Salada

Salada Foods Jamaica Limited

41 st Annual Report 2005

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SALADA FOODS JAMAICA LIMITED

DIRECTORS:

Bevon Francis – Chairman
Michael Bernard
Eleanor Brown
Jeffrey Cobham
Oliver Holmes
Pancha Sankaran
J.A. Lester Spaulding

SECRETARY:

M. Olivia Glover

ATTORNEYS-AT-LAW:

Livingston, Alexander & Levy
72 Harbour Street
Kingston

BANKERS:

National Commercial Bank Jamaica Limited
211 Hagley Park Road
Kingston 11

AUDITORS:

KPMG
The Victoria Mutual Building
6 Duke Street
Kingston

REGISTRAR & TRANSFER AGENTS:

Duke Corporation
Scotiabank Centre, Duke Street
Kingston

REGISTERED OFFICE:

20 Bell Road, P.O. Box 71, Kingston 11
Tel: (876) 923-7114 - 6
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SALADA FOODS JAMAICA LIMITED

NOTICE OF MEETING

Notice is hereby given that the Forty-First Annual General Meeting of the above-named Company will be held on the 8th day of June, 2006 at 10:00 am in the St. Ann Room at the Hilton Kingston Hotel, 77 Knutsford Boulevard, Kingston 5, to consider and if thought fit pass the following resolutions:

1. Audited Accounts

   "THAT the Audited Accounts for the year ended 30 September 2005 and the report of the Directors and Auditors thereon, be and are hereby adopted."

2. Election of Directors

   "THAT retiring Director, Mr. Bevon Francis, be and is hereby re–elected."

   "THAT retiring Director, Mr Oliver Holmes, be and is hereby re–elected."

   "THAT retiring Director, Miss Eleanor Brown, be and is hereby re–elected."

3. Appointment of Auditors and their remuneration

   "That Messrs. KPMG, having signified their willingness to continue in office as Auditors of the company until the conclusion of the next Annual General Meeting and to authorise the directors to fix their remuneration."

4. Resolutions in respect of any other business which can be transacted at an Annual General Meeting.

NOTES

1. A member eligible to attend and vote at a General Meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.
2. All members are entitled to attend and vote at the meeting.
3. Enclosed is a form of proxy which must be deposited with the Secretary, at the Registered Office of the Company not less than forty-eight hours before the time appointed for holding the meeting.

DATED this 7th day of March 2006

BY ORDER OF THE BOARD

M. Olivia Glover
COMPANY SECRETARY

BOARD OF DIRECTORS

Left to Right: Jeffrey C. Cobham, J.A. Lester Spaulding, Bevon Francis, Eleanor Brown, Michael Bernard, Pancha Sankaran, Oliver Holmes.

Jeffrey Cobham - B. A. (Hons.), Dip. Mgmt. Studies, Business Consultant. Director on the Board of other companies and charitable organizations.

J.A. Lester Spaulding - C.D., J.P., Business Executive, Chairman/Managing Director, RJR Communications Group. Director on the Board of other companies and charitable organizations.

Bevon Francis - M. B. A. (Finance) Hons. Degree Electrical Engineer, Dip. Mgmt. Studies, Business Executive, Chairman, Salada Foods Jamaica Limited. Director on the Board of other companies.

Eleanor Brown- Rhodes Scholar, Oxford University, M.Phil (Politics), Hons. degree (Molecular Biology) Brown University, J.D. Yale University, Certificate of Legal Education, UWI, member of the Connecticut & Jamaican Bar Associations, Director on the Board of other companies.

Michael Bernard - M.B.A. - Harvard Business School; BSc - Forest Management, (summa cum laude), B.A. - Business Administration, (summa cum laude) - Washington State University. Managing Director Carreras Group Limited. Director on the Board of other companies and charitable organizations

Pancha Sankaran - B. Tech (electronics), MBA, ACMA (UK). Chairman: Metratrade Limited, Canada; Chairman: Malaika Holdings Inc, St. Lucia. Director on the Board of other companies and charitable organizations in Canada and the Caribbean region.

