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# INDEPENDENT AUDITORS' REPORT

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

## Report on the Financial Statements

We have audited the financial statements of Caribbean Producers (Jamaica) Limited (the company), set out on pages 3 to 26 which comprise the statement of financial position as at June 30, 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we 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.

To the Members of
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

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

*Opinion*

As disclosed in note 9, the company has not recognised its interest in joint venture using either the proportionate consolidation or equity method. This is not in accordance with IFRS. Based on information available from the unaudited financial results of Caribbean Egg Processors Limited, if the company had recognised its interest in accordance with IFRS, it would have reflected additional profit for the year of US$28,530 (2010: US$6,840), net investment in joint venture of US$340,683 (2010: US$433,226) and accumulated surplus of US$3,101,560 (2010: $1,954,209), instead of the respective values reflected in the financial statements.

In our opinion, the financial statements give, except for the effect of the matter referred to in the preceding paragraph, a true and fair view of the financial position of the company as at June 30, 2011, and of its financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

**Report on additional matters as required by the Jamaican Companies Act**

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

KPMG

Chartered Accountants
Montego Bay, Jamaica

September 26, 2011

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Financial Position
June 30, 2011

| | Notes | 2011 | 2010 |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3 | 871,251 | 803,854 |
| Accounts receivable | 4 | 9,267,837 | 12,280,961 |
| Inventories | 5 | 15,791,277 | 12,559,025 |
| | | 25,930,365 | 25,643,840 |
| CURRENT LIABILITIES | | | |
| Short-term loan | 6 | 6,205,000 | 3,800,000 |
| Accounts payable | 7 | 4,555,094 | 6,753,380 |
| Due to related parties | 8 | 3,646,667 | 3,646,667 |
| Current portion of long-term loan | 15 | 790,723 | 479,731 |
| Taxation payable | | 818,071 | 363,906 |
| | | 16,015,555 | 15,043,684 |
| NET CURRENT ASSETS | | 9,914,810 | 10,600,156 |
| NON-CURRENT ASSETS | | | |
| Interest in joint venture | 9 | 461,025 | 582,098 |
| Investment | 10 | 49,452 | 78,250 |
| Deferred tax asset | 11 | 2,940 | 182,286 |
| Property, plant and equipment | 12 | 5,074,884 | 4,066,827 |
| | | 5,588,301 | 4,909,461 |
| | | US$15,503,111 | 15,509,617 |
| EQUITY | | | |
| Share capital | 13 | 5,874 | 30 |
| Accumulated surplus | | 3,221,902 | 2,103,081 |
| | | 3,227,776 | 2,103,111 |
| NON-CURRENT LIABILITIES | | | |
| Related party loans | 14 | 9,143,338 | 12,663,885 |
| Long-term loans | 15 | 3,131,997 | 742,621 |
| | | 12,275,335 | 13,406,506 |
| | | US$15,503,111 | 15,509,617 |

The financial statements on pages 3 to 26, were approved for issue by the Board of Directors on September 26, 2011 and signed on its behalf by:

____________________ Director
Mark Hart

____________________ Director
Theresa Chin

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Comprehensive Income
Year ended June 30, 2011

| | Notes | 2011 | 2010 |
|---|---|---|---|
| Gross operating revenue | 16 | 63,943,298 | 61,341,730 |
| Cost of operating revenue | | (48,525,466) | (46,255,887) |
| Gross profit | | 15,417,832 | 15,085,843 |
| Selling and administration expenses | | (10,835,999) | (10,681,939) |
| Depreciation | 12 | ( 842,674) | ( 794,007) |
| Other operating expenses, net | 17(a) | ( 5,885) | ( 58,708) |
| Profit before finance income, finance costs and taxation | | 3,733,274 | 3,551,189 |
| Finance income | 17(b) | 2,777 | 3,096 |
| Finance costs | 17(c) | ( 1,694,097) | ( 1,713,804) |
| Profit before taxation | 17(d) | 2,041,954 | 1,840,481 |
| Taxation | 18 | ( 917,289) | ( 650,687) |
| Profit for the year, being total comprehensive income | | US$ 1,124,665 | 1,189,794 |
| Earnings per stock unit | 19 | 0.13¢ | 0.14¢ |

