

SALADA FOODS JAMAICA LIMITED

AUDITED ACCOUNTS TO STOCKHOLDERS

The Directors are pleased to present the Audited Accounts of the Company for the year ended September 30, 2005.

Turnover of \$269 million reflects an increase of \$20 million or 8% when compared to the corresponding period last year.

The Gross profit of \$83M shows a minimal decrease of \$734,000.

Administrative expenses increased by 26% due partly to the increase in the net Pension expense arising from the International Accounting Standards (IAS) 19 Valuation for Pension fund.

Selling and Promotion costs increased by 17% due to increased advertising and promotional inputs during the year. The increase in promotional expenditure had been undertaken to promote the brands in the domestic market in response to competition and make a strategic entry into some overseas markets.

The Company earned Finance income of \$9.2 million compared to \$7 million the previous year -- an increase of 31%.

During the year the Board of Directors took the decision to restructure/reorganise the workforce to reduce labour costs and that resulted in a "one-off" cost of \$18.5M.

The combination of all of the above reduced the net profit to \$2.7M compared to \$24.1M for the previous year.

The company now looks forward to increased productivity, efficiency and profits for 2006.



KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

To the Members of
SALADA FOODS JAMAICA LIMITED

Auditors' Report

We have audited the financial statements of Salada Foods Jamaica Limited (“the company”) as at and for the year ended September 30, 2005, set out on pages 2 to 21, and have obtained all the information and explanations which we required. The financial statements are the responsibility of the company’s management. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith and have been prepared in accordance with International Financial Reporting Standards, give a true and fair view of the state of affairs of the group and the company as at September 30, 2005, of the changes in stockholders’ equity, profit and cash flows of the group for the year then ended, and comply with the provisions of the Companies Act, so far as concerns members of the company.

The financial statements of the previous year were audited by another firm of Chartered Accountants, which issued an unqualified opinion on January 19, 2005.

KPMG

December 21, 2005

SALADA FOODS JAMAICA LIMITED

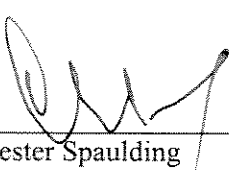
Balance Sheet
September 30, 2005

	Notes	The Group		The Company	
		2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
NON-CURRENT ASSETS					
Property, plant & equipment	3	50,675	56,691	33,595	38,526
Investment in subsidiary companies	4	-	-	881	881
Deferred tax asset	5	697	975	697	975
Employee benefits asset	6	<u>18,895</u>	<u>22,520</u>	<u>18,895</u>	<u>22,520</u>
		<u>70,267</u>	<u>80,186</u>	<u>54,068</u>	<u>62,902</u>
CURRENT ASSETS					
Cash and cash equivalents	7	68,279	81,421	68,279	81,421
Accounts receivable	8	23,848	39,918	23,866	39,918
Taxation recoverable		8,146	486	8,146	486
Due from subsidiary companies		-	-	380	170
Inventories	9	<u>57,476</u>	<u>37,727</u>	<u>57,476</u>	<u>37,727</u>
		<u>157,749</u>	<u>159,552</u>	<u>158,147</u>	<u>159,722</u>
TOTAL ASSETS		<u>228,016</u>	<u>239,738</u>	<u>212,215</u>	<u>222,624</u>
STOCKHOLDERS' EQUITY					
Share capital	10	5,194	5,194	5,194	5,194
Share premium		68,022	68,022	68,022	68,022
Capital reserves	11	16,275	16,275	6,543	6,543
Retained earnings		<u>83,773</u>	<u>81,028</u>	<u>77,704</u>	<u>73,503</u>
		<u>173,264</u>	<u>170,519</u>	<u>157,463</u>	<u>153,262</u>
NON-CURRENT LIABILITIES					
Long-term loan	12	<u>17,266</u>	<u>22,412</u>	<u>17,266</u>	<u>22,412</u>
CURRENT LIABILITIES					
Bank overdraft	7	1,877	-	1,877	-
Current portion of long-term loan	12	5,354	5,303	5,354	5,303
Accounts payable	13	30,255	41,504	30,255	41,504
Due to subsidiary companies		-	-	-	143
		<u>37,486</u>	<u>46,807</u>	<u>37,486</u>	<u>46,950</u>
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		<u>\$228,016</u>	<u>239,738</u>	<u>212,215</u>	<u>222,624</u>

