the statement of financial position is as follows:

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Fair value of plan assets at beginning of year	86,702	76,145
Contribution paid	3,189	3,439
Expected return on plan assets	8,499	7,762
Benefit paid	(19,840)	( 1,449)
Actuarial (loss)/gain	( 1,229)	<u>805</u>
Fair value of plan assets at end of year	<u>77,321</u>	<u>86,702</u>

The assets of the fund are invested in Guardian Life's Pool Investment Fund and Deposit Administration Fund as at September 30, 2011 and 2010.

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

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Interest and employer's current service cost	( 4,031)	( 8,119)
Expected return on plan assets	8,499	7,762
Net actuarial gain recognised during the year	( 296)	( 789)
Change in surplus not eligible for recognition due to limitation	<u>(11,585)</u>	<u>22,243</u>
At the end of the year	<u>( 7,413)</u>	<u>21,097</u>

(vi) The actual return on the plan assets was \$7,270,000 (2010: \$8,567,000).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

5. Employee benefits (cont'd)

## (a) Defined benefit pension plan (cont'd):

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

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	%	%
Discount rate	10.5	11.5
Expected return on plan assets	10.0	10.0
Future salary increases	8.0	7.0
Future pension increases	4.0	3.0
Inflation rate	<u>6.5</u>	<u>7.5</u>

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

## (b) Post retirement medical benefit obligation:

In the previous year, 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.

(i) Liability recognised in statement of financial position are determined as follows:

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Present value of obligation	(26,142)	(23,092)
Unrecognised actuarial losses	<u>7,579</u>	<u>7,385</u>
	<u>(18,563)</u>	<u>(15,707)</u>

(ii) Expense recognised in profit or loss:

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Current, past service and interest cost	<u>4,385</u>	<u>3,112</u>

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

	<u>2011</u>	<u>2010</u>
Discount rate	10.5%	11.5%
Health cost inflation	<u>9.0%</u>	<u>10.0%</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

5. Employee benefits (cont'd)

## (b) Post retirement medical benefit obligation (cont'd):

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.

## (c) Historical information:

## (i) Defined benefit pension plan:

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of the defined benefit obligation	(36,137)	(41,093)	(34,726)	(21,889)	(19,147)
Fair value of plan assets	<u>77,321</u>	<u>86,702</u>	<u>76,145</u>	<u>68,779</u>	<u>81,817</u>
Surplus	<u>41,184</u>	<u>45,609</u>	<u>41,419</u>	<u>46,890</u>	<u>62,670</u>
Experience adjustments arising on plan liabilities	765	( 1,969)	4,852	21,523	7,670
Experience adjustments arising on plan assets	( <u>1,229</u> )	<u>805</u>	<u>631</u>	<u>417</u>	<u>1,493</u>

## (ii) Post-retirement medical benefit plan:

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Present value of defined benefit obligation	<u>26,142</u>	<u>23,092</u>

6. Cash and cash equivalents

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

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Cash in hand and bank	8,947	2,486
Short term investments [note (a)]	<u>240,560</u>	<u>300,925</u>
	<u>249,507</u>	<u>303,411</u>

- (a) The weighted average effective interest rate on short term investments denominated in Jamaica dollars was 6.86% (2010: 11.67%) and on short term investments denominated in United States dollars was 4.56% (2010: 4.57%), and these investments mature within 90 days.

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 20117. Accounts receivable

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Trade receivable	93,073	47,317
Prepayments	6,531	8,065
Other receivable	<u>3,091</u>	<u>4,772</u>
	102,695	60,154
Less: allowances for doubtful debts	( <u>350</u> )	( <u>350</u> )
	<u>102,345</u>	<u>59,804</u>

The company's exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 19.

8. Inventories

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Raw and packaging material	72,850	104,736
Finished goods held for sale	100,038	33,555
Work-in-progress	21,700	13,629
Fuel, spares and consumables	8,141	7,443
Goods-in-transit	<u>4,749</u>	<u>-</u>
	207,478	159,363
Less: provision for obsolescence	( <u>243</u> )	( <u>681</u> )
	<u>207,235</u>	<u>158,682</u>

9. Share capital

	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Authorised:		
500,000,000 (2010: 500,000,000) ordinary units of no par value		
Stated:		
Issued and fully paid:		
103,883,300 (2010: 103,883,300) ordinary stock units of no par value	<u>73,216</u>	<u>73,216</u>

The amounts accounted for as share premium were transferred to stated capital in accordance with the Companies Act, 2004.