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Changes in Equity
Year ended June 30, 2011

| | Share capital (note 13) | Accumulated surplus | Total |
|---|---|---|---|
| Balances at June 30, 2009 | 30 | 913,287 | 913,317 |
| Profit for the year, being total comprehensive income | - | 1,189,794 | 1,189,794 |
| Balances at June 30, 2010 | 30 | 2,103,081 | 2,103,111 |
| Profit for the year, being total comprehensive income | - | 1,124,665 | 1,124,665 |
| | 30 | 3,227,746 | 3,227,776 |
| Transaction recorded directly in equity: | | | |
| Issue of bonus shares (note 13) | 5,844 | (5,844) | - |
| Balances at June 30, 2011 | US$5,874 | 3,221,902 | 3,227,776 |

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Cash Flows
Year ended June 30, 2011

| | 2011 | 2010 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the year | 1,124,665 | 1,189,794 |
| Adjustments for: | | |
| Depreciation | 842,674 | 794,007 |
| (Gain)/loss on disposal of property, plant and equipment | ( 15,760) | 29,352 |
| Interest income | ( 2,777) | ( 3,096) |
| Interest expense | 1,694,097 | 1,713,804 |
| Taxation | 917,289 | 650,687 |
| | 4,560,188 | 4,374,548 |
| Decrease/(increase) in current assets: | | |
| Accounts receivable | 3,013,124 | (2,549,314) |
| Inventories | ( 3,232,252) | 259,292 |
| (Decrease)/increase in current liability: | | |
| Accounts payable | ( 1,882,557) | 929,007 |
| Cash generated from operations | 2,458,503 | 3,013,533 |
| Interest paid | ( 2,009,826) | (2,761,008) |
| Tax paid | ( 283,778) | ( 20,563) |
| Net cash provided by operating activities | 164,899 | 231,962 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest in joint venture | 121,073 | ( 32,014) |
| Investment | 28,798 | ( 18,902) |
| Additions to property, plant and equipment | ( 1,887,502) | ( 495,805) |
| Proceeds from disposal of property, plant and equipment | 52,531 | 43,203 |
| Interest received | 2,777 | 3,096 |
| Net cash used by investing activities | ( 1,682,323) | ( 500,422) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Loans received from related parties | 2,000 | 2,069,829 |
| Loans received from third parties | 13,310,000 | 7,600,000 |
| Loans repaid to related parties | ( 3,522,547) | (1,250,000) |
| Loans repaid to third parties | ( 8,204,632) | (8,385,103) |
| Net cash provided by financing activities | 1,584,821 | 34,726 |
| Net increase/(decrease) in cash and cash equivalents | 67,397 | ( 233,734) |
| Cash and cash equivalents at beginning of the year | 803,854 | 1,037,588 |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | US$ 871,251 | 803,854 |

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

1. The company

The company is incorporated and domiciled in Jamaica. Its registered office is situated at Shop No. 14, Montego Freeport Shopping Centre, Montego Bay, St. James and its principal place of business is at 1 Guinep Way, Montego Freeport, Montego Bay, St. James.

The company's principal activities during the year were the wholesaling and distribution of food and beverages, the distribution of non-food supplies and the manufacture and distribution of fresh juices.

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

(a) Statement of compliance:

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

During the year, certain new standards, interpretations and amendments to existing standards became effective. Management has assessed that none of the newly effective standards required adjustments to its accounting policies, or additional disclosures in these financial statements.

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

- IFRS 9, *Financial Instruments*, is effective for annual reporting periods beginning on or after January 1, 2013. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities. The company is assessing the impact that the standard will have on its 2014 financial statements.

- IAS 24 *Related Party Disclosures revised* (effective January 1, 2011) introduces changes to related party disclosure requirements for government-related entities and amends the definitions of a related party. The standard also expands the list of transactions that require disclosure. These amendments are not expected to have a material effect on the company's 2012 financial statements.

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

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

- IAS 1 *Presentation of Financial Statements* has been amended to require an entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently, an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. However, an entity is still allowed to use other titles. The amendment is effective for annual periods beginning on or after July 1, 2012. The company is assessing the impact that the standard will have in its 2013 financial statements.

- Improvements to IFRS 2010 contain amendments to six standards and to one interpretation and are effective for accounting periods beginning on or after July 1, 2010 or January 1, 2011. The main applicable amendments are as follows:

  – IFRS 7 *Financial Instruments: Disclosures* – The standard is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed. The amendment is effective for accounting periods beginning on or after January 1, 2011.

  – IAS 1 *Presentation of Financial Statements* – is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners. The amendment is effective for accounting periods beginning on or after January 1, 2011.