The financial statements on pages 2 to 21 were approved for issue by the Board of Directors on December 21, 2005 and signed on its behalf by:



Bevon Francis Director



J.A. Lester Spaulding Director

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

SALADA FOODS JAMAICA LIMITED

Group Income Statement
Year ended September 30, 2005

	<u>Notes</u>	<u>2005</u> \$'000	<u>2004</u> \$'000
Sales	14	268,739	248,951
Cost of sales		(185,299)	(164,777)
Gross profit		83,440	84,174
Other operating income		895	1,311
Selling and promotion expenses		(18,384)	(15,731)
Administration expenses		(51,109)	(40,595)
Reorganisation costs	17	(18,560)	(-)
Operating (loss)/profit before net finance income and taxation		(3,718)	29,159
Net finance income	15	<u>9,286</u>	<u>7,002</u>
Profit before taxation		5,568	36,161
Taxation	16	(2,823)	(12,060)
Net profit attributable to members	17	<u>2,745</u>	<u>24,101</u>
Dealt with in financial statements of:			
The company		4,201	25,274
The subsidiaries		(1,456)	(1,173)
		<u>2,745</u>	<u>24,101</u>
Earnings per ordinary stock unit	19	\$ <u>0.26</u>	<u>2.32</u>

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

SALADA FOODS JAMAICA LIMITED

Group Statement of Changes in Stockholders' Equity
Year ended September 30, 2005

	Share capital (Note 10) \$'000	Share premium \$'000	Capital reserves (Note 11) \$'000	Retained earnings \$'000	Total \$'000
The Group:					
Balances at September 30, 2003	5,194	68,022	16,275	56,927	146,418
Net profit attributable to members	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,101</u>	<u>24,101</u>
Balances at September 30, 2004	5,194	68,022	16,275	81,028	170,519
Net profit attributable to members	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,745</u>	<u>2,745</u>
Balances at September 30, 2005	<u>5,194</u>	<u>68,022</u>	<u>16,275</u>	<u>83,773</u>	<u>173,264</u>
Retained in the financial statements of:					
The company	5,194	68,022	6,543	77,704	157,463
The subsidiaries	<u>-</u>	<u>-</u>	<u>9,732</u>	<u>6,069</u>	<u>15,801</u>
Balances at September 30, 2005	<u>5,194</u>	<u>68,022</u>	<u>16,275</u>	<u>83,773</u>	<u>173,264</u>
The company	5,194	68,022	6,543	73,503	153,262
The subsidiaries	<u>-</u>	<u>-</u>	<u>9,732</u>	<u>7,525</u>	<u>17,257</u>
Balances at September 30, 2004	<u>5,194</u>	<u>68,022</u>	<u>16,275</u>	<u>81,028</u>	<u>170,519</u>

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

SALADA FOODS JAMAICA LIMITED

Group Statement of Cash Flows
Year ended September 30, 2005

	<u>2005</u> \$'000	<u>2004</u> \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit attributable to members	2,745	24,101
Adjustments to reconcile net profit to net cash (used)/provided by operating activities:		
Items not involving cash:		
Depreciation	9,121	8,300
Gain on disposal of property, plant & equipment	(68)	-
Foreign exchange losses on long-term loans	210	2,416
Foreign exchange gain on cash and cash equivalents	(115)	(1,432)
Deferred taxation	278	3,541
Employee benefits asset	<u>3,625</u>	<u>(2,665)</u>
	15,796	34,261
 Changes in operating assets and liabilities		
Inventories	(19,749)	4,012
Accounts receivable	16,070	(12,271)
Accounts payable	(11,249)	11,187
Taxation recoverable	<u>(7,660)</u>	<u>(6,647)</u>
Net cash (used)/provided by operating activities	<u>(6,792)</u>	<u>30,542</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(3,165)	(7,437)
Proceeds from sale of property, plant & equipment	<u>128</u>	<u>-</u>
Net cash used by investing activities	<u>(3,037)</u>	<u>(7,437)</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loans, being net cash used by financing activities	<u>(5,305)</u>	<u>(11,665)</u>
Net (decrease)/increase in cash and cash equivalents	(15,134)	11,440
Cash and cash equivalents at beginning of year	81,421	68,549
Exchange gain on cash and cash equivalents	<u>115</u>	<u>1,432</u>
Cash and cash equivalents at end of year (note 7)	<u>\$66,402</u>	<u>81,421</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, 2005

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. 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, W.I.