Oliver Holmes - MSc. Accounting, BSc. Mgmt. Studies, Investment Banker, Managing Director, Capital Options Limited. Director on the Board of other companies.

CHAIRMAN'S STATEMENT

The operating environment for the year was challenging due to increased operating costs resulting mainly from inflation. Additionally, as a result of a decision which was taken to restructure the company's labour force, a "one-off" non recurring cost of $18 million was incurred. These factors had a significant negative impact on our financials for the year resulting in a decline in earnings per share decreasing from $2.32 in 2004 to $0.26 for the year. On the positive side as a result of the restructuring of the cost-base in the company, as referred to above, the company has seen a positive impact on our financials in the months subsequent to this financial year-end. This is expected to continue, thereby significantly improving profitability.

In a continuing effort to reduce overheads and expenses, the company continues to face the challenge of purchasing coffee beans at high prices on the world market. This was needed in order to supplement our requirements, resulting from a reduction in availability of local coffee beans due partially to the after effects of an active hurricane season.

The company has now developed and is embarking on a new thrust with increased advertising and promotion for brand visibility and to expand sales to the local hotel industry. Additionally we are focusing more on exports, particularly, to markets in the United States with a view to increasing market presence in the overseas market in a focused strategy to increase foreign exchange earnings.

It is anticipated that shareholders value will be improved with the restructuring for growth which has taken place in the company.

Bevon Francis
CHAIRMAN

DIRECTORS' REPORT

The Directors take pleasure in submitting their report for the year ended September 30, 2005.

Turnover was $268.74 million representing an increase of 8% compared to the previous year. Gross profit was $83.44 million, a decrease of 1% from $84.17 million at September 30, 2004. Profit before taxation decreased by $30.59 million or 85% over the previous year and profit after taxation decreased by 88% or $21.36 million.

FINANCIAL RESULTS	**$'000**
Profit before taxation	5,568
Taxation	(2,823)
Net Profit	2,745
Accumulated Surplus at beginning of year	81,028
Accumulated Surplus at end of year	83,773

Details of the results for the period were approved by the Board on December 21, 2005, and a comparison with the previous year is set out in the Group Income Statement on page 9.

DIVIDENDS

The directors did not recommend that a dividend be paid to shareholders for the year ended September 30, 2005.

DIRECTORS

Pursuant to Article 79 of the Articles of Association, one-third of the Directors shall retire. The Directors retiring under this article are Messrs. Bevon Francis, Oliver Holmes and Miss Eleanor Brown and being eligible offer themselves for re-election.

The Board takes this opportunity to thank all employees for their efforts in the past year and looks forward to their cooperation in the coming year as we strive to realize renewed growth and success for the mutual benefit of shareholders and employees.

DATED this 7th day of March 2006

BY ORDER OF THE BOARD

M. Olivia Glover
SECRETARY

MANAGERS

Seated (Left to Right): Donnette Whyte (Cost Accountant), John Rosen (General Manager), Marva Chang (Financial Controller).

Standing (Left to Right): Winston Butler (Plant Manager), M. Olivia Glover (Company Secretary), Lorna Lewis (Production Manager), Bernadette Wong (Sales & Marketing Manager), M.C. Appaiah (Director Operations)

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

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Kingston
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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 8 to 27, 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 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 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	18,895	22,520	18,895	22,520
		70,267	80,186	54,068	62,902
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	57,476	37,727	57,476	37,727
		157,749	159,552	158,147	159,722
TOTAL ASSETS		228,016	239,738	212,215	222,624
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		83,773	81,028	77,704	73,503
		173,264	170,519	157,463	153,262
NON-CURRENT LIABILITIES					
Long-term loan	12	17,266	22,412	17,266	22,412
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
		37,486	46,807	37,486	46,950
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		228,016	239,738	212,215	222,624

The financial statements on pages 8 to 27 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

Group Income Statement
Year ended September 30, 2005

	Notes	2005 $'000	2004 $'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	9,286	7,002
Profit before taxation		5,568	36,161
Taxation	16	(2,823)	(12,060)
Net profit attributable to members	17	2,745	24,101
Dealt with in financial statements of:			
The company		4,201	25,274
The subsidiaries		(1,456)	(1,173)
		2,745	24,101
Earnings per ordinary stock unit	19	$ 0.26	2.32