  The company is assessing the impact, if any, that these amendments will have on its 2012 financial statements.

(b) Basis of preparation:

The financial statements are prepared under the historical cost convention, and are presented in United States dollars (US$), which is the company's functional currency.

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

(c) Use of estimates and judgements:

The preparation of the financial statements to conform with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the reporting date, and the income and expenses 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 year in which the estimate is revised, if the revision affects only that year, or in the year of the revision and future years, if the revision affects both current and future years.

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

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables 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, caused for example, by default or 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 observable on significant receivables with similar characteristics, such as credit risks.

(ii) 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 year to the extent that such events confirm conditions existing at the end of the year.

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

(iii) Judgement in evaluation of contingencies:

For a contingent liability to qualify for recognition there must be a present obligation and the probability of an outflow of economic benefits to settle that obligation. In recognising contingent liabilities of the company, management determines the possibility of an outflow of resources and makes estimates of expenditure required to settle the present obligation at the reporting date.

No provision is made if management considers the possibility of any outflow in settlement to be remote.

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

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

(iv) Residual value and expected useful life of property plant and equipment:

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for prospectively. The useful life of an asset is defined in terms of the asset's expected utility to the company.

(d) Cash and cash equivalents:

This comprises cash and bank balances, and short-term deposits maturing within three months or less from the date of deposit or acquisition that are readily convertible into known amounts of cash and which are not subject to significant risk of changes in value.

(e) Accounts receivable:

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

(f) Inventories:

Inventories are valued at the lower of cost, determined on the weighted average basis, and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses.

The cost of raw materials, labour and appropriate allocations for overhead expenses are included in manufactured finished goods.

(g) Property, plant and equipment:

(i) Owned assets:

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

(ii) Depreciation:

Depreciation is recognised in profit or loss on the straight-line basis at annual rates estimated to write down the assets to their estimated residual values over their expected useful lives. No depreciation is charged on construction in progress. The depreciation rates are as follows:

| | |
|---|---|
| Leasehold improvements | 10% and 20% |
| Furniture, fixtures and equipment | 10% and 20% |
| Computer equipment | 33.33% |
| Motor vehicles | 20% |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

(h) Accounts payable:

Trade and other payables are stated at amortised cost.

(i) Provisions:

A provision is recognised when the company has a legal or constructive obligation as a result of a past event, 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 risk specific to the obligation.

(j) Related parties:

A party is related to the company, if:

(i) directly, or indirectly through one or more intermediaries, the party:

- controls, is controlled by, or is under common control with, the company (this includes parents, subsidiaries and fellow subsidiaries);
- has an interest in the company that gives it significant influence over the company; or
- has joint control over the company;

(ii) the party is an associate of the company;

(iii) the party is a joint venture in which the company is a venturer;

(iv) the party is a member of the key management personnel of the company;

(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 company.

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

The company has related party relationships with companies under common control with the company, as well as with their directors, senior officers and executives. "Key management personnel" represents certain senior officers of the company.

(k) Revenue recognition:

Revenue from the sale of goods is recognised 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.

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

(l) Expense/income:

(i) Finance income and costs:

Finance income comprises interest earned on funds invested and is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

Finance costs comprise interest payable on borrowings calculated using the effective interest method and material bank overdraft interest.

(ii) Operating lease payments:

Payments made under operating leases are recognised in profit or loss on the straight-line basis over the term of the lease.

(m) Taxation:

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

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

Deferred tax is provided 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 reporting date.

A deferred tax liability is recognised for taxable temporary differences, 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 differences 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.

(n) Impairment:

The carrying amounts of the company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

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

(n) Impairment (cont'd):

(i) Calculation of recoverable amount:

The recoverable amount of the company's 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.

(o) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at cost. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowing on an effective interest basis.

(p) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Monetary assets and liabilities denominated in other currencies at the reporting date are translated to United States dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in profit or loss are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

(q) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. Financial assets have been determined to include cash and cash equivalents and accounts receivable. Financial liabilities include short-term loan, accounts payable, related party payables and long-term loans.

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

(r) 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.

(s) Interest in jointly controlled operations:

This represents those operations over which the company by virtue of a joint venture agreement, exercises joint control with one or more entities.

(t) Operating segments:

An operating segment is a component of the company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the company's other components and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the Board of Director's to make decisions about resources to be allocated to the segment and assess its performance.