The company is listed on the Jamaica Stock Exchange.

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

(a) Statement of compliance:

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

(b) Basis of preparation:

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

The financial statements are prepared on the historical cost basis, modified for the inclusion of certain classes of property, plant & equipment at deemed cost on the IFRS transition date of October 1, 2001.

Where necessary, prior year comparatives have been reclassified to conform to current year presentation.

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets, 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.

(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 (“the group”), made up to September 30, 2005. These companies are currently dormant and the shareholdings are the same for 2005 and 2004.

(ii) Intragroup balances and transactions are eliminated in preparing the consolidated financial statements.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

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

(d) Property, plant & equipment:

(i) Items of property, plant & equipment are stated at historical cost or deemed cost [see note 2(b)], less accumulated depreciation and impairment losses.

(ii) Depreciation:

Depreciation is calculated on the straight-line basis at annual rates estimated to write off the carrying value of each asset over the period of its expected useful life. Annual depreciation rates are as follows:

Buildings	1? - 2.5%
Machinery and equipment	2.5 - 20%
Motor vehicles	20%

Land is not depreciated.

(e) Investment in subsidiary companies:

Investment in subsidiary companies are stated at cost.

(f) 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.

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 scheme assets, the asset recognised is restricted to the discounted value of future benefits available to the group.

The discount rate is determined by reference to the yield at the balance sheet 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

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

(f) Employee benefits (cont'd):

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 balance sheet date.

(g) 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.

(h) Accounts receivable:

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

(i) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, and include short-term deposits and other monetary instruments with maturities ranging between one and three months from balance sheet date.

Bank overdrafts, repayable on demand and forming an integral part of the group's cash management activities, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(j) Long-term loan:

Long-term loan is recognised, initially at cost. Subsequent to initial recognition, long-term loan is recorded at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the loan on an effective rate basis.

(k) Accounts payable:

Trade and other payables are stated at cost.

(l) Provisions:

A provision is recognised in the balance sheet when the group has 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 and a reliable estimate of the amount can be made. 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 liability.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

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

(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. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

(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.

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 largely independent cash inflows, the recoverable amount is determined for the cash-generating unit 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 group income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recorded if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

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

(o) Net finance income:

Net finance income comprises interest payable on long-term loan, calculated using the effective interest rate method, interest receivable on funds invested, material bank charges and foreign exchange gains and losses recognised in the income statement.

Interest income is recognised in the income statement account as it accrues, using the effective interest rate method.

(p) Income tax:

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet 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 balance sheet date.

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

(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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

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

(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 balance sheet date. Foreign exchange differences arising from fluctuations in exchange rates are recognised in the income statement. 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.

(s) Related parties:

Entities subject to the same ultimate control or significant influence as the company are referred to in these financial statements as 'related parties'.

(t) Segment reporting:

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

More than 90% of the group's sales represent coffee products, almost all of which are sold locally. As such, the group has no separable segments for reporting.

(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 consolidated financial statements, financial assets have been determined to include cash and cash equivalents, accounts receivable and due from subsidiary companies. Similarly, financial liabilities include bank overdraft, accounts payable and long-term loans.

