

SALADA FOODS JAMAICA LIMITED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007



**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

## INDEPENDENT AUDITORS' REPORT

To the Members of  
SALADA FOODS JAMAICA LIMITED

### **Report on the Financial Statements**

We have audited the financial statements of Salada Foods Jamaica Limited (“the company”) and the consolidated financial statements of the company and its subsidiaries (“the group”) set out on pages 3 to 33, which comprise the company’s and the group’s balance sheets as at September 30, 2007, the company’s and the group’s statements of income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and consistently applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

#### *Auditors’ Responsibility*

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence relating to the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## INDEPENDENT AUDITORS' REPORT

To the Members of  
SALADA FOODS JAMAICA LIMITED

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

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial positions of the company and the group as at September 30, 2007, and of the company's and the group's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and comply with the provision of the Jamaican Companies Act, so far as concerns members of the company.

### **Report on additional requirements of the Jamaican Companies Act**

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

*KPMG*

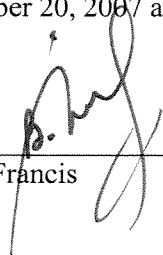
November 20, 2007

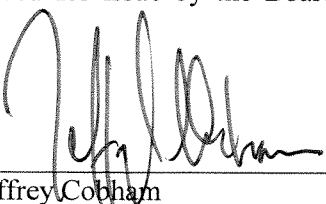
SALADA FOODS JAMAICA LIMITED

Balance Sheet  
September 30, 2007

	Notes	<u>The Group</u>		<u>The Company</u>	
		<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
		\$'000	\$'000	\$'000	\$'000
<b>NON-CURRENT ASSETS</b>					
Property, plant & equipment	3	35,602	43,732	20,693	27,737
Investment in subsidiary companies	4	-	-	881	881
Deferred tax asset	5(a)	-	503	-	503
Employee benefits asset	6	<u>25,085</u>	<u>20,288</u>	<u>25,085</u>	<u>20,288</u>
		<u>60,687</u>	<u>64,523</u>	<u>46,659</u>	<u>49,409</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	7	162,833	96,405	162,833	96,405
Accounts receivable	8	49,988	29,260	49,988	29,290
Due from subsidiary companies		-	-	-	299
Inventories	9	<u>54,153</u>	<u>65,600</u>	<u>54,153</u>	<u>65,600</u>
		<u>266,974</u>	<u>191,265</u>	<u>266,974</u>	<u>191,594</u>
<b>TOTAL ASSETS</b>		<u>327,661</u>	<u>255,788</u>	<u>313,633</u>	<u>241,003</u>
<b>STOCKHOLDERS' EQUITY</b>					
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>184,124</u>	<u>115,958</u>	<u>183,433</u>	<u>114,872</u>
		<u>273,615</u>	<u>205,449</u>	<u>263,192</u>	<u>194,631</u>
<b>NON-CURRENT LIABILITIES</b>					
Long-term loan	12	7,211	12,262	7,211	12,262
Deferred tax liabilities	5(b)	<u>5,377</u>	<u>3,967</u>	<u>1,772</u>	<u>-</u>
		<u>12,588</u>	<u>16,229</u>	<u>8,983</u>	<u>12,262</u>
<b>CURRENT LIABILITIES</b>					
Bank overdraft	7	138	260	138	260
Current portion of long-term loan	12	5,534	5,512	5,534	5,512
Accounts payable	13	27,221	19,365	27,221	19,365
Taxation payable		<u>8,565</u>	<u>8,973</u>	<u>8,565</u>	<u>8,973</u>
		<u>41,458</u>	<u>34,110</u>	<u>41,458</u>	<u>34,110</u>
<b>TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES</b>		<u>327,661</u>	<u>255,788</u>	<u>313,633</u>	<u>241,003</u>

The financial statements on pages 3 to 33 were approved for issue by the Board of Directors on November 20, 2007 and signed on its behalf by:

  
\_\_\_\_\_  
Bevon Francis Director

  
\_\_\_\_\_  
Jeffrey Cobham Director

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

SALADA FOODS JAMAICA LIMITEDGroup Income Statement  
Year ended September 30, 2007

