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## Annual Review



## Auditors' Report and Financial Statements

# NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that the seventy-sixth ANNUAL GENERAL MEETING of JAMAICA PRODUCERS GROUP LIMITED (the "Company") will be held at **Terra Nova Hotel, 17 Waterloo Road, Kingston 10**, at 10:00 o'clock in the forenoon of Thursday June 27, 2013 to transact the business more particularly set out below, and to consider, and if thought fit, to pass the resolutions as set out below:

1. To receive and consider the Directors' Report, Auditors' Reports and Audited Financial Statements of the Company and the Group for the year ended December 31, 2012:

   RESOLUTION:

   "THAT the Directors' Report, Auditors' Reports and Audited Financial Statements of the Company and the Group for the year ended December 31, 2012 be and are hereby adopted."

2. To fix the remuneration of the Auditors for 2012 or to determine the manner in which such remuneration is to be fixed:

   RESOLUTION:

   "THAT the remuneration of the Auditors, KPMG, having been fixed by the Directors for 2012, be and is hereby approved."

3. To ratify interim dividends and declare them final:

   RESOLUTION:

   "THAT the interim dividend of 20¢ per stock unit of record date December 31, 2012 be and is hereby ratified and declared final for 2012."

4. To re-appoint the Auditors:

   RESOLUTION:

   "THAT the Auditors, KPMG, having indicated their willingness to continue in office, be and are hereby re-appointed for the year 2013."

5. To elect Directors:

   RESOLUTION:

   "THAT Prof. Alvin Wint who retires by rotation, be and is hereby re-elected a director of the Company."

6. To fix the remuneration of Directors:

   RESOLUTION:

   "THAT the amount of $9,810,000 shown in the Accounts for the year ended December 31, 2012 for Non-Executive Directors' fees be and is hereby approved."

7. As special business, and pursuant to Article 8A (37) of the Articles of Incorporation to consider and, if thought fit, pass the following resolution:

   "THAT the authorized share capital of the company be increased from 500,000,000 to 1,500,000,000 ordinary stock units by the creation of 1,000,000,000 additional ordinary stock units having no par value."

8. To amend the Articles of Incorporation to allow the company to send to shareholders by electronic means such notices and other documents as are permitted by law to be so delivered:

   To consider and, if thought fit, pass the following resolution as a **special resolution**:

   "THAT the Articles of Incorporation of the company be and are hereby amended as follows:

   (1) By inserting the following definitions in Article 8A (1) immediately following the definition of "In writing" and "Written":

*"Electronic" means relating to technology having electrical, digital, magnetic, wireless, optical, electromagnetic, photographic or similar capabilities including but not limited to technology utilised by facsimile machines, scanning devices, mail sent using computers or other similar automated or photographic devices.*

*"Electronic Format" means any disc, tape, sound track or other device in which printed words, sounds or other data are embodied so as to be capable (with or without the aid of some other equipment) of being reproduced therefrom including but not limited to compact discs.*

*"Electronic Means" means any method of dispatch or communication of sounds, document, maps, photography, graphs, plans or other data which involves the use of equipment or technology having electrical, digital, magnetic, wireless, optical, electromagnetic, photographic or similar capabilities including but not limited to facsimile machines, the Internet and mail sent via computers and scanning devices.*

*"Electronic Signature" means so much of anything in Electronic form incorporated into, contained in, attached to or logically associated with a document, which uniquely identifies and authenticates the maker, is used by him to indicate his adoption of the content of that document and is produced or transmitted by Electronic means. For the avoidance of doubt, for the purpose of these Articles, an Electronic Signature includes but is not limited to any signature produced by facsimile machine or scanning device."*

(2) THAT Article 8A (103) under the heading "Proceedings of Directors" be amended by adding the following sentence at the end of the existing Article:

*"For the purpose of this Article, the word "signed" shall be construed to include an Electronic Signature."*

(3) THAT Article 8A (127) under the heading "Notices" which presently reads as follows:

"(127) A notice or any other document may be served by the Company upon any shareholder either personally or by sending it through the post in a prepaid letter addressed to such shareholder at his registered address in Jamaica as appearing in the Register but notice to shareholders of General Meetings may be given by advertisement in two consecutive issues of any daily newspaper circulating in Jamaica. Notice shall be deemed to have been given to shareholders on the day on which the advertisement first appears."

