Salada Foods Jamaica Ltd.

Notes to the Financial Statements

30 September 2002

1 **Company Identification and Principal Activity**

The company, which is incorporated in Jamaica, is the sole manufacturer of instant coffee in Jamaica. Sales of instant coffee and roasted and ground beans represent approximately 80% of the company's and the group's turnover.

All amounts are stated in Jamaican dollars.

2 **Significant Accounting Policies**

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards, and have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

(b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Basis of consolidation

The group's financial statements present the results of operations and financial position of the company and two of its wholly owned subsidiaries, Coffee Company of Jamaica Limited and Shirriff's (Jamaica) Limited. The excess of the cost of shares in the subsidiaries over the book value of the net assets acquired has been charged against shareholders' interests.

(d) Investment in subsidiaries

Investments by the holding company in subsidiaries are stated at cost.

(e) Financial instruments

Financial instruments carried on the balance sheet include receivables, group balances, payables and short and long-term loans. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item where relevant. The fair values of the company's financial instruments are discussed in Note 19.

(f) Foreign currency translation

Transactions during the year are converted into Jamaican dollars at the appropriate rates of exchange ruling on transaction dates. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the appropriate rates of exchange ruling at balance sheet date. Exchange differences arising on foreign currency liabilities that were incurred in the acquisition of assets invoiced in foreign currency have been included in the carrying amount of the assets. Otherwise, gains or losses arising from fluctuations in exchange rates are credited or charged to the profit and loss account.

(g) Revenue recognition

Revenue is recognized upon delivery of products and customer acceptance. Interest income is recognized as it accrues unless collectibility is in doubt.

(h) Fixed assets

Fixed assets are stated at cost or subsequent valuation. Depreciation is charged on the straight-line basis over the estimated useful lives of the assets. The rates used are as follows:

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

The revaluation surplus is amortised to retained earnings by reference to the incremental depreciation arising as a result of the revaluation of fixed assets.

Land is not depreciated as it deemed to have indefinite life.

(i) Inventories
Raw and packaging materials are stated at the lower of average cost and net realisable value. Finished goods are stated at the lower of cost (which comprises materials, direct labour and a proportion of overhead expenses) and net realisable value.

(j) Trade receivables
Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year-end. Bad debts are written off during the year in which they are identified.

(k) Cash and cash equivalents
For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and deposits held at call with banks, net of bank overdraft and short term loans.

(l) Comparative information
Where necessary, comparative figures have been reclassified to conform to changes in the presentation in the current year.

3 Turnover

Turnover represents the exfactory price of goods sold to third parties, net of General Consumption Tax after deducting discounts and allowances.

4 Operating Profit

The following items have been charged/(credited) in arriving at profit before taxation:

	2002	**2001**
	$'000	**$'000**
Depreciation	6,588	6,631
Gain on disposal of fixed assets	236	(174)
Directors' emoluments -		
Fees	75	240
Management remuneration	4,077	3,732
Auditors remuneration -		
Current year	1,200	1,100

Prior year	(50)	-
Repairs and maintenance	5,410	2,960
Staff costs (Note 5)	56,799	53,179

5 Staff Costs

	2002 $'000	**2001 $'000**
Salaries and wages	40,168	37,025
Statutory contributions	4,033	4,092
Pension costs	2,949	2,553
Other	9,649	9,509
	56,799	53,179

The average number of persons employed by the company during the year was as follows: -

	2002	**2001**
Full-time	49	49
Casual	21	34

6 Finance Costs

	2002 $'000	**2001 $'000**
Interest income	494	308
Foreign exchange loss	(1,665)	(999)
Interest expense -		
Loans	(3,007)	(5,115)
	(4,178)	(5,806)

7 Taxation

Taxation is based on the profit for the year adjusted for taxation purposes and comprises:

	2002 $'000	**2001 $'000**

Income tax at 33 1/3%	16,395	-
	======	=====

The taxation charge for the current year is disproportionate to the reported profit mainly as a result of the utilization of tax losses in the sum of $5,133,000 brought forward from previous years, certain expenses being disallowed for tax purposes and the depreciation charge exceeding capital allowances granted for income for tax purposes.

8 Profit per Stock Unit

The profit per stock unit is based on 7,564,800 ordinary stock units in issue for both years, and is calculated on the profit attributable to stockholders.

9 Share Capital

	2002 $'000	2001 $'000
Authorised -		
10,400,000 (2001 - 7,564,800) Ordinary shares of 50c eac	5,200	3,782
	=====	=====
Issued and fully paid -		
7,564,800 Ordinary shares of 50c each	3,782	3,782
	=====	=====

At an Annual General meeting held on 18 September 2002, the authorized share capital of the company was increased to $5,200,000 by the creation of 2,835,200 ordinary shares of 50c each. These shares have the same voting rights as the existing shares and rank pari passu in all respects with existing ordinary shares of the company.