	<u>Notes</u>	<u>2007</u> \$'000	<u>2006</u> \$'000
Sales	14	342,751	302,926
Cost of sales		<u>(201,108)</u>	<u>(192,525)</u>
Gross profit		141,643	110,401
Other operating income		2,669	1,799
Selling and promotion expenses		<u>( 10,857)</u>	<u>( 14,609)</u>
Administration expenses		<u>( 45,020)</u>	<u>( 49,072)</u>
Operating profit before net finance income and taxation		<u>88,435</u>	<u>48,519</u>
Finance income	15	14,659	7,736
Finance costs	15	<u>( 260)</u>	<u>( 162)</u>
Net finance income	15	<u>14,399</u>	<u>7,574</u>
Profit before taxation	17	102,834	56,093
Taxation	16	<u>( 34,668)</u>	<u>( 19,168)</u>
Net profit attributable to members		<u>68,166</u>	<u>36,925</u>
Dealt with in financial statements of:			
The company		68,561	37,168
The subsidiaries		<u>( 395)</u>	<u>( 243)</u>
		<u>68,166</u>	<u>36,925</u>
Earnings per ordinary stock unit	19	<u>\$ 6.56</u>	<u>3.55</u>

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

SALADA FOODS JAMAICA LIMITEDGroup Statement of Changes in Stockholders' Equity  
Year ended September 30, 2007

	Share capital (Note 10) \$'000	Share premium \$'000	Capital reserves (Note 11) \$'000	Retained earnings \$'000	Total \$'000
Balances at September 30, 2005	5,194	68,022	16,275	79,033	168,524
Net profit , being total recognised gains, attributable to members	<u>-</u>	<u>-</u>	<u>-</u>	<u>36,925</u>	<u>36,925</u>
Balances at September 30, 2006	5,194	68,022	16,275	115,958	205,449
Net profit , being total recognised gains, attributable to members	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,166</u>	<u>68,166</u>
Balances at September 30, 2007	<u>5,194</u>	<u>68,022</u>	<u>16,275</u>	<u>184,124</u>	<u>273,615</u>
Retained in the financial statements of:					
The company	5,194	68,022	6,543	183,433	263,192
The subsidiaries	<u>-</u>	<u>-</u>	<u>9,732</u>	<u>691</u>	<u>10,423</u>
Balances at September 30, 2007	<u>5,194</u>	<u>68,022</u>	<u>16,275</u>	<u>184,124</u>	<u>273,615</u>
The company	5,194	68,022	6,543	114,872	194,631
The subsidiaries	<u>-</u>	<u>-</u>	<u>9,732</u>	<u>1,086</u>	<u>10,818</u>
Balances at September 30, 2006	<u>5,194</u>	<u>68,022</u>	<u>16,275</u>	<u>115,958</u>	<u>205,449</u>

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

SALADA FOODS JAMAICA LIMITEDGroup Statement of Cash Flows  
Year ended September 30, 2007

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit attributable to members	68,166	36,925
Adjustments for:		
Items not involving cash:		
Depreciation	8,881	9,309
Gain on disposal of property, plant & equipment	( 580)	( 90)
Foreign exchange losses on long-term loans	574	626
Income tax expense	32,755	19,747
Deferred taxation	1,913	( 579)
Interest income	( 13,279)	( 6,744)
Employee benefits asset	( 4,797)	( 1,393)
	<u>93,633</u>	<u>57,801</u>
Changes in operating assets and liabilities		
Inventories	11,447	( 8,124)
Accounts receivable	( 20,549)	( 6,420)
Accounts payable	<u>7,856</u>	<u>(10,890)</u>
Cash generated from operations	92,387	32,367
Taxation paid	( 33,163)	( 2,628)
Net cash provided by operating activities	<u>59,224</u>	<u>29,739</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	13,100	7,752
Purchase of property, plant & equipment	( 931)	( 3,483)
Proceeds from sale of property, plant & equipment	<u>760</u>	<u>1,207</u>
Net cash provided by investing activities	<u>12,929</u>	<u>5,476</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Repayment of long-term loans, being net cash used by financing activity	( 5,603)	( 5,472)
Net increase in cash and cash equivalents	66,550	29,743
Cash and cash equivalents at beginning of year	<u>96,145</u>	<u>66,402</u>
Cash and cash equivalents at end of year (note 7)	<u>162,695</u>	<u>96,145</u>