(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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
 Year ended September 30, 2005

3. Property, plant & equipment

	<u>Freehold land</u> \$'000	<u>Freehold buildings</u> \$'000	<u>Machinery equipment & vehicles</u> \$'000	<u>Total</u> \$'000
(a) The Group:				
At cost or deemed cost:				
September 30, 2004	10,000	33,178	88,187	131,365
Additions	-	1,306	1,859	3,165
Disposals	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>(82)</u>
September 30, 2005	<u>10,000</u>	<u>34,484</u>	<u>89,964</u>	<u>134,448</u>
Depreciation:				
September 30, 2004	-	6,322	68,352	74,674
Charge for the year	-	2,180	6,941	9,121
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(22)</u>
September 30, 2005	<u>-</u>	<u>8,502</u>	<u>75,271</u>	<u>83,773</u>
Net book value:				
September 30, 2005	<u>10,000</u>	<u>25,982</u>	<u>14,693</u>	<u>50,675</u>
September 30, 2004	<u>10,000</u>	<u>26,856</u>	<u>19,835</u>	<u>56,691</u>
(b) The Company:				
At cost or deemed cost:				
September 30, 2004	6,144	15,613	88,187	109,944
Additions	-	1,306	1,859	3,165
Disposals	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>(82)</u>
September 30, 2005	<u>6,144</u>	<u>16,919</u>	<u>89,964</u>	<u>113,027</u>
Depreciation:				
September 30, 2004	-	3,066	68,352	71,418
Charge for the year	-	1,095	6,941	8,036
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>(22)</u>	<u>(22)</u>
September 30, 2005	<u>-</u>	<u>4,161</u>	<u>75,271</u>	<u>79,432</u>
Net book values:				
September 30, 2005	<u>6,144</u>	<u>12,758</u>	<u>14,693</u>	<u>33,595</u>
September 30, 2004	<u>6,144</u>	<u>12,547</u>	<u>19,835</u>	<u>38,526</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 date of transition to IFRS (October 1, 2001). The surpluses arising from these adjustments were credited to capital reserves (note 11).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

4. Investment in subsidiary companies

Investment in subsidiary companies at year end comprises:

	<u>The Company</u>	
	<u>2005</u>	<u>2004</u>
	<u>\$'000</u>	<u>\$'000</u>
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.

5. Deferred tax asset

Deferred tax assets and liabilities are attributable to the following:

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	<u>\$'000</u>	<u>\$'000</u>
Deferred tax assets:		
Interest payable on FINSAC loans	7,540	9,238
Accrued charges	<u>611</u>	<u>672</u>
	<u>8,151</u>	<u>9,910</u>
Deferred tax liabilities:		
Employee benefits asset	(6,298)	(7,507)
Excess of capital allowance over depreciation	(802)	(813)
Accounts receivable	(354)	-
Unrealised foreign exchange gains	-	(615)
	<u>(7,454)</u>	<u>(8,935)</u>
	<u>697</u>	<u>975</u>

All movements in temporary differences are recognised in the income statement.

Deferred tax asset have not been recognised in the financial statements of the subsidiaries as it is not probable that future taxable profits will be available against which the temporary differences can be utilised.

At September 30, 2005, a deferred tax liability of approximately \$2,023,000 (2004: \$2,508,000) relating to investment in subsidiaries has not been recognised, as the company controls, or significantly controls, whether any liability will be incurred and management is satisfied that it will not be incurred in the foreseeable future.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

6. Employee benefits asset

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 balance sheet are determined as follows:

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Fair value of plan assets	65,435	76,152
Present value of funded obligations	(11,808)	(27,416)
	53,627	48,736
Unrecognised actuarial gains	(14,902)	(15,198)
Unrecognised amount due to limitation	(19,830)	(11,018)
	<u>18,895</u>	<u>22,520</u>

(ii) The movement in the asset recognised in the balance sheet is as follows:

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
At beginning of year	22,520	19,855
Amounts recognised in the income statement	(4,749)	1,369
Contributions paid	<u>1,124</u>	<u>1,296</u>
At end of year	<u>18,895</u>	<u>22,520</u>

(iii) The amounts recognised in the income statement, included in staff costs are as follows:

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Current service cost	-	134
Interest cost	(2,286)	(3,123)
Expected return on plan assets	6,356	5,200
Net actuarial loss recognised during the year	(440)	-
Change in surplus not eligible for recognition due to limitation	(8,379)	(842)
At the end of the year	<u>(4,749)</u>	<u>1,369</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

6. Employee benefits asset (cont'd)

(iv) The actual return on the plan assets was \$7,777,000 (2004: \$19,715,000).