During the year, the company paid a dividend of 35¢ (2010:30¢) per share.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

10. Capital reserves

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
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>

11. Deferred taxation

Deferred tax assets/(liabilities) are attributable to the following:

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Deferred tax assets:				
Property, plant & equipment	-	-	1,122	1,499
Accounts payable	738	884	738	884
Unrealised exchange loss	20	183	20	183
Tax value of losses carried forward	<u>72</u>	<u>72</u>	<u>-</u>	<u>-</u>
	<u>830</u>	<u>1,139</u>	<u>1,880</u>	<u>2,566</u>
Deferred tax liabilities:				
Employee benefits asset, net	( 8,886)	(12,257)	(8,886)	(12,257)
Property, plant & equipment	( 1,108)	( 1,093)	-	-
Accounts receivable	<u>( 256)</u>	<u>( 1,114)</u>	<u>( 256)</u>	<u>( 1,114)</u>
	<u>(10,250)</u>	<u>(14,464)</u>	<u>(9,142)</u>	<u>(13,371)</u>
	<u>( 9,420)</u>	<u>(13,325)</u>	<u>(7,262)</u>	<u>(10,805)</u>

All movements in temporary differences are recognised in profit or loss.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

12. Accounts payable

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade payable	33,016	43,139
Accrued charges	7,876	12,433
Other payable	<u>13,172</u>	<u>6,882</u>
	<u>54,064</u>	<u>62,454</u>

13. Sales

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

14. Net finance income/(costs)

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Finance income:		
Interest income – short term investments	19,369	34,300
Foreign exchange gain	<u>242</u>	<u>-</u>
	<u>19,611</u>	<u>34,300</u>
Finance costs:		
Bank charges and interest	( 766)	( 548)
Foreign exchange loss	<u>-</u>	<u>( 2,068)</u>
	<u>( 766)</u>	<u>( 2,616)</u>
	<u>18,845</u>	<u>31,684</u>

15. Taxation

(a) Taxation is based on net profit for the year adjusted for taxation purposes and represents income tax charged at 33 $\frac{1}{3}$ %.

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current tax expense:				
Income tax	42,548	40,429	42,548	40,429
Deferred taxation:				
Originating and reversal of other timing differences, net	( 3,905)	<u>1,249</u>	( 3,543)	<u>1,610</u>
	<u>38,643</u>	<u>41,678</u>	<u>39,005</u>	<u>42,039</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

15. Taxation (cont'd)

## (b) Reconciliation of effective tax rate:

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before tax	<u>110,563</u>	<u>123,086</u>	<u>111,648</u>	<u>124,171</u>
Computed "expected" tax expense @ 33 $\frac{1}{3}$ %	36,854	41,029	37,216	41,390
Difference between profits for financial statements and tax reporting purposes on: Disallowed expenses and capital adjustments, net	<u>1,789</u>	<u>649</u>	<u>1,789</u>	<u>649</u>
Actual expense	<u>38,643</u>	<u>41,678</u>	<u>39,005</u>	<u>42,039</u>

16. Disclosure of expenses

## (a) Profit before taxation is stated after charging/(crediting):

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Depreciation	4,171	3,852	3,086	2,767
Cost of inventories recognised as expense	363,572	260,151	363,572	260,151
Directors' emoluments:				
Fees	5,117	5,202	5,117	5,202
Management remuneration	8,804	8,306	8,804	8,306
Auditors' remuneration	1,400	1,350	1,400	1,350
Staff costs (note 17)	<u>62,402</u>	<u>35,433</u>	<u>62,402</u>	<u>35,433</u>

## (b) Transactions with key management personnel:

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>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term employee benefits	18,638	16,563
Post-employment benefits	<u>13,095</u>	<u>18,404</u>

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 201117. Staff costs

	<u>The Group and the Company</u>	
	<u>2011</u>	<u>2010</u>
	\$'000	\$'000
Salaries and wages	46,065	35,668
Statutory contributions	4,422	3,433
Employee benefits, net	10,112	( 5,390)
Staff welfare	<u>1,803</u>	<u>1,722</u>
	<u>62,402</u>	<u>35,433</u>