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

SALADA FOODS JAMAICA LIMITEDCompany Income Statement  
Year ended September 30, 2007

	<u>Notes</u>	<u>2007</u> \$'000	<u>2006</u> \$'000
Sales	14	342,751	302,926
Cost of sales		(201,108)	(192,525)
Gross profit		141,643	110,401
Other operating income		2,669	1,799
Selling and promotion expenses		( 10,857)	( 14,609)
Administration expenses		( 44,263)	( 48,056)
Operating profit before net finance income and taxation		<u>89,192</u>	<u>49,535</u>
Finance income	15	14,659	7,736
Finance costs	15	( 260)	( 162)
Net finance income	15	<u>14,399</u>	<u>7,574</u>
Profit before taxation	17	103,591	57,109
Taxation	16	( 35,030)	( 19,941)
Net profit for the year		<u>68,561</u>	<u>37,168</u>

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



SALADA FOODS JAMAICA LIMITEDCompany Statement of Changes in Stockholders' Equity  
Year ended September 30, 2007

	Share capital (Note 10) \$'000	Share premium \$'000	Capital reserves (Note 11) \$'000	Retained earnings \$'000	Total \$'000
Balances at September 30, 2005	5,194	68,022	6,543	77,704	157,463
Net profit for the year, being total recognised gains	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,168</u>	<u>37,168</u>
Balances at September 30, 2006	5,194	68,022	6,543	114,872	194,631
Net profit for the year, being total recognised gains	<u>-</u>	<u>-</u>	<u>-</u>	<u>68,561</u>	<u>68,561</u>
Balances at September 30, 2007	<u>5,194</u>	<u>68,022</u>	<u>6,543</u>	<u>183,433</u>	<u>263,192</u>

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

SALADA FOODS JAMAICA LIMITEDCompany Statement of Cash Flows  
Year ended September 30, 2007

	<u>2007</u> \$'000	<u>2006</u> \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit for the year	68,561	37,168
Adjustments for:		
Items not involving cash:		
Depreciation	7,795	8,224
Gain on disposal of property, plant & equipment	( 580)	( 90)
Foreign exchange losses on long-term loans	574	626
Income tax expense	32,755	19,747
Deferred taxation	2,275	194
Interest income	( 13,279)	( 6,744)
Employee benefits asset	( 4,797)	( 1,393)
	93,304	57,732
Changes in operating assets and liabilities		
Inventories	11,447	( 8,124)
Accounts receivable	( 20,519)	( 6,432)
Due from subsidiary companies	299	81
Accounts payable	<u>7,856</u>	<u>(10,890)</u>
Cash generated from operations	92,387	32,367
Taxation paid	<u>( 33,163)</u>	<u>( 2,628)</u>
Net cash provided by operating activities	<u>59,224</u>	<u>29,739</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	13,100	7,752
Purchase of property, plant & equipment	( 931)	( 3,483)
Proceeds from sale of property, plant & equipment	<u>760</u>	<u>1,207</u>
Net cash provided by investing activities	<u>12,929</u>	<u>5,476</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Repayment of long-term loans, being net cash used by financing activity	<u>( 5,603)</u>	<u>( 5,472)</u>
Net increase in cash and cash equivalents	66,550	29,743
Cash and cash equivalents at beginning of year	<u>96,145</u>	<u>66,402</u>
Cash and cash equivalents at end of year (note 7)	<u>162,695</u>	<u>96,145</u>

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

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements  
Year ended September 30, 20071. 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 Jamaican Companies Act.

During the year, certain new standards, interpretations and amendments to the existing standards became effective. Management has assessed that the following interpretations and amendments were relevant to the preparation of these financial statements.

- IAS 19 (Amendment), Employee Benefits (effective from January 1, 2006)
- IAS 39 (Amendment), The Fair Value Option (effective from January 1, 2006)
- IFRIC 4, Determining whether an Arrangement contains a Lease (effective from January 1 2006)

The adoption of IAS 19 amendment requires additional disclosures in respect of the company’s retirement benefits arrangements. Appropriate additional disclosures were made in these financial statements. The adoption of these standards did not result in any change to accounting policies.