Be amended to read as follows:

*"(127) Any notice to be given or document required to be sent by the Company to any member may be:*

*(a) sent to him personally in writing or Electronic format;*

*(b) sent by post to him or to his registered address or (if he has no registered address within Jamaica) to the address if any, within Jamaica supplied by him to the Company for the giving of notice to him in writing or Electronic format; or*

*(c) sent to him by Electronic Means.*

*PROVIDED HOWEVER that where such notice or document is specifically required by law or these Articles to be sent In writing the Company will obtain the member's written consent prior to sending it to him in Electronic format or by Electronic means but notice to shareholders of General Meetings may be given by advertisement in two consecutive issues of any daily newspaper circulating in Jamaica. Notice shall be deemed to have been given to shareholders on the day on which the advertisement first appears."*

(4) THAT Article 8A (130) under the heading "Notices" which presently reads as follows:

"(130) Without prejudice to the provisions of Article 8A (127) as to notices of General Meetings a notice may be given by the Company to the persons entitled to any share in consequence of the death or bankruptcy of a shareholder by sending it through the post in

a prepaid letter addressed to them by name or by the title of representatives or trustees of such deceased or bankrupt shareholder at the address (if any) in Jamaica supplied for the purpose by such persons as aforesaid or (until such an address has been supplied) by giving the notice in the manner in which the same would have been given if the death or bankruptcy had not occurred."

Be amended to read as follows:

*"(130) Without prejudice to the provisions of Article 8A (127) as to notices of General Meetings a notice may be given by the Company to the persons entitled to any share in consequence of the death or bankruptcy of a shareholder by:*

*(a) sending it through the post in a prepaid letter addressed to them by name or by the title of representatives or trustees of such deceased or bankrupt shareholder at the address (if any) in Jamaica supplied for the purpose by such persons as aforesaid or (until such an address has been supplied) by giving the notice in the manner in which the same would have been given if the death or bankruptcy had not occurred;*

*(b) sending it to the representatives, trustees or bankrupt referred to in Article 8A (130) (a) in writing or Electronic Format; or*

*(c) sending it to the representatives, trustees or bankrupt referred to in Article 8A (130) (a) by Electronic Means.*

*In addition, any notice or document sent by post to, or left at the registered address of, any member, or sent by Electronic Means to any member in pursuance of these Articles, shall, notwithstanding such member be then deceased or bankrupt and whether or not the Company have notice of his decease or bankruptcy, be deemed to have been duly served in respect of any shares, whether be held solely or jointly with other persons by such member, until some other person be registered in his stead as the holder or joint holder thereof. And such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in any such share."*

(5) THAT Article 8A (131) under the heading "Notices" be amended by adding the following sentence at the end of the existing Article:

*"Where a notice or document is sent by Electronic Means, service of the notice or document shall be deemed to be effected by properly dispatching the notice or document to the email address, any other electronic address or facsimile number provided by the member, and is deemed to have been received by the intended recipient at the expiration of twenty-four (24) hours after the notice or document is so dispatched by the Company."*