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

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

	Share capital (Note10)	Share premium	Capital reserves (Note 11)	Retained earnings	Total
	$'000	$'000	$'000	$'000	$'000
The Group:					
Balances at September 30, 2003	5,194	68,022	16,275	56,927	146,418
Net profit attributable to members	-	-	-	24,101	24,101
Balances at September 30, 2004	5,194	68,022	16,275	81,028	170,519
Net profit attributable to members	-	-	-	2,745	2,745
Balances at September 30, 2005	5,194	68,022	16,275	83,773	173,264
Retained in the financial statements of:					
The company	5,194	68,022	6,543	77,704	157,463
The subsidiaries	-	-	9,732	6,069	15,801
Balances at September 30, 2005	5,194	68,022	16,275	83,773	173,264
The company	5,194	68,022	6,543	73,503	153,262
The subsidiaries	-	-	9,732	7,525	17,257
Balances at September 30, 2004	5,194	68,022	16,275	81,028	170,519

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

Group Statement of Cash Flows
Year ended September 30, 2005

	2005 $'000	2004 $'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	3,625	(2,665)
	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	(7,660)	(6,647)
Net cash (used)/provided by operating activities	(6,792)	30,542
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant & equipment	(3,165)	(7,437)
Proceeds from sale of property, plant & equipment	128	-
Net cash used by investing activities	(3,037)	(7,437)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term loans, being net cash used by financing activities	(5,305)	(11,665)
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	115	1,432
Cash and cash equivalents at end of year (note 7)	66,402	81,421

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

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 the 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.

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 $^2/_3$ - 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.

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.

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 assets' 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.

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.

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.

3. Property, plant & equipment

	Freehold land $'000	Freehold buildings $'000	Machinery equipment & vehicles $'000	Total $'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	-	-	(82)	82)
September 30, 2005	10,000	34,484	89,964	134,448
Depreciation:				
September 30, 2004	-	6,322	68,352	74,674
Charge for the year	-	2,180	6,941	9,121
Eliminated on disposals	-	-	(22)	(22)
September 30, 2005	-	8,502	75,271	83,773
Net book values:				
September 30, 2005	10,000	25,982	14,693	50,675
September 30, 2004	10,000	26,856	19,835	56,691
(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	-	-	(82)	(82)
September 30, 2005	6,144	16,919	89,964	113,027
Depreciation:				
September 30, 2004	-	3,066	68,352	71,418
Charge for the year	-	1,095	6,941	8,036
Eliminated on disposals	-	-	(22)	(22)
September 30, 2005	-	4,161	75,271	79,432
Net book values:				
September 30, 2005	6,144	12,758	14,693	33,595
September 30, 2004	6,144	12,547	19,835	38,526

(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).

4. **Investment in subsidiary companies**

Investment in subsidiary companies at year end comprises:

	The Company	
	2005	2004
	$'000	$'000
Shares at cost:		
Coffee Company of Jamaica Limited	790	790
Shirriff's (Jamaica) Limited	91	91
	881	881

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:

	The Group and the Company	
	2005	2004
	$'000	$'000
Deferred tax assets:		
Interest payable on FINSAC loans	7,540	9,238
Accrued charges	611	672
	8,151	9,910
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)
	(7,454)	(8,935)
	697	975

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.

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:

	The Group and the Company	
	2005	2004
	$'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)
	18,895	22,520

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

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

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

	The Group and the Company	
	2005	2004
	$'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	(4,749)	1,369

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:

	The Group and the Company	
	2005	2004
	%	%
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	8.0	8.0

7. **Cash and cash equivalents**

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

	The Group and the Company	
	2005	2004
	$'000	$'000
Cash in hand and bank	2,014	3,875
Short term deposits [note (a)]	66,265	77,546
	68,279	81,421
Bank overdraft [note (b)]	(1,877)	-
	66,402	81,421

(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 unpresented cheques.