At the date of authorisation of the financial statements the following new standards, amendments to standards and interpretations, which were in issue, are not yet effective. Those standards and interpretations are effective for the accounting periods beginning on, or after the indicated dates:

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* (effective January 1, 2007) require extensive disclosures about the significance of financial instruments for an entity’s financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks.
- *IFRS 8, Operating Segments* (effective January 1, 2009) introduces the “management approach” to segment reporting. IFRS 8, which becomes mandatory for the group’s 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the group’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them.

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements  
Year ended September 30, 20072. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

- *IFRIC 10 Interim Financial Reporting and Impairment* (effective November 1, 2006) prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset at cost.
- *IFRIC 11 IFRS 2 – Group and Treasury Share Transactions* (effective March 1, 2007) requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained.
- *IFRIC 12 Service Concession Arrangements* (effective January 1, 2008) addresses the accounting requirements for public-to-private service concession arrangements in private sector entities.
- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective January 1, 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability.
- *Revised IAS 1 – Presentation of Financial Statements* (effective January 1, 2009) requires presentation of all non-owner changes in equity in one or two statements either in a single statement of comprehensive income, or in an income statement plus in a statement of comprehensive income. Revised IAS 1 also requires that a statement of financial position be presented at the beginning of the comparative period when the entity restates the comparatives, a disclosure for reclassification adjustments and disclosure of dividends and related per share amounts be disclosed on the face of the statement of changes in equity or in the notes.
- *IAS 23, Revised – Borrowing Costs* (effective January 1, 2009) allows the removal of the option of immediately recognising all borrowing costs as an expense. The standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

The adoption of IFRS 7, IFRS 8, IFRIC 10, IFRIC 14, IAS19, IAS 1 revised and IAS 23 revised is expected to result in adjustments and additional disclosures to the financial statements. Management has not completed its evaluation of the impact of adopting these standards on the financial statements.

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements  
Year ended September 30, 20072. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (b) Basis of preparation:

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

The financial statements are prepared on the historical cost basis.

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

## (c) Basis of consolidation:

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

The consolidated financial statements include the financial statements of the company and its wholly-owned subsidiaries, Coffee Company of Jamaica Limited and Shirriff's (Jamaica) Limited made up to September 30, 2007. The company and its subsidiaries are collectively referred to as "the group". These companies are currently dormant and the shareholdings are the same for 2007 and 2006.

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

## (d) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the balance sheet date and the income and expense for the year then ended. Actual amounts could differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

## (i) Pension and other post-retirement benefits:

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

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements  
Year ended September 30, 2007

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

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

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

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

## (ii) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment of losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, based on default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

## (iii) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from those assumptions could require a material adjustment to the carrying amount reflected in the financial statements.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements  
Year ended September 30, 2007

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

(e) Property, plant & equipment:

(i) Property, plant & equipment are stated at historical cost or deemed cost, less accumulated depreciation and impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the income statement.

(ii) Depreciation:

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

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

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

(f) Investment in subsidiary companies:

Investment in subsidiary companies are stated at cost.

(g) Employee benefits:

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

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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

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

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

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

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

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

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.

## (h) Inventories:

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

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

## (i) Accounts receivable:

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

## (j) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, 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.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

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

(k) 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 interest rate basis.

(l) Accounts payable:

Trade and other payables are stated at amortised cost.

(m) Provisions:

A provision is recognised in the balance sheet when the company and its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(n) Impairment:

The carrying amounts of the company's and its subsidiaries' assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or group of operating assets exceeds its recoverable amount. Impairment losses are recognised in 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 independent cash inflows, the recoverable amount is determined for the group of operating assets to which the asset belongs.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

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

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

## (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.

## (o) Revenue:

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

## (p) Net finance income:

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

Interest income is recognised in the income statement as it accrues, taking into account the yield on the asset.

## (q) Income tax:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement 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.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

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

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

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except to the extent that the company and its subsidiaries are able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## (r) 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.

## (s) 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.

## (t) Related parties:

A party is related to the company, if:

- (i) directly, or indirectly through one or more intermediaries, the party:
  - (a) is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
  - (b) has an interest in the company that gives it significant influence over the entity; or
  - (c) has joint control over the company;

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

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

(t) Related parties (cont'd):

A party is related to the company, if (cont'd):

- (ii) the party is an associate of the company;
- (iii) the party is a joint venture in which the company is a venturer;
- (iv) the party is a member of the key management personnel of the entity or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the company, or of any entity that is a related party of the entity.