9. To transact any other competent business.

**BY ORDER OF THE BOARD**

Paul St. E. Samuels
Company Secretary

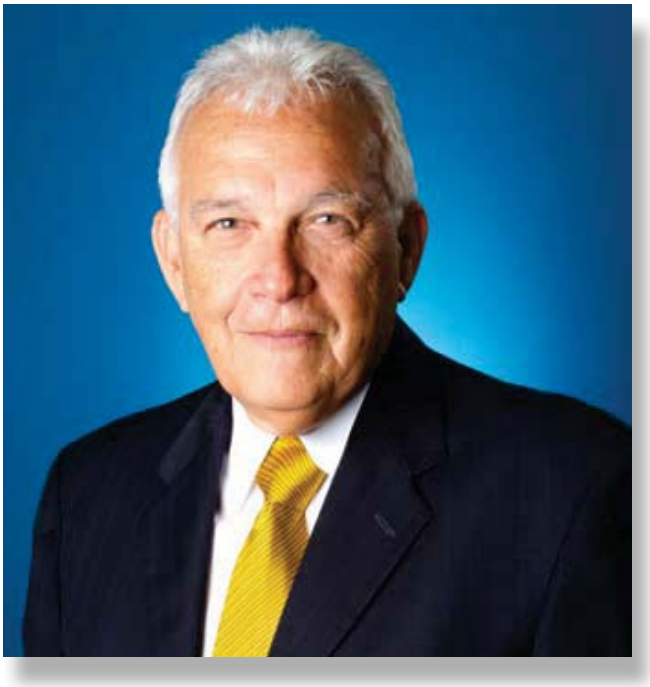
A member of the Company who is entitled to attend and vote is entitled to appoint one or more proxies to attend and on a poll, to vote in his stead. A proxy need not be a member of the Company. Form of Proxy must be lodged at the Registered Office of the Company not later than forty-eight hours before the meeting. An appropriate Form of Proxy is attached, to which should be affixed adhesive stamps to the value of $100.00.

Kingston, Jamaica
April 15, 2013

# GROUP FINANCIAL HIGHLIGHTS

| Group Financial Highlights | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| **Balance Sheet** | | | | | |
| Total Assets | 7,505,392 | 6,069,862 | 5,867,771 | 5,611,386 | 5,452,378 |
| Net Current Assets (Working Capital) | 592,705 | 2,150,479 | 1,340,393 | 1,268,219 | 1,006,110 |
| Cash and Cash Equivalents | 323,929 | 160,339 | 229,232 | 227,000 | 221,437 |
| Total Borrowings | (1,227,133) | (210,195) | (152,603) | (125,817) | (148,777) |
| Stockholders' Equity | 5,016,175 | 4,790,296 | 4,873,385 | 4,531,893 | 4,186,114 |
| Stockholders' funds per stock unit: | | | | | |
| Based on stock units in issue | $26.82 | $25.61 | $26.06 | $24.23 | $22.38 |
| After exclusion of stock held by ESOP | $29.51 | $28.28 | $28.84 | $26.77 | $24.73 |
| **Profit and Loss** | | | | | |
| Gross revenues | 6,790,257 | 6,180,569 | 5,906,243 | 6,259,033 | 13,002,928 |
| Profit/(loss) attributable to parent company stockholders | 189,406 | 962,907 | 312,208 | 209,643 | (2,856,199) |
| Dividends Paid | 37,405 | 93,512 | 46,756 | 28,054 | 46,756 |
| Earnings/(loss) per ordinary stock unit | | | | | |
| Based on stock units in issue | 101.27¢ | 514.86¢ | 166.93¢ | 112.09¢ | (1,527.18)¢ |
| After exclusion of stock held by ESOP | 111.59¢ | 569.05¢ | 184.83¢ | 123.84¢ | (1,683.67)¢ |
| **Financial Ratios** | | | | | |
| Return on Sales | 2.8% | 15.6% | 5.3% | 3.3% | -22.0% |
| Return on Equity | 3.8% | 20.1% | 6.4% | 4.6% | -68.2% |
| Return on Total Assets | 2.5% | 15.9% | 5.3% | 3.7% | -52.4% |
| Debt:Equity Ratio | 24.5% | 4.4% | 3.1% | 2.8% | 3.6% |
| Current Ratio | 1.55:1 | 3.00:1 | 2.49:1 | 2.27:1 | 1.87:1 |
| Dividend Cover | 5.06 | 10.30 | 6.68 | 7.47 | (61.09) |
| **Market Statistics** | | | | | |
| Closing Stock Price | $17.80 | $24.03 | $20.00 | $23.00 | $30.00 |
| Market Capitalisation ($'000) | 3,329,027 | 4,494,187 | 3,740,480 | 4,301,552 | 5,610,720 |
| Price Earnings Ratio | 17.58 | 4.67 | 11.98 | 20.52 | (1.96) |
| **Other Data** | | | | | |
| Buying exchange rates at December 31: | | | | | |
| US$1 to J$ | 92.15 | 86.14 | 85.34 | 89.01 | 79.96 |
| UK£1 to J$ | 148.29 | 133.26 | 130.81 | 139.80 | 114.44 |
| EUR€1 to J$ | 121.49 | 111.82 | 114.49 | 127.30 | 111.15 |