8. **Accounts receivable**

	The Group		The Company	
	2005	2004	2005	2004
	$'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	4,680	11,651	4,680	11,651
	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

9. Inventories

	The Group and the Company	
	2005	2004
	$'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	6,729	6,539
	59,121	39,684
Less: provision for obsolescence	(1,645)	(1,957)
	57,476	37,727

10. Share capital

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

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

	The Group		The Company	
	2005	2004	2005	2004
	$'000	$'000	$'000	$'000
Revaluation surplus on assets carried at deemed cost	14,528	14,528	4,838	4,838
Realised gains	1,747	1,747	1,705	1,705
	16,275	16,275	6,543	6,543

12. Long-term loan

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

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

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

14. Sales

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

15. Net finance income

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

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 $33^1/_3$%.

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

(b) Reconciliation of effective tax rate:

	2005	2004
	$'000	$'000
Net profit before tax	5,568	36,161
Computed "expected" tax expense @ $33^1/_3$%	1,856	12,054
Difference between profit for financial statements and tax reporting purposes on:		
Disallowed expenses and capital adjustments, net	967	6
Actual expense	2,823	12,060

17. **Disclosure of expenses**

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

	2005	2004
	$'000	$'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)	94,503	66,662

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.

18. Staff costs

	2005 $'000	2004 $'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	12,196	13,133
	94,503	66,662
Number of employees:		
Full time	8	57
Part time	-	30
	8	87

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.

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

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:

	2005 $'000	2004 $'000
Payable in the financial year ending 2005	-	353
	-	353

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.

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 causes 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).

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.

FOUR YEAR SUMMARY

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 30th September	2002	Restated 2003	2004	2005
TURNOVER	205,461,000	215,710,000	248,951,000	268,739,000
COST OF SALES	131,379,000	134,778,000	164,777,000	185,299,000
GROSS PROFIT	74,082,000	80,932,000	84,174,000	83,440,000
NET EXPENSES (Excluding Depreciation)	4,429,000	46,670,000	48,026,000	78,932,000
DEPRECIATION	7,978,000	7,413,000	8,300,000	9,121,000
PROFIT BEFORE TAX	21,813,000	26,849,000	36,161,000	5,568,000
TAXATION	5,962,000	10,195,000	12,060,000	2,823,000
NET (LOSS)/ PROFIT RETAINED	15,851,000	16,654,000	24,101,000	2,745,000
Parent Company	16,855,000	17,886,000	25,274,000	4,201,000
Subsidiary	(1,004,000)	(1,232,000)	(1,173,000)	(1,456,000)
ORDINARY SHARES ISSUED (millions)	7,565	10,388	10,388	10,388
ORDINARY SHARES AUTHORISED (millions)	10,400	10,400	10,400	10,400
EARNING PER STOCK UNIT (cents)	210	164	232	26

CONSOLIDATED BALANCE SHEET As at 30th September	2002	2003	2004	2005
CAPITAL EMPLOYED				
Share Capital	3,782,000	5,194,000	5,194,000	5,194,000
Capital Reserve	16,275,000	16,275,000	16,275,000	16,275,000
Accumulated Surplus	46,702,000	56,927,000	81,028,000	83,773,000
Share Premium	21,434,000	68,022,000	68,022,000	68,022,000
LONG TERM LIABILITIES				
Due – Third Party	32,675,000	27,121,000	22,412,000	17,266,000
FUNDS EMPLOYED	120,868,000	173,539,000	192,931,000	190,530,000
REPRESENTED BY:				
Fixed Assets & Investments	88,284,000	81,925,000	80,186,000	70,267,000
Net Current Assets	32,584,000	91,614,000	112,745,000	120,263,000
NET WORTH	120,868,000	173,539,000	192,931,000	190,530,000