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

(u) 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.

(v) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, accounts receivable and due from subsidiary companies. Similarly, financial liabilities include bank overdraft, accounts payable and long-term loans.

(w) 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 LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 20073. Property, plant & equipment

	<u>Freehold land</u> \$'000	<u>Freehold buildings</u> \$'000	<u>Machinery equipment &amp; vehicles</u> \$'000	<u>Work-in progress</u> \$'000	<u>Total</u> \$'000
(a) The Group:					
At cost or deemed cost:					
September 30, 2005	10,000	34,484	89,964	-	134,448
Additions	-	-	994	2,489	3,483
Disposals	<u>-</u>	<u>-</u>	<u>( 1,732)</u>	<u>-</u>	<u>( 1,732)</u>
September 30, 2006	10,000	34,484	89,226	2,489	136,199
Additions	-	-	931	-	931
Transfers	-	-	2,489	( 2,489)	-
Disposals	<u>-</u>	<u>-</u>	<u>( 900)</u>	<u>-</u>	<u>( 900)</u>
September 30, 2007	<u>10,000</u>	<u>34,484</u>	<u>91,746</u>	<u>-</u>	<u>136,230</u>
Depreciation:					
September 30, 2005	-	8,502	75,271	-	83,773
Charge for the year	-	2,190	7,119	-	9,309
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>( 615)</u>	<u>-</u>	<u>( 615)</u>
September 30, 2006	-	10,692	81,775	-	92,467
Charge for the year	-	2,192	6,689	-	8,881
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>( 720)</u>	<u>-</u>	<u>( 720)</u>
September 30, 2007	<u>-</u>	<u>12,884</u>	<u>87,744</u>	<u>-</u>	<u>100,628</u>
Net book value:					
September 30, 2007	<u>10,000</u>	<u>21,600</u>	<u>4,002</u>	<u>-</u>	<u>35,602</u>
September 30, 2006	<u>10,000</u>	<u>23,792</u>	<u>7,451</u>	<u>2,489</u>	<u>43,732</u>
September 30, 2005	<u>10,000</u>	<u>25,982</u>	<u>14,693</u>	<u>-</u>	<u>50,675</u>

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 20073. Property, plant & equipment (cont'd)

	<u>Freehold Land</u> \$'000	<u>Freehold buildings</u> \$'000	<u>Machinery equipment &amp; vehicles</u> \$'000	<u>Work-in progress</u> \$'000	<u>Total</u> \$'000
(b) The Company:					
At cost or deemed cost:					
September 30, 2005	6,144	16,919	89,964	-	113,027
Additions	-	-	994	2,489	3,483
Disposals	<u>-</u>	<u>-</u>	<u>( 1,732)</u>	<u>-</u>	<u>( 1,732)</u>
September 30, 2006	6,144	16,919	89,226	2,489	114,778
Additions	-	-	931	-	931
Transfers	-	-	2,489	( 2,489)	-
Disposals	<u>-</u>	<u>-</u>	<u>( 900)</u>	<u>-</u>	<u>( 900)</u>
September 30, 2007	<u>6,144</u>	<u>16,919</u>	<u>91,746</u>	<u>-</u>	<u>114,809</u>
Depreciation:					
September 30, 2005	-	4,161	75,271	-	79,432
Charge for the year	-	1,105	7,119	-	8,224
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>( 615)</u>	<u>-</u>	<u>( 615)</u>
September 30, 2006	-	5,266	81,775	-	87,041
Charge for the year	-	1,106	6,689	-	7,795
Eliminated on disposals	<u>-</u>	<u>-</u>	<u>( 720)</u>	<u>-</u>	<u>( 720)</u>
September 30, 2007	<u>-</u>	<u>6,372</u>	<u>87,744</u>	<u>-</u>	<u>94,116</u>
Net book values:					
September 30, 2007	<u>6,144</u>	<u>10,547</u>	<u>4,002</u>	<u>-</u>	<u>20,693</u>
September 30, 2006	<u>6,144</u>	<u>11,653</u>	<u>7,451</u>	<u>2,489</u>	<u>27,737</u>
September 30, 2005	<u>6,144</u>	<u>12,758</u>	<u>14,693</u>	<u>-</u>	<u>33,595</u>