# Chairman's Statement



**Jamaica Producers Group Limited (JP) generated revenues of $6.79 billion in 2012 and earned after-tax profits of $208 million. Our revenues increased 10% over the prior year. Our earnings are down relative to our 2011 profit of $956 million which included the realisation of a gain on the disposal of investments totaling $1,085 million. This 2011 gain on the disposal of investments was not repeated in 2012.**

## JP Tropical Division

Our JP Tropical Division earned 2012 profits of $24 million up from a loss in 2011 of $74 million. Revenues increased 65% from $1,180 million in 2011 to $1,950 million in 2012. During the year, we confronted some of the longstanding constraints on our profitability with a bold and diverse new range of initiatives to drive earnings growth. The challenge associated with the increasing incidence of adverse or catastrophic weather conditions on our agricultural operations in St. Mary again affected us. This time it took the form of Hurricane Sandy, which struck Jamaica on October 23, 2012. The storm substantially destroyed our banana crop and forced us to temporarily shutter our tropical snack factory in St. Mary while we continued to carry much of the overheads associated with this facility. Despite this major setback, in 2012, we managed to maintain much of our market positioning and revenue base throughout the year. We benefitted from our emerging production of pineapples, cassava-based products and coconuts (all of which are less susceptible than bananas to hurricane damage) and by relying on our tropical snack factory in the Dominican Republic for a limited volume of banana and plantain chips. We expect our banana farms to return to production at the end of the second quarter of 2013.

The division also benefitted significantly during the year from our program to diversify outside of our core fresh produce and tropical snack businesses. We experienced our first full year of operations in our Tortuga International Holdings Limited subsidiary (the leading producer of rum-based specialty food products in the Caribbean) and our Mavis Bank Coffee Factory joint venture (the leading producer of specialty Blue Mountain Coffee). Both businesses contributed positively to the result for the division and performed in line with expectations. In addition, we successfully concluded the start-up phase of our Four Rivers Mining subsidiary during the year and this construction aggregates business also contributed to the overall divisional profit.

The immediate focus for this division in 2013 and beyond will be to harness the synergies that are now available to us arising from the unique market position of our brands in travel retail, e-commerce, specialty foods, general supermarkets and convenience channels across the Caribbean and in several major world economies. We remain extremely concerned about the macroeconomic environment in the Caribbean generally and in particular in Jamaica. Our strategy is to maintain a diverse product range that includes both value priced snack and fresh produce items for the "on-shore" Caribbean consumer market as well as truly distinctive specialty foods which are able to derive growth and hard currency earnings from export markets and the tourism sector. We are satisfied that this places us in the best position to deal with the economic conditions. The synergies across our business will allow us to execute this strategy efficiently and competitively.


TORTUGA
CARIBBEAN RUM CAKE

## JP Europe Division

JP Europe had 2012 profits of $79 million up by over 400% on the $15 million earned in 2011. Divisional revenues of $4,717 million were down 3% over the prior year, the largest contributor to this movement being a 4.4% depreciation ofthe average Euro rate year on year. Our primary consumer markets in Europe -- the Netherlands and the United Kingdom experienced flat or negative economic growth throughout the year. The largest single business in our Group by revenues, A.L. Hoogesteger Fresh Specialist B.V. is based in the Netherlands where we operate the market leading producer of freshly squeezed juice. This business has the best customer mix and market share of any fresh juice company in the Netherlands and, as such, our focus during 2012 was developing the foundation to expand the business into other parts of Europe over the next five years. This market diversification for our products will also reduce our exposure to economic weakness in any one country. The first major step in the diversification programme was the introduction of new technology to extend the shelf-life of our freshly squeezed juices to allow them to access export markets. This process has been challenging and the new production line incurred start-up losses throughout 2012. At the end of the year, however, the line was installed and commissioned and had commenced export production into Belgium and Germany, and was slated to begin supply into Scandinavia during 2013. We expect the expansion and diversification of this business throughout Europe to ultimately complement our program of generating synergies and cross-selling opportunities in specialty foods across our Group.