18. 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>2011</u>	<u>2010</u>
Net profit attributable to shareholders (\$'000)	<u>71,920</u>	<u>81,408</u>
Number of stock units in issue	<u>103,883,300</u>	<u>103,883,300</u>
Basic earnings per stock unit (\$)	<u>0.69</u>	<u>0.78</u>

19. 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 company and its subsidiaries 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

19. Financial instruments (cont'd)

## (a) Financial risk management (cont'd):

## (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 with financial institutions.

*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 balance sheet date, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

	<u>Carrying amount</u>	
	<u>2011</u> \$'000	<u>2010</u> \$'000
Cash and cash equivalents	249,507	303,411
Accounts receivable	<u>102,345</u>	<u>59,804</u>
	<u>351,852</u>	<u>363,215</u>

The aging of trade receivables at the reporting date was:

	<u>2011</u>		<u>2010</u>	
	<u>Gross</u> \$'000	<u>Impairment</u> \$'000	<u>Gross</u> \$'000	<u>Impairment</u> \$'000
Not past due	83,062	-	31,529	-
Past due 1-30 days	6,356	-	4,930	-
Past due 31-60 days	-	-	-	-
More than 60 days	<u>3,655</u>	<u>350</u>	<u>10,858</u>	<u>350</u>
	<u>93,073</u>	<u>350</u>	<u>47,317</u>	<u>350</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

19. Financial instruments (cont'd)

## (a) Financial risk management (cont'd):

## (i) Credit risk (cont'd):

There was no movement in the allowance for impairment in respect of trade receivables during the year.

Based on past experience, the company believes that trade receivables not past due, relates to customers that have a good track record with the company.

## (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.

The following are the contractual maturities of the non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements.

	<u>Carrying amount</u> \$'000	<u>Contractual cash flow</u> \$'000	<u>Less than 1 year</u> \$'000	<u>1-2 years</u> \$'000
September 30, 2011:				
Accounts payable	<u>54,064</u>	<u>54,064</u>	<u>54,064</u>	<u>-</u>
September 30, 2010:				
Accounts payable	<u>62,454</u>	<u>62,454</u>	<u>62,454</u>	<u>-</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

19. Financial instruments (cont'd)

## (a) Financial risk management (cont'd):

## (iii) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates, and interest rates will affect the company'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. When utilised, bank overdrafts are subject to fixed interest rates which may be varied by appropriate notice by the lender. At September 30, 2011 and 2010, 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>Carrying amount</u>	
	<u>2011</u>	2010
	\$'000	\$'000
Variable rate:		
Assets	<u>242,744</u>	<u>303,070</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 dates would not affect profit or equity.

*Cash flow sensitivity analysis for variable rate instruments*

A change of one percent (2010: five percent) in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by \$2,427 (2010:\$ 15,154).

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

19. Financial instruments (cont'd)

## (a) Financial risk management (cont'd):

## (iii) Market risk (cont'd):

- 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.

	Net foreign currency monetary assets			
	2011		2010	
	US\$	J\$	US\$	J\$
Cash and cash equivalents	12,833	1,102,868	515,433	44,221,823
Accounts receivable	206,435	17,741,023	110,368	9,469,078
Accounts payable	(79,192)	(6,805,760)	(439,424)	(37,899,529)
Net exposure	<u>140,076</u>	<u>12,038,131</u>	<u>186,377</u>	<u>15,791,372</u>

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

September 30, 2010	85.80
September 30, 2011	85.94
November 17, 2011	86.69

*Sensitivity analysis*

A 1% (2010: 10%) strengthening/weakening of the US\$ against the Jamaica dollar would have increased/(decreased) profit for the year by \$120,381 (2010: \$1,599,031) respectively. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis for 2010.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2011

19. Financial instruments (cont'd)

## (a) Financial risk management (cont'd):

## (iv) Operational risk:

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

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

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

## (b) Capital management:

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

## (c) Fair value disclosure:

The fair values of amounts disclosed as cash and cash equivalents, accounts receivable and accounts payable approximate to their carrying value due to their short-term nature.

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