- (c) Freehold land and buildings were professionally valued on a fair market value basis by Stoppi Cairney Bloomfield in September 2001. These values have been incorporated into the financial statements as deemed costs as at the date of transition to IFRS (October 1, 2001). The surpluses arising from these adjustments were credited to capital reserves (note 11).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

4. Investment in subsidiary companies

Investment in subsidiary companies at year end comprises:

	<u>The Company</u>	
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Shares at cost:		
Coffee Company of Jamaica Limited	790	790
Shirriff's (Jamaica) Limited	<u>91</u>	<u>91</u>
	<u>881</u>	<u>881</u>

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

5. Deferred tax assets/liabilities

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

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Deferred tax assets:		
Interest payable on FINSAC loans	-	5,925
Property, plant & equipment	-	529
Accrued charges	<u>-</u>	<u>873</u>
	<u>-</u>	<u>7,327</u>
Deferred tax liabilities:		
Employee benefits asset	-	(6,763)
Accounts receivable	-	( 18)
Unrealised foreign exchange gains	<u>-</u>	<u>( 43)</u>
	<u>-</u>	<u>(6,824)</u>
	<u>-</u>	<u>503</u>

(b) Deferred tax liabilities are attributable to the following:

	<u>The Group</u>		<u>The Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	\$'000	\$'000	\$'000	\$'000
Deferred tax assets:				
Interest payable on FINSAC loans	4,248	-	4,248	-
Property, plant & equipment	1,840	-	1,840	-
Accrued charges	607	-	607	-
Tax value of losses carried forward	<u>71</u>	<u>70</u>	<u>-</u>	<u>-</u>
	<u>6,766</u>	<u>70</u>	<u>6,695</u>	<u>-</u>

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 20075. Deferred tax assets/liabilities (cont'd)

(b) Deferred tax liabilities are attributable to the following (cont'd):

	<u>The Group</u>		<u>The Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Deferred tax liabilities:				
Employee benefits asset	( 8,362)	-	( 8,362)	-
Property, plant & equipment	( 3,676)	( 4,037)	-	-
Accounts receivable	( 77)	-	( 77)	-
Unrealised foreign exchange gains	( 28)	-	( 28)	-
	<u>(12,143)</u>	<u>( 4,037)</u>	<u>( 8,467)</u>	<u>-</u>
	<u>(5,377)</u>	<u>( 3,967)</u>	<u>(1,772)</u>	<u>-</u>

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

At September 30, 2007, a deferred tax liability of approximately \$230,000 (2006: \$362,000) 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:

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Fair value of plan assets	81,817	72,802
Present value of funded obligations	(19,147)	(10,059)
	62,670	62,743
Unrecognised actuarial gains	(12,423)	(18,585)
Unrecognised amount due to limitation	(25,162)	(23,870)
	<u>25,085</u>	<u>20,288</u>



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

6. Employee benefits asset (cont'd)

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

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
At beginning of year	20,288	18,895
Amounts recognised in the income statement	4,721	1,329
Contributions paid	<u>76</u>	<u>64</u>
At end of year	<u>25,085</u>	<u>20,288</u>

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

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
At beginning of year	(10,059)	( 11,808)
Benefit paid	997	523
Current service and interest costs	( 3,250)	( 2,764)
Actuarial loss	<u>( 6,835)</u>	<u>3,990</u>
At end of year	<u>(19,147)</u>	<u>(10,059)</u>

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

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Fair value of plan assets at beginning of year	72,802	65,435
Contribution paid	1,545	1,369
Expected return on plan assets	6,974	6,273
Benefit paid	( 997)	( 523)
Actuarial gain	<u>1,493</u>	<u>248</u>
Fair value of plan assets at end of year	<u>81,817</u>	<u>72,802</u>

The assets of the fund are invested in Guardian Life's Pool Investment Fund and Deposit Administration Fund as at September 30, 2007 and 2006, respectively.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

6. Employee benefits asset (cont'd)

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

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Interest and employer's current service cost	( 1,782)	( 1,609)
Expected return on plan assets	6,974	6,273
Net actuarial loss recognised during the year	820	555
Change in surplus not eligible for recognition due to limitation	( 1,291)	( 3,890)
At the end of the year	<u>4,721</u>	<u>1,329</u>

(vi) The actual return on the plan assets was \$8,467,000 (2006: \$6,521,000).