Based on the nature of the company's products, processes, customers and distribution systems, management has determined that disclosure of segment information is not applicable to the company.

3. Cash and cash equivalents

| | 2011 | 2010 |
|---|---|---|
| Cash | 5,924 | 5,176 |
| Bank balances | 865,327 | 798,678 |
| | US$871,251 | 803,854 |

4. Accounts receivable

| | 2011 | 2010 |
|---|---|---|
| Trade receivables | 6,853,537 | 6,385,062 |
| Other receivables | 2,483,317 | 5,964,066 |
| | 9,336,854 | 12,349,128 |
| Less: Allowance for doubtful debts | (69,017) | (68,167) |
| | US$9,267,837 | 12,280,961 |

Trade receivables include US$34,975 (2010: US$42,287) due from directors and US$54,379 (2010: US$64,894) due from companies related by way of common directors.

Other receivables include US$5,273 (2010: US$2,853) due from directors and US$771,638 (2010: US$2,609,873) due from companies related by way of common directors.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

4. Accounts receivable (cont'd)

The aging of trade receivables at the reporting date was:

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Gross | Impairment | Gross | Impairment |
| Not past due | 2,504,049 | - | 4,206,626 | - |
| Past due 31- 45 days | 2,856,360 | - | 651,236 | - |
| More than 45 days | 1,493,128 | 69,017 | 1,527,200 | 68,167 |
| Trade accounts receivable | US$6,853,537 | 69,017 | 6,385,062 | 68,167 |

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

| | 2011 | 2010 |
|---|---|---|
| Balance at beginning of year | 68,167 | 16,513 |
| Amounts written off | - | (16,513) |
| Amount provided during the year | 850 | 68,167 |
| Balance at end of year | US$69,017 | 68,167 |

During the year bad debts aggregating US$22,959 (2010: US$62,952) have been recognised in profit or loss.

5. Inventories

| | 2011 | 2010 |
|---|---|---|
| Goods held for resale – duty paid | 12,891,926 | 9,760,814 |
| Goods held in bonded warehouse | 596,705 | 247,712 |
| Goods in transit | 2,007,919 | 2,169,851 |
| Raw materials | 190,069 | 273,474 |
| Spare parts | 104,658 | 107,174 |
| | US$15,791,277 | 12,559,025 |

6. Short-term loan

This commercial bank loan bears interest at 7% (2010: 7%) per annum and is repayable on demand. This loan is secured as detailed in note 15.

7. Accounts payable

| | 2011 | 2010 |
|---|---|---|
| Trade payables | 3,643,607 | 3,952,364 |
| Other payables | 911,487 | 2,801,016 |
| | US$4,555,094 | 6,753,380 |

Trade payables include US$2,687 (2010: US$2,076) due to directors and US$141,154 (2010: US$203,136) due to companies related by way of common directors.

Other payables include US$112,716 (2010: US$501,572) due to companies related by way of common directors.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

8. Due to related parties

These loans from related parties are repayable with three months notice to the company, are unsecured and bear interest at 7% to 9% per annum (2010: 7% to 9%).

9. Interest in joint venture

| | 2011 | 2010 |
|---|---|---|
| Shares, at cost | 77 | 77 |
| Additional cost of acquisition | 406,977 | 413,717 |
| Advances | 53,971 | 168,304 |
| | US$461,025 | 582,098 |

The company holds a 50% interest in a joint venture with Liquid Eggs Limited, a company duly incorporated to purchase, process and sell eggs, related products and services. The joint venture entity is Caribbean Egg Processors Limited (CEP).

The interest in the joint venture is reflected at cost. Under IFRS, the company is required to recognise its interest in joint venture using either the proportionate consolidation or the equity method. If the company had recognised its interest in accordance with IFRS, it would have reflected a profit of US$28,530 (2010: US$6,840) and net investment in joint venture of US$340,683 (2010: US$433,226) based on information available from the unaudited financial statements of CEP.

10. Investment

This represents a 16.67% interest in Aerojam Operations Limited (Operator of a Beechcraft Baron Aeroplane).