Our UK-based logistics and freight forwarding business -- JP Shipping Services Limited -- responded to challenging market conditions by undertaking an aggressive cost cutting program, while strengthening the service levels in our depots. This paid off during the year and resulted in improved revenues and a return to profitability in 2012.

## Corporate

During 2012, the JP Corporate Division earned profits of $170 million. The division's profit was down from the prior year result of $1,055 million which included the realisation of a gain of $1,085 million from the disposal of investments. The Corporate Division includes net interest and investment income as well as the cost of the corporate functions that are not charged directly to our other operating divisions.

Our board and management has accepted the view that Jamaica's strategic location within major world trade and shipping lanes, together with the expansion program for the Panama Canal present the Port of Kingston with the potential to experience further development as a logistics hub. This should present a series of commercially attractive opportunities for a Jamaican business, to the extent that we are able to put private capital and world-class expertise in place. With this in mind, JP elected in 2012 to join with other local interests to position Kingston Wharves Limited (KWL) for further expansion in terminal operations and logistics. KWL is now Jamaica's largest and best-capitalised private logistics company and has an emerging trans-shipment business. KWL is primarily a foreign exchange generating business, and is listed on the Jamaica Stock Exchange. As at the end of 2012, the book value of our holdings in KWL -- now an associated company of the Group -- was $2.31 billion and our share-ownership position entitled us to appoint three directors to the board. I am pleased to report that during the year, KWL's profit performance lived up to our expectations.


## Outlook

The process of diversifying JP from its traditional base of activities has, in itself, presented significant new opportunities for further growth. Our board is, however, now generally satisfied with the current scope of our operations, both in terms of their geographic spread and product mix. As such, we will now seek to select from the pool of available opportunities those that best support and enhance the profitability and resilience of our new core businesses. That is:

- We will continue to pursue investments in all aspects of specialty food including agricultural production in Jamaica and food processing, product innovation and brand development internationally. Our goal is to be the market leader in each specialty food segment in which we operate and at the same time to extract synergies from across our range of food businesses.

- We will continue to find ways to participate in select opportunities to develop and provide world class logistics services for the Caribbean.

Our plan to build profitably upon our new platform of core activities also calls on us to consistently maintain the loyalty of our customers. We will continue to do this by leveraging our reputation for quality and the unique attributes of our products and services. We are mindful that the success of this strategy will also require us to remain focused on improving the overall efficiency of our Group while managing our risk. In particular, we are concentrated on the specific task of ensuring an economic return on each of our assets -- be it our land holdings, our plant and equipment or our intellectual property. Where this is not practical, we will divest the asset and re-deploy the capital.

Our success in this and all of our endeavours ultimately depends on the performance of our most important asset -- our human resources. To this end, in 2012 we, yet again, re-committed ourselves to a proactive program of recruiting, developing and retaining great business leaders at every level of the JP Group. I am grateful for the dedication, industriousness and good judgement of our board, management and staff throughout the year.

Charles H. Johnston
Chairman

# MANAGEMENT DISCUSSION & ANALYSIS

## The Group

**Jamaica Producers Group ("JP" or "Group"),** through its subsidiaries, associates and joint venture companies, has as its core the production and marketing of high quality specialty food. Consumers enjoy our products in a range of international markets including Europe, the Caribbean, North America and Asia. Each of our food businesses maintains a leading position within its particular market segment. Within our food operations we pursue organic growth and acquisition opportunities to expand our profitability and returns to shareholders.

In addition to our core specialty food business, JP maintains involvement in selective industries that leverage the Group's traditional asset base and the knowledge and expertise of its management. JP's longstanding involvement in shipping and logistics continues through JP Shipping Services Limited, our United Kingdom (UK) based subsidiary that provides a range of logistics services to third parties trading between Europe and the Caribbean, and our investment in Kingston Wharves Limited – an associated company that operates the leading private multi-purpose cargo terminal in Jamaica. We intend to continue to invest in logistics generally, and also to pursue a range of initiatives to improve the return on our Jamaican land holdings which now amount to over 3,500 acres. These will include further investments in agriculture and the production of construction aggregates.

We view the continued growth and geographic diversity of the Group's food business, combined with specific initiatives to optimise the return on our land holdings and to broaden and deepen our logistics activities as the best way for our organisation to generate attractive long-term investor returns.