10 Capital Reserve

	Group		Company	
	2002 $'000	2001 $'000	2002 $'000	2001 $'000
Unrealised surplus on revaluation of fixed assets	43,416	14,528	18,172	4,838
Realised gains	1,747	1,747	1,705	1,705

45,163	16,275	19,877	6,543
=======	======	=======	======

11 Long Term Liabilities

	Group and Company	
	2002	2001
	$'000	$'000
Caribbean Trust Finance and Investment Limited		
Promissory Notes - 40%	-	1,480
Financial Sector Adjustment Company Limited (FINSAC)		
Foreign Currency Loan		
US $358,530 1999/09 - 12%	8,285	12,402
Foreign Currency Loan		
US$450,554 1999/09 - 12%	16,051	18,061
Loan - 1999/09 - 25%	15,986	18,894
Bank of Nova Scotia		
Demand Loan	591	(950)
	40,913	51,787
Less: Due within the next 12 months	(8,238)	(12,686)
	32,675	39,101
	========	========

(a) During 1998, the Financial Sector Adjustment Company Limited (FINSAC) took over the non-performing loan portfolio of the National Commercial Bank Jamaica Limited (NCB), which included the FINSAC loans shown above. The terms and conditions of these loans were renegotiated and are now repayable within a maximum of 10 years. Payments are first applied to the outstanding principal and all principal amounts must be fully repaid before any payments are applied to interest. No interest is charged on unpaid interest, which amounted to approximately $30,415,000 at 30 September 2002.

These loans are secured by a mortgage over land and buildings and a debenture over the fixed and floating assets of the company.

(b) Interest rates stated for all loans were those prevailing at 30 September 2002.

12 Fixed Assets

The Group

	Freehold Land $'000	Freehold Buildings $'000	Machinery, Equipment, Vehicles $'000	Total $'000
At Cost or Valuation -				
At 1 October 2001	6,000	40,700	85,247	131,947
Addition	-	178	1,986	2,164
Revaluation		96,936	-	96,936
Disposals	-	-	(11,193)	(11,193)
At 30 September 2002	6,000	137,814	76,040	219,854
Depreciation -				
At 1 October 2001	-	28,033	62,905	90,938
Charge for the year	-	692	5,896	6,588
Revaluation	-	67,593	-	67,593
Relieved on disposal	-	-	(11,179)	(11,179)
At 30 September 2002	-	96,318	57,622	153,940
Net Book Value -				
30 September 2002	6,000	41,496	18,418	65,914
30 September 2001	6,000	12,667	22,342	41,009

The Company

	Freehold Land $'000	Freehold Buildings $'000	Machinery, Equipment, Vehicles $'000	Total $'000
At Cost or Valuation -				
At 1 October 2001	3,686	18,620	85,247	107,553
Additions	-	178	1,986	2,164
Revaluation	-	42,976	-	42,976
Disposals	-	-	(11,193)	(11,193)
At 30 September 2002	3,686	61,774	76,040	141,500
Depreciation -				
At 1 October 2001	-	12,507	62,905	75,412

Charge for the year	-	321	5,896	6,217
Revaluation	-	29,485	-	29,485
Relieved on disposal	-	-	(11,179)	(11,179)
At 30 September 2002	-	42,313	57,622	99,935
Net Book Value -				
30 September 2002	3,686	19,461	18,418	41,565
30 September 2001	3,686	6,113	22,342	32,141

(i) Plant and machinery were professionally valued on 30 September 1985 by Baird and Henderson, Valuators Limited, on the depreciated replacement cost basis.

(ii) Freehold land and buildings were professionally valued by Stoppi Cairney Bloomfield in September 2002 on the depreciated replacement cost basis.