11. Deferred tax asset

The deferred tax asset is attributable to differences in tax and financial statement reporting in respect of the following:

| | 2011 | | |
|---|---|---|---|
| | At beginning of year | Recognised in income [note 18(a)] | At end of year |
| Property, plant and equipment | 3,207 | ( 267) | 2,940 |
| Accounts payable | 189,229 | (189,229) | - |
| Others | ( 10,150) | 10,150 | - |
| | US$182,286 | (179,346) | 2,940 |

| | 2010 | | |
|---|---|---|---|
| | At beginning of year | Recognised in income [note 18(a)] | At end of year |
| Property, plant and equipment | ( 22,582) | 25,789 | 3,207 |
| Accounts payable | 535,211 | (345,982) | 189,229 |
| Others | ( 22,616) | 12,466 | ( 10,150) |
| Tax losses | 127,294 | (127,294) | - |
| | US$617,307 | (435,021) | 182,286 |

## 12. Property, plant and equipment

| | Leasehold improvements | Furniture, fixtures and equipment | Computer equipment | Motor vehicle | Construction in progress | Total |
|---|---|---|---|---|---|---|
| Cost: | | | | | | |
| June 30, 2009 | 2,753,599 | 2,974,682 | 666,300 | 1,213,498 | 10,556 | 7,618,635 |
| Additions | 34,689 | 292,014 | 122,693 | 46,409 | - | 495,805 |
| Transfers | ( 1,795) | 12,351 | - | - | (10,556) | - |
| Disposals | ( 78,367) | ( 8,123) | ( 5,572) | ( 97,056) | - | ( 189,118) |
| June 30, 2010 | 2,708,126 | 3,270,924 | 783,421 | 1,162,851 | - | 7,925,322 |
| Additions | 987,007 | 693,061 | 102,345 | 105,089 | - | 1,887,502 |
| Disposals | ( 101,387) | ( 744) | ( 26,812) | ( 84,032) | - | ( 212,975) |
| June 30, 2011 | 3,593,746 | 3,963,241 | 858,954 | 1,183,908 | - | 9,599,849 |
| Depreciation: | | | | | | |
| June 30, 2009 | 982,803 | 1,151,950 | 469,387 | 576,911 | - | 3,181,051 |
| Charge for the year | 240,393 | 236,239 | 118,864 | 198,511 | - | 794,007 |
| Disposals | ( 23,151) | ( 6,613) | ( 4,661) | ( 82,138) | - | ( 116,563) |
| June 30, 2010 | 1,200,045 | 1,381,576 | 583,590 | 693,284 | - | 3,858,495 |
| Charge for the year | 247,434 | 279,885 | 133,271 | 182,084 | | 842,674 |
| Disposals | ( 101,386) | ( 1,007) | ( 24,825) | ( 48,986) | - | ( 176,204) |
| June 30, 2011 | 1,346,093 | 1,660,454 | 692,036 | 826,382 | - | 4,524,965 |
| Net book values: | | | | | | |
| June 30, 2011 | US$2,247,653 | 2,302,787 | 166,918 | 357,526 | - | 5,074,884 |
| June 30, 2010 | US$1,508,081 | 1,889,348 | 199,831 | 469,567 | - | 4,066,827 |

## 13. Share capital

| | 2011 | 2010 |
|---|---|---|
| Authorised: | | |
| 176,000,000,000 (2010: 1,000) ordinary shares of no par value | | |
| Stated capital, issued and fully paid: | | |
| 880,000,000 (2010: 1,000) ordinary shares of no par value | US$5,874 | 30 |

On February 15, 2011, the company unanimously passed a resolution that the authorised share capital of the company be increased from 1,000 to 100,000,000.

On June 1, 2011, the company unanimously passed the following resolutions:

- the capitalisation of the sum of US$5,844 (J$499,000) standing to the credit of the company's revenue reserves and to apply such sum in paying up in full at par on behalf of the current shareholders 499,000 ordinary shares and that such shares be allotted, distributed and credited as fully paid, in accordance with their existing holdings in the company;

- That the authorised share capital of the company be increased from 100,000,000 to 176,000,000,000 shares;

13. Share capital (cont'd)

- That each of the existing issued and unissued ordinary shares in the capital of the company be divided into 1,760 ordinary shares.

14. Related party loans

| | 2011 | 2010 |
|---|---|---|
| Due to related companies (by way of common directors) [note (a)] | 8,591,338 | 9,385,000 |
| Due to related party [note (a)] | 52,000 | 50,000 |
| Due to related company (by way of common directors) [note (b)] | 500,000 | 2,179,549 |
| Due to directors [note (b)] | - | 1,049,336 |
| | US$9,143,338 | 12,663,885 |

(a) These loans attract interest at 8% to 9% (2010: 8% to 9%) per annum, are unsecured and not repayable before June 30, 2012.