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

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	%	%
Discount rate	12.5	12.0
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>

Assumptions regarding future mortality are based on GAM 83 table, with no age set back. The expected long-term rate of return on plan assets is based on the assumed long-term rate of inflation.

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 20076. Employee benefits asset (cont'd)

## (viii) Historical information

## Defined benefit pension plan:

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
Present value of the defined benefit obligation	(19,147)	(10,059)	(11,808)	(27,416)	(18,562)
Fair value of plan assets	81,817	72,802	65,435	76,152	53,037
Surplus	62,670	62,743	53,627	48,736	34,475
Experience adjustments arising on plan liabilities	7,670	(4,695)	1,247	(356)	3,761
Experience adjustments arising on plan assets	<u>1,493</u>	<u>248</u>	<u>729</u>	<u>14,515</u>	<u>4,912</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>2007</u>	<u>2006</u>
	\$'000	\$'000
Cash in hand and bank	1,066	1,951
Short term deposits [note (a)]	<u>161,767</u>	<u>94,454</u>
	162,833	96,405
Bank overdraft [note (b)]	( <u>138</u> )	( <u>260</u> )
	<u>162,695</u>	<u>96,145</u>

- (a) The weighted average effective interest rate on short term deposits denominated in Jamaica dollars was 12% (2006: 11.9%) and on short term deposits denominated in United States dollars was 5.15% (2006: 5.0%), 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.

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 20078. Accounts receivable

	<u>The Group</u>		<u>The Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	29,201	17,495	29,201	17,495
Prepayments	18,932	4,830	18,932	4,830
Other receivables	<u>1,933</u>	<u>7,013</u>	<u>1,933</u>	<u>7,043</u>
	50,066	29,338	50,066	29,368
Less: allowances for doubtful debts	( <u>78</u> )	( <u>78</u> )	( <u>78</u> )	( <u>78</u> )
	<u>49,988</u>	<u>29,260</u>	<u>49,988</u>	<u>29,290</u>

9. Inventories

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Raw and packaging material	22,159	41,380
Finished goods held for sale	8,241	16,281
Work-in-progress	16,641	3,366
Fuel, spares and consumables	6,320	6,093
Goods-in-transit	<u>1,720</u>	<u>-</u>
	55,081	67,120
Less: provision for obsolescence	( <u>928</u> )	( <u>1,520</u> )
	<u>54,153</u>	<u>65,600</u>

10. Share capital

	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Authorised:		
10,400,000 ordinary units of no par value (2006: 50¢ each)		
Stated:		
Issued and fully paid:		
10,388,330 ordinary stock units of no par value (2006: 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 elected by ordinary resolution to retain its shares at par value; which remained for eighteen months ending on January 31, 2007.

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

11. Capital reserves

	<u>The Group</u>		<u>The Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Revaluation surplus on assets carried at deemed cost	14,528	14,528	4,838	4,838
Realised gains	<u>1,747</u>	<u>1,747</u>	<u>1,705</u>	<u>1,705</u>
	<u>16,275</u>	<u>16,275</u>	<u>6,543</u>	<u>6,543</u>

12. Long-term loan

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Jamaican Redevelopment Foundation, Inc.	12,745	17,774
Less: Current portion	<u>( 5,534)</u>	<u>( 5,512)</u>
	<u>7,211</u>	<u>12,262</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>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Trade payable	16,402	7,041
Accrued charges	6,779	8,797
Other payables	<u>4,040</u>	<u>3,527</u>
	<u>27,221</u>	<u>19,365</u>

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 200714. Sales

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

15. Net finance income/(costs)

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Finance income:		
Interest income – bank deposits	13,279	6,744
Net foreign exchange gains	<u>1,380</u>	<u>992</u>
	<u>14,659</u>	<u>7,736</u>
Finance costs:		
Bank charges	( 260)	( 162)
	<u>14,399</u>	<u>7,574</u>