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

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	%	%
Discount rate	12.5	12.5
Expected return on plan assets	9.5	9.5
Future salary increases	9.5	9.5
Future pension increases	2.5	2.5
Inflation rate	<u>8.0</u>	<u>8.0</u>

7. 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>2005</u>	<u>2004</u>
	\$'000	\$'000
Cash in hand and bank	2,014	3,875
Short term deposits [note (a)]	<u>66,265</u>	<u>77,546</u>
	68,279	81,421
Bank overdraft [note (b)]	(1,877)	-
	<u>66,402</u>	<u>81,421</u>

(a) The weighted average effective interest rate on short term deposits denominated in Jamaica dollars was 12.7% (2004: 13.8%) and on short term deposits denominated in United States dollars was 5.5% (2004: 5.8%), and these deposits mature within 90 days.

(b) The company and its subsidiaries do not have any bank overdraft facility. The negative balance arose from unrepresented cheques.

8. Accounts receivable

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	\$'000	\$'000	\$'000	\$'000
Trade receivables	14,635	30,702	14,653	30,702
Prepayments	4,954	4,518	4,954	4,518
Other receivables	<u>4,680</u>	<u>11,651</u>	<u>4,680</u>	<u>11,651</u>
	24,269	46,871	24,287	46,871
Less: allowances for doubtful debts	(421)	(6,953)	(421)	(6,953)

23.848

39.918

23.866

39.918

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

9. Inventories

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Raw and packaging material	22,551	26,806
Finished goods held for sale	17,779	6,174
Work-in-progress	12,062	165
Fuel, spares and consumables	<u>6,729</u>	<u>6,539</u>
	59,121	39,684
Less: provision for obsolescence	(1,645)	(1,957)
	<u>57,476</u>	<u>37,727</u>

10. Share capital

	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Authorised:		
10,400,000 ordinary units of 50¢ each	<u>5,200</u>	<u>5,200</u>
Issued and fully paid:		
10,388,330 ordinary stock units of 50¢ each	<u>5,194</u>	<u>5,194</u>

Under the Companies Act 2004 (the “Act”), which became effective on February 1, 2005, all shares in issue are deemed to be shares without a par (or nominal) value, unless the company, by ordinary resolution, elects to retain its shares with a par value. The company, at its Annual General meeting held on July 14, 2005, by ordinary resolution, elected to retain the company’s existing shares with a nominal or par value, and to continue to issue shares with a nominal or par value for the period of eighteen months.

11. Capital reserves

	<u>The Group</u>		<u>The Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</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>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

12. Long-term loan

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Jamaican Redevelopment Foundation, Inc.	22,620	27,715
Less: Current portion	(5,354)	(5,303)
	<u>17,266</u>	<u>22,412</u>

During 1998, the Financial Sector Adjustment Company Limited (FINSAC) took over the non-performing loan portfolio of National Commercial Bank Jamaica Limited. The terms and conditions of the loan were renegotiated, resulting in the loan being repayable within a maximum of 10 years at an interest rate of 12%.

In February 2002, the loan was sold, and servicing rights transferred to Jamaican Redevelopment Foundation, Inc. (JRF).

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

Based on the conditions of the loan restructuring agreement in October 1999 with Dennis Joslin Jamaica, Inc., the then servicer appointed by JRF, all accumulated unpaid interest was capitalised and a moratorium on interest payments was granted until full principal repayments have been completed. On repayment of the principal balances, outstanding interest will be repaid on a monthly basis ending 2009. No interest is charged on the unpaid interest amounts.

13. Accounts payable

	<u>The Group and the Company</u>	
	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Trade payable	18,488	25,288
Accrued charges	8,210	9,939
Other payables	<u>3,557</u>	<u>6,277</u>
	<u>30,255</u>	<u>41,504</u>

14. Sales

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

15. Net finance income

	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Bank charges	(350)	(289)
Interest income – bank deposits	8,764	8,341
Interest expense	-	(66)
Net foreign exchange gains/(losses)	<u>872</u>	<u>(984)</u>
	<u>9,286</u>	<u>7,002</u>

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

16. Taxation

- (a) Taxation is based on net profit for the year adjusted for taxation purposes and represents income tax charged at 33% .