The unrealised surpluses arising from these revaluations have been credited to capital reserve (Note 10)

13 Related Party Transactions and Balances

(a) During the year the company entered into the following transactions with one of its subsidiaries:

	2002 $'000	2001 $'000
Rent paid	71	71

(b) Investment in subsidiaries at year-end comprises:

	2002 $'000	2001 $'000
Shares at cost	881	881
Amounts owed to subsidiaries	(151)	(52)
Net investment in subsidiaries	730	829

14 Inventories

	Group and Company	
	2002	2001
	$'000	$'000
Raw and packaging materials	26,354	23,676
Finished goods	9,135	15,649
Work-in-progress	1,009	5,346
Goods in transit	3,340	-
Consignment Stock	148	-
Stores	4,062	2,989
	44,048	47,660
Provision for obsolete stock	4,975	4,482
	39,073	43,178
	=======	=======

15 Receivables

	The Group		The Company	
	2002	2001	2002	2001
	$'000	$'000	$'000	$'000
Trade receivables	39,929	35,271	39,929	35,271
Other receivables and prepayments	13,241	7,584	13,184	7,526
	53,170	42,855	53,113	42,797
Less: Provision for doubtful debts	24,388	24,194	24,388	24,194
	28,782	18,661	28,725	18,603
	======	======	======	======

16 Cash and Cash Equivalents

	Group and Company	
	2002	2001
	$'000	$'000
Cash in hand and bank	7,900	10,502
Deposits	6,709	-
	14,609	10,502
Short term loan (Note 18)	(1,507)	(1,078)
	13,102	9,424

	=======	=======

Deposits are held with National Commercial Bank Jamaica Limited and have weighted average interest rate of 13%.

17 Payables

	Group and Company	
	2002	**2001**
	$'000	**$'000**
Trade payables	6,148	15,213
Accruals	13,713	10,674
Statutory deductions	2,432	3,357
Other payables	1,169	177
	23,462	29,421
	======	======

18 Short Term Loan

	Group and Company	
	2002	**2001**
	$'000	**$'000**
Pan Caribbean Merchant Bank Limited	1,507	1,078
	1,507	1,078
	=====	=====

This represents an advance for insurance premium financing over a period of eight months at a rate of 5.8% (2001 - 7.8%), commencing April 2002.

19 Financial Instruments

(a) Currency risk

The company incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaican dollar. The main currencies giving rise to this risk are the United States dollar, British pound and Euro dollar.

The company ensures that the net exposure is kept to an acceptable level by matching foreign assets with liabilities as far as possible.

Total foreign currency assets/(liabilities) were as follows:

	Company					
	2002			2001		
	US$'000	**GBP '000**	**EURO '000**	**US$ '000**	**GBP '000**	**EURO '000**
Total assets	86,678	7,531	7,477	36,548	-	-
Total liabilities	(230,756)	-	-	(417,132)	-	-
	(144,078)	7,531	7,477	(380,548)	-	-

(b) Credit risk

The company has no significant concentration of credit risk attaching to trade receivables as the company has a large and diverse customer base, with no balances arising from any single economic or business sector, or any single entity or group of entities. The company has policies ion place to ensure that sale of products and services are made to customers with an appropriate credit history. Trade receivable balances are shown net of provision for doubtful debts, and the company's historical experience in collection of accounts receivable falls within this provision. Cash and short-term deposits are held with substantial financial institutions.

(c) Interest rate risk

The companys income and operating cash flows are substantially independent of changes in market interest rates. Financial assets and liabilities subject to interest include, cash and deposits, bank overdraft and long-term liabilities. The effective rates and exposure risk of these balances are disclosed in the relevant notes to the financial statements.

(d) Fair values

The amounts included in the financial statements for receivables, group balances, payables and short-term loans are at cost, which reflect the fair values of considerations given or received. Other financial instruments are as follows:

Long term liabilities
At recorded amounts less principal payments.

20 Pension Plan

The company and its subsidiaries operate a trusteed, contributory pension plan for employees. The contributory scheme operated on a money purchase basis to final salary basis. Contributions to the scheme are made by the company and employees based on a percentage of the employees' pensionable earnings. Employees must make a basic contribution of 5% of pensionable salary and may also make voluntary contributions of no more than 5% while, the Company contributes 10%.

The latest actuarial valuation of the Plan was conducted 30 April 2000 and revealed a surplus in the Fund amounting to $7,259,000. Group contributions to the plan, charged to profit and loss account, were $2,949,000 (2001-$2,533,000).

21 Operating Leases

The minimum annual lease payments required under operating leases through to their expiry are as follows:

	2002
	$'000
Year ended 30 September 2003	606
Year ended 30 September 2004	606
Year ended 30 September 2005	454
	1,666

22 Subsequent Event

Subsequent to the year end the company made a rights issue of 2,823,529 shares at $17 each to the existing shareholders as at 25 September 2002 at a rate of three for every eight shares held (fractions being disregarded) such that 2,823,529 ordinary shares be issued to rank parri passu in all respects with the existing shares of the company.

Of the issue, 2,018,981 (71.51%) were taken up by Caribbean Equity Partners (through an affiliated entity); the remaining 804,548 (28.49%) being taken up by the other shareholders.