## Strategy Progression in 2012

## Specialty Foods

In 2011 we reported a series of strategic initiatives that we were undertaking in order to grow and diversify our income sources. In 2012, despite challenges ranging from the impact of Hurricane Sandy on our Jamaican tropical snack business to chronic economic weakness in Europe, we made further progress on our goal of transforming JP into a global specialty food group.

The primary focus of our speciality food strategy in 2012 was to effect a series of acquisitions and capital projects to broaden our geographic reach and product portfolio During the year, we completed the acquisition and integration of our Mavis Bank Coffee Factory joint venture interest and our Tortuga International Holdings subsidiary. In addition, we commenced production under our new juice processing line that extends the shelf-life of our fresh juices. At the same time, JP Tropical

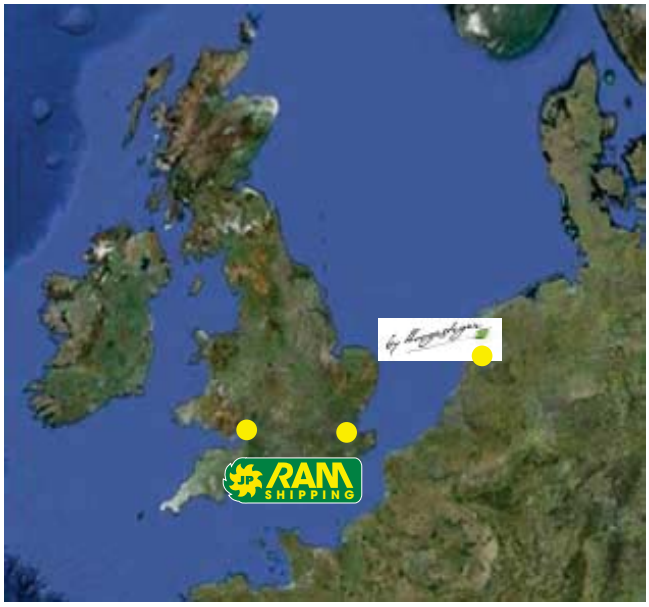
Foods redeveloped our banana farms in Jamaica, expanded pineapple production and concluded negotiations to increase its economic interest from 50% to 100% in the tropical snack production facility in the Dominican Republic (DR), thereby allowing us to increase our efforts on expansion into the Spanish language markets.

**Mavis Bank Coffee Factory ("MBCF" or "Mavis Bank").** MBCF is the largest processor of Jamaican Blue Mountain Coffee. Following the privatisation of the business in October 2011 to a joint venture company owned by JP and Pan-Jamaican Investment Trust Limited, MBCF has contributed positively in 2012 to our strategic goals and our profitability. With greater than 70% of MBCF revenues generated from outside the Caribbean, predominantly Japan, the USA and Europe, MBCF has expanded the revenue base of our specialty food interests into new international premium markets. Furthermore, with its roasted coffee products sold under the Jablum brand we have diversified our customer base to include the local tourism market and premium Jamaican consumers.

With a direct investment of $122 million, our returns from MBCF have met our targets for 2012. The business is one year into a 3-year capital investment plan to allow our facility and products to maintain the world class standards expected by our customers. These development plans go to the heart of the MBCF processing infrastructure and will ensure improved quality for our green and roasted product as well as adherence to global best practices in health, safety and environmental standards. With the recent pest management challenges facing the Jamaican coffee farming industry, particularly from the Berry Borer insect and Leaf Rust fungus, our ongoing investment in extension services will also improve the consistency of our agricultural supply base and generate productivity gains for local coffee farmers.

MBCF is treated as a joint venture company in JP's consolidated accounts and accounted for under the equity method.

**Tortuga International Holdings Limited ("Tortuga" or "TIHL").** Completed on 2nd January 2012, the acquisition of 62% of Tortuga brought JP a controlling interest in this market-leading brand of Caribbean rum cake, rums and other asociated products. Tortuga serves an international customer base that spans the Caribbean and North America, operates manufacturing and distribution facilities in Miami, Barbados, Cayman and Jamaica and has developed retail outlets in Barbados and Jamaica and a franchise operation in the Bahamas. With Tortuga Rum Cakes voted the best cruise souvenir by the cruise industry's Porthole Magazine for the eighth year running, our acquisition of Tortuga has also allowed us access to a new sales channel, that of travel retail. With tourism being the major industry in many Caribbean jurisdictions, diversification into this industry was an essential part of our Caribbean based specialty food strategy.