STATISTICS As at 30th September	2002	Restated 2003	2004	2005
SHAREHOLDERS FUNDS Per Ordinary Stock (cents)	11.65	14.09	16.41	16.67
RETURN ON ASSETS Profit after Tax/Net Assets	13.11%	9.60%	12.49%	1.44%
GEARING Borrowing/Reserves	37.05%	18.52%	13.14%	9.96%
COST OF SALE TO SALES	63.94%	62.48%	66.19%	68.95%
NET PROFIT TO SALES	7.71%	7.72%	9.68%	1.02%
CHANGE IN TURNOVER	8.32%	4.99%	15.41%	7.94%
GROSS PROFIT CHANGE	(0.62%)	9.25%	18.50%	(8.72%)
COST OF SALES CHANGE	14.10%	2.59%	13.55%	12.45%

Objectives

1. Salada Foods *Employees* must be recognized as the company's greatest asset and as individuals must have continuing opportunities for advancement.

2. Salada Foods *Products* shall be of the highest possible quality.

3. Salada Foods shall merit *Consumer* confidence based on supplying quality products at fair prices and the ultimate in satisfaction.

4. Salada Foods shall provide *Share Owners* a reasonable return on their investment, consistent with maintaining the company in a sound financial position.

5. Salada Foods *Marketing Policies* shall be designed to achieve leadership in recognizing changing consumer tastes and needs.

6. Salada Foods shall establish with *Distributors* and *Customers* sound working relationships to mutual advantage.

7. Salada Foods shall deal fairly with all Suppliers based on the standard of Price Service and Quality.

8. Salada Foods shall enhance its earned reputation with the *General Public* and its stature through the recognition and fulfillment of social and corporate responsibilities.

9. Salada Foods shall have viable relationships with *Government* and *Selected Industry Association* based on the economic importance of the Company as a key processor of Food and Allied products.

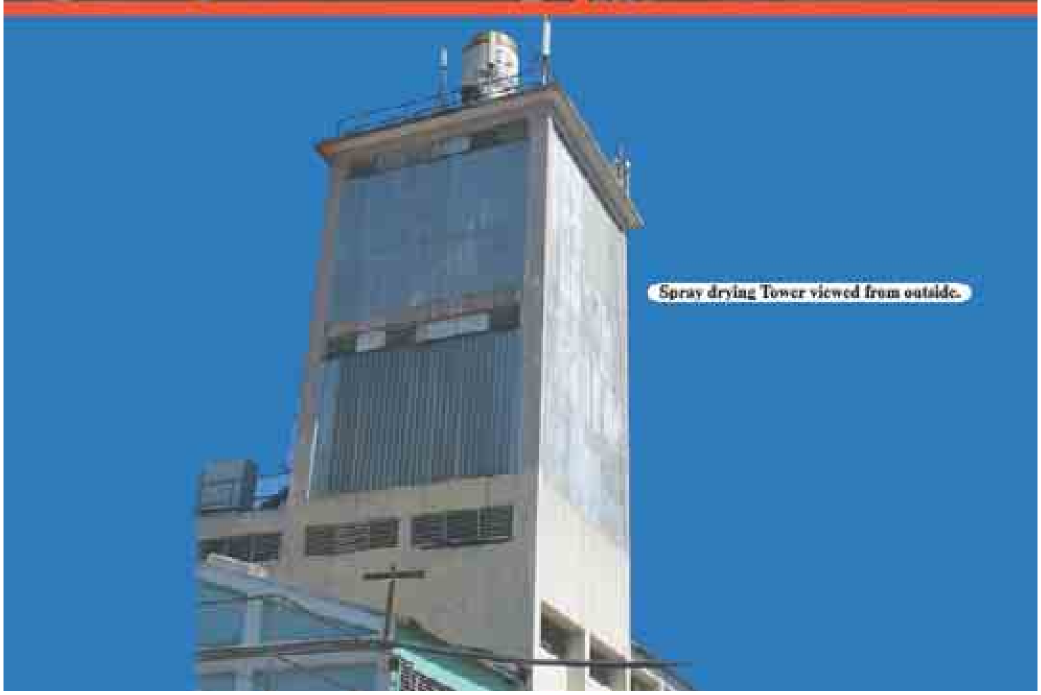
10. Salada Foods shall adhere to all *Ethical Business Practices* and observe fully all requirements of law in areas in which it operates.