16. Taxation

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Current tax expense:				
Income tax	32,755	19,408	32,755	19,408
Prior year's under provision	<u>-</u>	<u>339</u>	<u>-</u>	<u>339</u>
	32,755	19,747	32,755	19,747
Deferred taxation:				
Originating and reversal of other Timing differences, net	1,913	( 529)	2,275	244
Prior year's under provision	<u>-</u>	<u>( 50)</u>	<u>-</u>	<u>( 50)</u>
	<u>1,913</u>	<u>( 579)</u>	<u>2,275</u>	<u>194</u>
	<u>34,668</u>	<u>19,168</u>	<u>35,030</u>	<u>19,941</u>

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 200716. Taxation (cont'd)

## (b) Reconciliation of effective tax rate:

	<u>The Group</u>		<u>The Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Profit before tax	<u>102,834</u>	<u>56,093</u>	<u>103,591</u>	<u>57,109</u>
Computed "expected" tax expense @ 33½%	34,278	18,698	34,530	19,036
Difference between profit for financial statements and tax reporting purposes on:				
Prior year's under provision	-	339	-	339
Disallowed expenses and capital adjustments, net	<u>390</u>	<u>131</u>	<u>500</u>	<u>566</u>
Actual expense	<u>34,668</u>	<u>19,168</u>	<u>35,030</u>	<u>19,941</u>

17. Disclosure of expenses

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

	<u>The Group</u>		<u>The Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Depreciation	8,881	9,309	7,795	8,224
Cost of inventories recognised as expense	112,337	99,239	112,337	99,239
Directors' emoluments:				
- Fees	Nil	368	Nil	368
- Management remuneration	Nil	Nil	Nil	Nil
Auditors' remuneration	1,400	1,085	1,400	1,085
Bad debts, net	-	-	-	494
Staff costs (note 18)	57,117	58,975	57,117	58,975
Stock write-off/write-back	<u>(27)</u>	<u>409</u>	<u>(27)</u>	<u>409</u>

## (b) Transactions with key management personnel:

For directors/executive officers who receive salaries, the company contracts to a post employment defined benefit plan on their behalf.

Key management personnel compensation is as follows:

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Short-term employee benefits	12,316	16,100
Post-employment benefits	<u>6,362</u>	<u>5,127</u>

SALADA FOODS JAMAICA LIMITEDNotes to the Financial Statements (Continued)  
Year ended September 30, 200718. Staff costs

	<u>The Group and the Company</u>	
	<u>2007</u>	<u>2006</u>
	<u>\$'000</u>	<u>\$'000</u>
Salaries and wages	50,387	50,326
Statutory contributions	4,875	4,738
Pension costs (note 6)	( 4,721)	( 1,329)
Staff welfare	<u>6,576</u>	<u>5,240</u>
	<u>57,117</u>	<u>58,975</u>
Number of employees:		
Full time	8	8
Part time (contract workers)	<u>65</u>	<u>65</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>2007</u>	<u>2006</u>
Net profit attributable to shareholders (\$'000)	<u>68,166</u>	<u>36,925</u>
Weighted average number of stock units in issue ('000)	<u>10,388</u>	<u>10,388</u>
Basic earnings per stock unit (\$)	<u>6.56</u>	<u>3.55</u>

The company has no potential dilutive ordinary shares.

20. Contingent liability

There was a disputed amount of approximately \$Nil (2006:\$2.5 million) due to a supplier, based on the suppliers' confirmation, for which no provision has been made in the financial statements.

21. Financial instruments(a) Financial instrument risks:

Exposure to various types of financial instrument risk arises in the ordinary course of the group's business. Derivative financial instruments are presently not used to reduce exposure to fluctuations in interest and foreign exchange rates.



SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

21. Financial instruments (cont'd)

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

## (i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

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 maintained with substantial counter-parties deemed to have low 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, 2007 and 2006, there were no financial liabilities subject to fixed interest rate risk. 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, 2007, the group had net foreign currency assets aggregating approximately US\$177,150 (2006: US\$1,110,398).

SALADA FOODS JAMAICA LIMITED

Notes to the Financial Statements (Continued)  
Year ended September 30, 2007

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, 2006:	\$65.90
At September 30, 2007:	\$70.41
At November 20, 2007:	\$71.04

## (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.