JP's 2012 investment in Tortuga totalled $421 million, and delivered returns that were in line with our pre-acquisition expectations.

**JP Tropical Foods ("JPTF").** As a result of the adverse impact on JPTF from Tropical Storm Nicole in 2010 and again from Hurricane Sandy in 2012, we decided to restructure this business unit in order to return it to profitability. Each of these events has forced us to temporarily close our Jamaican snack factory as a result of the unavailability of bananas as a raw material. This in turn has seen us carrying the overhead costs of the operation and the re-development costs of the farms while being rendered incapable of meeting a significant share of the market demand. The key elements of the turnaround plan are, therefore, (a) to steadily diversify our base of agricultural production in Jamaica to include earnings from crops other than bananas, and (b) to strengthen the capacity of our international snack-manufacturing base to meet market demand for tropical snacks even when the supply of Jamaican bananas is disrupted by storms.

Our effort to diversify our base of agricultural production has already led to solid revenue growth in pineapples, cassava-based products and coconuts during 2012. We will intensify this project in 2013 and beyond. Our programme to improve the resilience of our snack supply led to a decision to increase our stake in a snack production facility in the Dominican Republic while at the same time moving to re-develop our banana crop in Jamaica and expand the overall sales of the combined business. During the year we experienced a 40% increase in the exports of our St Mary's brand of banana chips -- through growth to existing customers in North America as well as new customers in the UK. The DR co-packing operation continued its expansion into new markets with increasing sales to Central America and the Caribbean.

**A.L. Hoogesteger Fresh Specialist B.V. ("Hoogesteger").** Hoogesteger has traditionally had over 95% of its sales from within the Netherlands. Whilst the Netherlands economy has fared better than many of its European neighbours, in the ongoing macro-economic uncertainty we concluded that a geographic expansion was essential for future growth and to diversify our country risk. An important part of our expansion programme has been our introduction into the European juice market in 2012 of a new juice technology aimed at extending the shelf-life of freshly squeezed juice up to 21 days. This Fresh Micro Pulse (FMP) technology was a first of its kind and was designed to be a leap forward in shelf-life extension technologies by avoiding the destruction of the natural cells found in fresh fruit juice while resulting in a taste comparable to untreated juice.

The extension of the shelf-life of our juices now allows them market access throughout Northern Europe. As such in 2012 our exports to markets outside of Holland grew by 40%. Furthermore, new customers in Germany and Scandinavia are due to come on stream in Q1 2013.

In addition to our drive to develop new customers and markets, we have made it a priority to partner with our longstanding strategic supermarket customers to support their growth through new product development, improved service levels and in-store promotions.

## Logistics and Land Management

Our investment in Kingston Wharves, completed at the end of the first quarter, continues JP's long history of investing in shipping and logistics. It is also a key part of our strategy to grow and diversify our earnings by re-deploying our traditional assets (including our land holdings and logistics interests) and the related expertise of our management to improve shareholder returns.

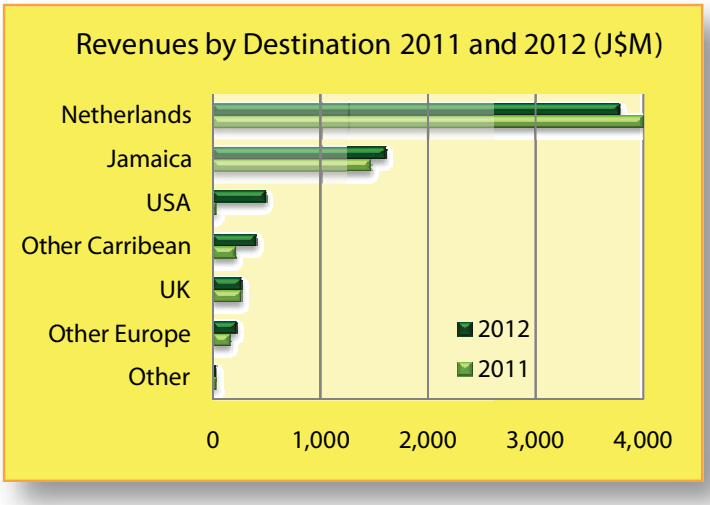
**Four Rivers Mining Company Limited ("Four Rivers").** Commissioned in March 2011, our aggregate extraction and processing subsidiary, Four Rivers, experienced its first full year of operations in 2012 and achieved profitability for the year. Four Rivers is located at our Agualta Vale farm in St. Mary and has already developed a solid base of customers along the North Coast and become a leader in its key product categories. We are continuing, with our minority partners in this enterprise, to look at opportunities to expand these operations outside of the North Coast where there are opportunities to support construction and road building activity.