PLANT


Instant Coffee Filling and Capping Line


Coffee Batch Roaster


Section spray drying tower receiving Instant Coffee into Tote Bins

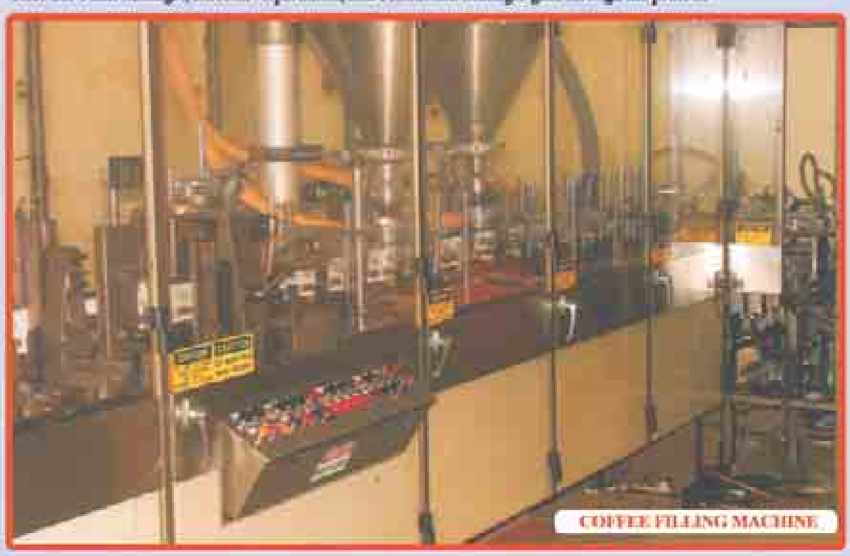

Spray drying Tower viewed from outside.

COFFEE CUPPING

Production/Operation personnel during cup tasting session.

Coffee cupping is the process of evaluating the aroma and taste characteristics of a sample of coffee. The process involves a standardized series of steps that prescribe the handling and preparation of the sample and the methodology to complete the sensory evaluation of the sample. The sensory evaluation includes the following characteristics: Fragrance, Aroma, Taste Nose, after taste and Body. This process requires special training.