(b) These loans are unsecured, interest-free, and are not repayable before June 30, 2012.

15. Long-term loans

| | | 2011 | 2010 |
|---|---|---|---|
| 7% RBC Royal Bank (Jamaica) Limited | (a) | 288,526 | 613,320 |
| 7% RBC Royal Bank (Jamaica) Limited | (b) | 454,095 | 609,032 |
| 7% RBC Royal Bank (Jamaica) Limited | (c) | 180,099 | - |
| 7% RBC Royal Bank (Jamaica) Limited | (d) | 1,000,000 | - |
| 7% RBC Royal Bank (Jamaica) Limited | (e) | 2,000,000 | - |
| | | 3,922,720 | 1,222,352 |
| Less: Current portion | | ( 790,723) | ( 479,731) |
| | | US$3,131,997 | 742,621 |

(a) This represents the balance due on an initial loan of US$1,500,000. The loan is repayable in sixty equal monthly instalments of principal and interest of US$29,786, the final instalment being due in April 2012.

(b) This represents the balance due on an initial loan of US$800,000. The loan is repayable in sixty equal monthly instalments of principal and interest of US$16,055, the final installment being due in January 2014.

(c) This represents the balance due on an initial loan of US$200,000. The loan is repayable in sixty monthly installments of principal and interest of US$3,960, the final installment being due on November 2015.

(d) This represents the balance due on an initial loan of $1,000,000. The loan is repayable in one hundred and twenty monthly instalments of principal of US$8,333, the final installment being due in June 2021.

(e) This represents the balance of an initial loan at $2,000,000. The loan is repayable in one hundred and twenty monthly instalments of principal of US$16,667, the final installment being due on June 2021.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

15. Long-term loans (cont'd)

These loans are secured by:

- Unlimited personal guarantee of a director.
- First, second, third, fourth and fifth demand debenture over fixed and floating assets amounting to US$11,112,000.
- First legal mortgage over commercial property located at Montego Bay Freeport US$4,683,000.
- Second legal mortgage over commercial property located at Montego Bay Freeport US$6,000,000.
- Corporate guarantee of Hull Investments Limited (related party).
- Counter indemnities signed by Caribbean Producers (Jamaica) Limited in support of contingent liabilities held with RBTT Bank Jamaica Limited for amounts totalling US$251,600 and US$128,707 (J$11,057,345).

16. Gross operating revenue

Gross operating revenue represents income from the sale of food, beverages and non-food items for the year.

17. Disclosure of income/(expenses)

| | | 2011 | 2010 |
|---|---|---|---|
| (a) | Other operating income/(expenses), net: | | |
| | Foreign exchange gains | 16,352 | 88,355 |
| | Gain/(loss) on disposal of property, plant and equipment | 15,760 | ( 29,352) |
| | Others | ( 37,997) | ( 117,711) |
| | | US$( 5,885) | ( 58,708) |
| (b) | Finance income: | | |
| | Interest income – third party | US$ 2,777 | 3,096 |
| (c) | Finance costs: | | |
| | Long-term loan interest – related companies | 1,097,889 | 1,171,831 |
| | Short-term loan interest – third party | 460,488 | 498,785 |
| | Overdraft interest | 135,720 | 43,188 |
| | | US$1,694,097 | 1,713,804 |

(d) Statutory disclosures:

Profit before taxation is stated after charging:

| | US$ | US$ |
|---|---|---|
| Staff costs | 4,635,316 | 4,257,010 |
| Depreciation | 842,674 | 794,007 |
| Directors' emoluments | 177,000 | 177,000 |
| Auditors' remuneration | 26,900 | 17,438 |

Staff costs include salaries, wages, other staff benefits and emoluments and employer's payroll contributions.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

18. Taxation

| | | 2011 | 2010 |
|---|---|---|---|
| (a) | Current tax: | | |
| | Income tax at 33⅓% | 737,943 | 215,666 |
| | Deferred tax: | | |
| | Origination and reversal of temporary differences (note 11) | 179,346 | 435,021 |
| | Tax charge recognised in profit or loss | US$ 917,289 | 650,687 |
| (b) | Reconciliation of effective tax rate: | | |
| | Profit before taxation | US$2,041,954 | 1,840,481 |
| | Computed "expected" tax expense at 33⅓% | 680,651 | 613,494 |
| | Tax effect of differences between treatment for financial statement and taxation purposes: | | |
| | Non-deductible depreciation | 221 | 4,753 |
| | Other items, net | 236,417 | 32,440 |
| | Actual tax charge recognised in profit for the year | US$ 917,289 | 650,687 |

19. Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year of 880,000,000 (2010: 880,000,000). The weighted average number of shares for both years reflects the issue of $499,000 bonus shares and the 1,760:1 split in the number of shares in issue at June 1, 2011.

| | 2011 | 2010 |
|---|---|---|
| Issued ordinary shares at July 1 | 1,000 | 1,000 |
| Effect of bonus shares issued | 499,000 | 499,000 |
| Effect of share split during the year | 879,500,000 | 879,500,000 |
| Weighted average number of ordinary shares held during the year | 880,000,000 | 880,000,000 |

20. Related party transactions

The profit for the year includes the following (income)/expense and transactions with related parties in the ordinary course of business:

| | 2011 US$ | 2010 US$ |
|---|---|---|
| Sales | ( 21,469) | ( 41,506) |
| Interest expense: | | |
| Related parties | 283,943 | 344,871 |
| Companies related by way of common directors | 813,946 | 826,960 |
| Rent paid to a company related by way of common directors | 49,200 | 14,700 |
| Agency fee paid to a company related by way of a common director | 930,000 | 952,500 |
| Compensation for key management: | | |
| Short-term benefits | 340,300 | 300,593 |

21. Lease commitments

At June 30, 2011, there were unexpired operating lease commitments in relation to leasehold property, payable as follows:

| | 2011 | 2010 |
|---|---|---|
| Within one year | 50,900 | 14,700 |
| Between one and five years | 190,300 | 78,200 |
| | US$241,200 | 92,900 |

During the year, the total operating lease expenses recognised amounted to US$346,618 (2010: US$427,145).

22. Contingent liabilities

In 2007, the Valuation Audit Unit of the Jamaica Customs Department conducted an audit relating to 2004 and submitted a claim for Special Consumption Tax (SCT) and General Consumption Tax (GCT) amounting to approximately US$307,714 (J$26,436,145) to which the company has objected. The directors are of the opinion that it will be unlikely that the Revenue Protection Division will prove any significant portion of this claim. Therefore, no provision has been made in the financial statements.

23. Financial instruments

(a) Financial risk management:

The company has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk, and the company's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities. The Board of Directors has monitoring oversight of the risk management policies.

(i) Credit risk:

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

23. Financial instruments (cont'd)

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

(i) Credit risk (cont'd):

The maximum exposure to credit risk at the reporting date was:

| | 2011 | 2010 |
|---|---|---|
| Cash and cash equivalents | 871,251 | 803,854 |
| Accounts receivable | 9,267,837 | 12,280,961 |
| Interest in joint venture - advances | 53,971 | 168,304 |
| | US$10,193,059 | 13,253,119 |

*Cash and cash equivalents*

The company limits its exposure to credit risk by placing cash resources with substantial counterparties who are believed to have minimal risk of default.

*Accounts receivable*

The company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. The company does not require collateral in respect of trade and other receivables.

Trade receivables mainly consist of balances due from retail and hospitality customers across Jamaica. Apart from the concentration of customers in Jamaica, the company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowances for doubtful debts are based on the ageing of the receivables, with provision made for balances outstanding for over 180 days. The company also provides for receivables that are overdue for less than this time period, based on information that the receivable balance is uncollectible.

There were no changes in the company's approach to managing credit risk during the year.

(ii) Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Liquidity risk may result from an inability to sell a financial asset at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

23. Financial instruments (cont'd)

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

(ii) Liquidity risk (cont'd):

Management of the company manages liquidity risk by maintaining adequate liquid financial assets with appropriate terms and currencies, together with committed financing to meet all contractual obligations and operational expenses including the servicing of its long-term liabilities.

The following are the contractual maturities of financial liabilities measured at amortised cost, including interest payments. The tables show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the company can be required to pay.