	<u>2005</u> \$'000	<u>2004</u> \$'000
Current tax	2,545	8,519
Deferred tax (note 5)	<u>278</u>	<u>3,541</u>
	<u>2,823</u>	<u>12,060</u>

- (b) Reconciliation of effective tax rate:

	<u>2005</u> \$'000	<u>2004</u> \$'000
Net profit before tax	<u>5,568</u>	<u>36,161</u>
Computed "expected" tax expense @ 33% %	1,856	12,054
Difference between profit for financial statements and tax reporting purposes on:		
Disallowed expenses and capital adjustments, net	<u>967</u>	<u>6</u>
Actual expense	<u>2,823</u>	<u>12,060</u>

17. Disclosure of expenses

Net profit before taxation is stated after charging/(crediting):

	<u>2005</u> \$'000	<u>2004</u> \$'000
Depreciation	9,121	8,300
Operating lease rentals	435	606
Cost of inventories recognised as expense	101,033	87,218
Directors' emoluments - Fees	210	210
- Management remuneration	Nil	Nil
Auditors' remuneration	950	1,277
Bad debts, net	513	(24)
Staff costs (note 18)	<u>94,503</u>	<u>66,662</u>

Reorganisation costs represents redundancy (see note 18), legal and consultation costs incurred in relation to preparation of strategic business plan and reorganisation of company's operations.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

18. Staff costs

	<u>2005</u> \$'000	<u>2004</u> \$'000
Salaries and wages	56,001	49,965
Statutory contributions	5,470	4,933
Pension costs (note 6)	4,749	(1,369)
Redundancy	16,087	-
Staff welfare	<u>12,196</u>	<u>13,133</u>
	<u>94,503</u>	<u>66,662</u>
Number of employees:		
Full time	8	57
Part time	<u>-</u>	<u>30</u>
	<u>8</u>	<u>87</u>

19. Earnings per ordinary stock unit

Basic earnings per share is calculated by dividing the net profit attributable to members by the weighted average number of stock units in issue during the year.

	<u>2005</u>	<u>2004</u>
Net profit attributable to shareholders (\$'000)	<u>2,745</u>	<u>24,101</u>
Weighted average number of stock units in issue ('000)	<u>10,388</u>	<u>10,388</u>
Basic earnings per stock unit (\$)	<u>0.26</u>	<u>2.32</u>

The company has no dilutive potential ordinary shares.

20. Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	<u>2005</u> \$'000	<u>2004</u> \$'000
Payable in the financial year ending 2005	<u>-</u>	<u>353</u>
	<u>-</u>	<u>353</u>

The leases are for three years initially. Renewal of the leases for a further 120 months is available subject to punctual performance of all related covenants, conditions, stipulations and obligations of the agreement.

The lease was fully repaid during the year and renewal option was not exercised.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

21. Financial instruments

(a) Financial instrument risks:

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of the group's business. Derivative financial instruments are presently not used to manage, mitigate or eliminate exposure to fluctuations in interest and foreign exchange rates.

(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.

The group generally does not require collateral in respect of non-cash financial assets. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit. Cash and cash equivalents are placed with substantial counter-parties who are believed to have minimal risk of default.

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.

(ii) 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, 2005, there were no financial liabilities subject to fixed interest rate risk (2004: \$Nil). However, the Group has interest-bearing assets as disclosed in note 7.

(iii) 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.

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.

At September 30, 2005, the group had net foreign currency assets aggregating approximately US\$520,406 (2004: US\$486,000).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)
Year ended September 30, 2005

21. Financial instruments (cont'd)

(a) Financial instrument risks: (cont'd)

(iii) Foreign currency risk (cont'd):

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

At September 30, 2004:	\$61.88
At September 30, 2005:	\$62.60
At December 21, 2005:	\$64.46

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The group has no exposure to market risk as there are no traded securities.

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies 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.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The group manages this risk through budgetary measures, ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched, to mitigate any significant adverse cash flows.

(b) 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. Long-term loans are carried to their contracted settlement value. Amounts due from subsidiaries are considered to approximate their carrying value as they represent an ability to effect set-offs in future in the amounts disclosed.