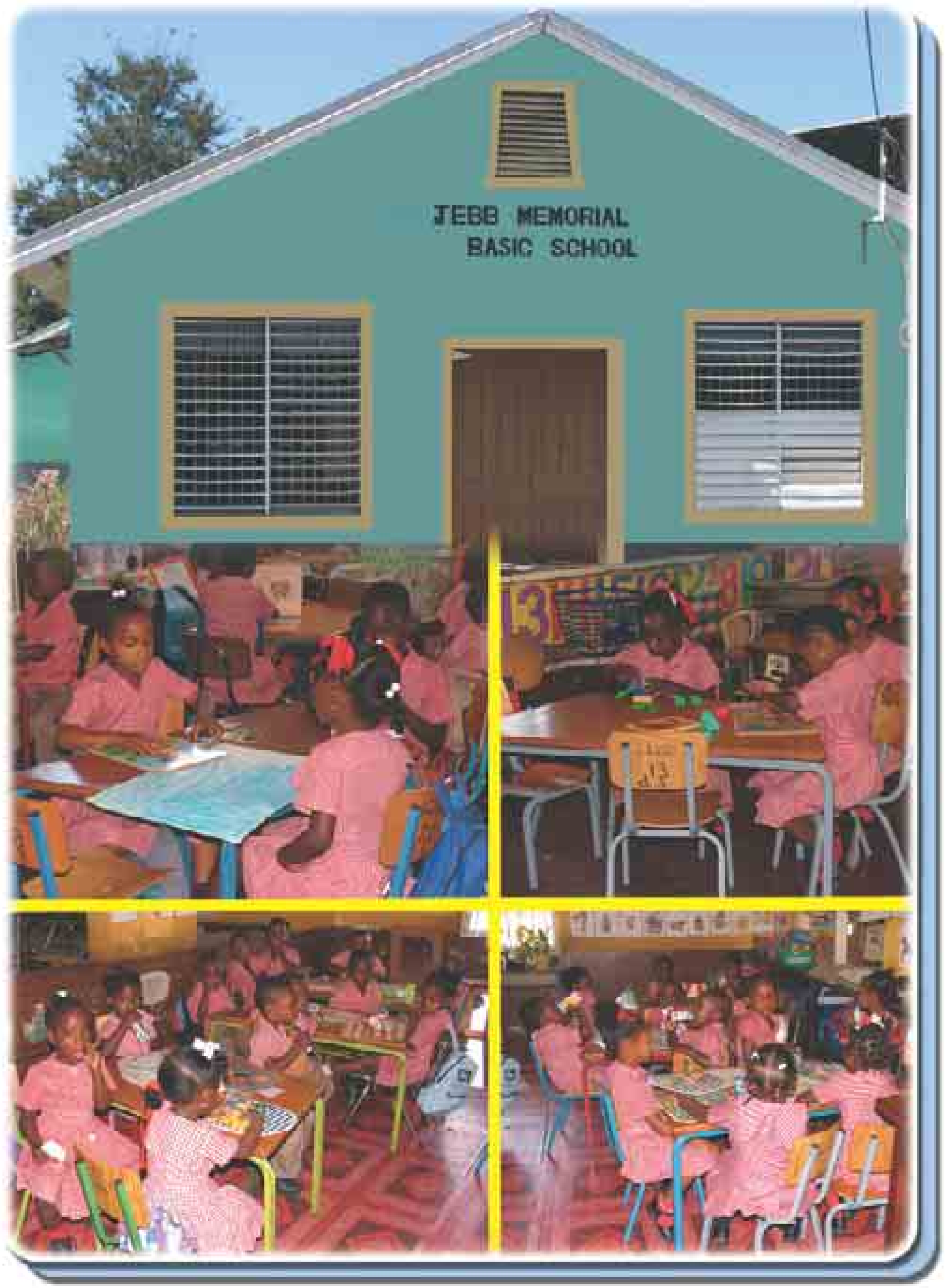
Here our Plant Manager, Director- Operations, and Production Manager goes through the process.



COFFEE FILLING MACHINE

The machine is now in operation as you see the One Cup Mountain Peak coffee Sachets are being filled.

OUTREACH PROGRAMME



Salada has been involved in the feeding programme of the JEBB Memorial Basic School on Spanish Town Road for the past 16 years.

SHAREHOLDINGS
As at 30th September 2005

DIRECTORS

Bevon Francis	Nil
Michael Bernard	Nil
Eleanor Brown	Nil
Jeffrey Cobham	Nil
Oliver Holmes	Nil
Pancha Sankaran	Nil
J.A. Lester Spaulding	520

SENIOR PERSONS

John Rosen	Nil
M.C. Appaiah	2,100
Vijit Bery *	Nil
Winston Butler	Nil
Marva Chang	Nil
M. Olivia Glover	Nil

TEN LARGEST SHAREHOLDERS

Three Bears Limited	2,052,000
Caribbean Investments Fund	2,018,981
Carib Investment Limited	1,896,214
United General Insurance Ltd.	898,812
Donwis Ltd.	644,787
Ideal Betting Co. Ltd.	322,625
Ideal Finance Corporation Ltd.	262,000
Ideal Group Corporation Ltd.	244,600
Donovan A. Lewis	195,382
Albert Gordon	180,260
Marston Gordon	109,500

*** Resigned February 2006**

SALADA FOODS JAMAICA LIMITED

PLACE
$100.00
STAMP
HERE

FORM OF PROXY

I/WE . . . .

of . . . . .Being a member/members

of the above-named Company, hereby appoint . . . .

. . . . .of . . . .

or failing him . . . . .of . . . .

. . . . .as my/our proxy to vote for me/us on

my/our behalf at the Annual General Meeting of the Company to be held on the 11th day of May, 2006 and at any adjournment thereof.

Dated this . . . . .day of 2006

Signed . . . .

Notes:

1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.
2. This Form of Proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the person signing the poxy.
3. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorized in writing.

Notes