| | 2011 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | 1 year or less | 2-6 years |
| Short-term loan | 6,205,000 | 6,639,350 | 6,639,350 | - |
| Accounts payable | 4,555,094 | 4,555,094 | 4,555,094 | - |
| Due to related party | 3,646,667 | 3,922,766 | 3,922,766 | - |
| Related party loans | 9,143,338 | 10,198,099 | - | 10,198,099 |
| Long-term loans | 3,922,720 | 5,005,445 | 938,040 | 4,067,405 |
| Total financial liabilities | US$27,472,819 | 30,320,754 | 16,055,250 | 14,265,504 |

| | 2010 | | | |
|---|---|---|---|---|
| | Carrying amount | Contractual cash flows | 1 year or less | 2-6 years |
| Short-term loan | 3,800,000 | 4,066,000 | 4,066,000 | - |
| Accounts payable | 6,753,380 | 6,753,380 | 6,753,380 | - |
| Due to related party | 3,646,667 | 4,254,866 | 4,254,866 | - |
| Related party loans | 12,663,885 | 14,351,185 | - | 14,351,185 |
| Long-term loans | 1,222,352 | 1,345,657 | 550,092 | 795,565 |
| Total financial liabilities | US$28,086,284 | 30,771,088 | 15,624,338 | 15,146,750 |

There were no changes to the company's approach to liquidity risk management during the year.

(iii) Market risk:

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market prices. These arise mainly from changes in interest rates and foreign exchange rates and will affect the company's income or the value of its holdings of financial instruments.

23. Financial instruments (cont'd)

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

(iii) Market risk (cont'd):

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the company's exposures to market risk and its objectives, policies and processes for managing these risks have not changed significantly over the prior year. For each of the major components of market risk, the company has policies and procedures in place which detail how the risk is managed and monitored. The management of each of these major components of market risk and the exposure of the company at the reporting date to each major risk are addressed below.

Derivative financial instruments are not presently used to reduce exposure to fluctuations in interest and foreign exchange rates.

*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 company materially contracts financial liabilities at fixed interest rates. These primarily relate to bank overdrafts and loans which are subject to interest rates fixed in advance, but which may be varied with appropriate notice by the lenders.

At the reporting date, financial liabilities subject to interest, aggregated US$22,417,725 ($2010: US$18,106,090).

Interest-bearing financial assets are primarily represented by cash and cash equivalents, which are contracted at various interest rates.

At the reporting date, financial assets subject to third party interest is US$709,602 (2010: US$735,731).

*Sensitivity analysis*

At the reporting date, the company only has fixed rate financial assets and liabilities carried at amortised cost. Therefore, changes in market interest rates will neither affect the cash flow nor the carrying amount of the instruments.

*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 company incurs foreign currency risk primarily on receivables, purchases and borrowings that are denominated in a currency other than the United States dollar. The principal foreign currency risks of the company are denominated in Jamaica dollar (JMD).

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)
June 30, 2011

23. Financial instruments (cont'd)

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

(iii) Market risk (cont'd):

*Foreign currency risk (cont'd)*

The company ensures that the risk is kept to an acceptable level by monitoring its risk exposure and by maintaining funds in JMD as a hedge against adverse fluctuations in exchange rates.

At the reporting date, net foreign currency assets of the company are as follows:

| | 2011 JMD | 2010 JMD |
|---|---|---|
| Cash and cash equivalents | 13,158,296 | 5,983,999 |
| Accounts receivable | 210,462,077 | 161,734,425 |
| Accounts payable | (191,263,393) | (125,787,918) |
| Net foreign currency asset | 32,356,980 | 41,930,506 |

Exchange rates for the JMD, in terms of United States dollars, were:

| | JMD |
|---|---|
| June 30, 2010: | $85.44 |
| June 30, 2011: | $85.54 |

*Sensitivity analysis*

A 1% (2010: 5%) strengthening/weakening of the Jamaica dollar against the US$ at June 30 would have increased/decreased results for the year by US$3,783 (2010: US$24,538). This analysis assumes that all other variables, in particular interest rates, remain constant.

(b) Capital risk management:

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders. The directors of the company seek to maintain a strong capital base so as to maintain shareholder and creditor confidence. The company defines capital as total shareholders' equity.

Management of the company is responsible for monitoring the company's adherence to loan covenants on a timely basis and also to obtain relevant approvals from the bank before certain decisions are finalised.

There were no changes in the company's approach to capital management during the year.

23. Financial instruments (cont'd)

(c) Fair value disclosures:

The fair values of cash and cash equivalents, accounts receivable, bank overdrafts and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature. Long-term liabilities are carried at their contracted settlement value based on commercial terms. Amounts due to related parties/companies, are considered to approximate their carrying value due to their short-term nature, and/or an ability to effect future set-offs in the amounts disclosed.

24. Subsequent event

In July 2011, the company issued 220,000,000 new shares to the public for US$4,976,983. (J$425.751 million). The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on July 21, 2011.