**JP Shipping Services ("JPSS").** The core focus of this operation for 2012 was a return to profitability, notwithstanding the challenges of the UK economy. We achieved this objective. Our primary focus going forward will be to leverage our London based logistics depot as well as our agency network, staff and systems to increase our movements of cargo ranging from less-than-container-loads (LCL) to full container loads and out of gauge cargo to all Caribbean destinations.

**Kingston Wharves Limited ("KW").** On March 29, 2012, Kingston Wharves Limited accepted an offer by JP to subscribe for 357,550,000 ordinary shares of KW at a price of $5.00 per share. The total amount of the investment was $1.79 billion and resulted in JP holding 26% of the issued shares of KW (after taking into account its shareholding prior to the transaction). The transaction also required the amendment of the Articles of Incorporation of KW to empower any shareholder having 21% or more of the issued shares of KW to appoint and remove up to three directors. Subsequent to the subscription, JP acquired a further 58,212,677 shares taking its ownership to 30.19% by the end of 2012. JP may seek to acquire additional shares from third parties and/or to sell shares from time to time in limited volumes, however JP has no intention of acquiring a majority or controlling interest in KW or of holding less than 21% of KW shares.

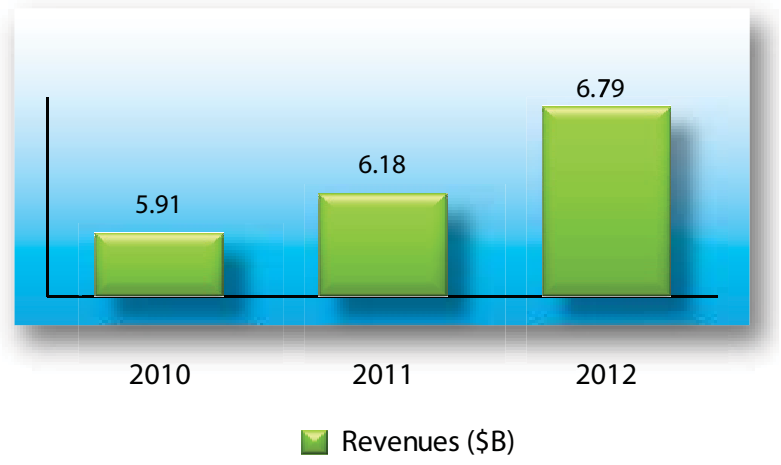
KW is recognized as a leading private multi-purpose port terminal operator in the Caribbean. The company operates a comprehensive range of terminal equipment across its 1,655 meter continuous quay that provides nine deep-water berths for roll-on/roll-off, lift-on/lift-off, general break bulk, containerized cargo and bulk cargo vessels.

It is an industry view that Jamaica is strategically located within major world shipping lanes to seize a greater share of the international logistics trade. Furthermore, the opportunity presented by the expansion of the Panama Canal represents a major growth opportunity for the Port of Kingston. As the largest and best-capitalised private logistics business in Jamaica we believe KW is well placed to seize on this opportunity.
With the majority of its revenues sourced from companies based outside of Jamaica, our investment is also in line with our strategy



of generating hard currency earnings. The investments in KW continued our diversification away from portfolio investments linked primarily to the performance of Government of Jamaica debt instruments to active operational investments at either a subsidiary or an associated company level.

## The Group Income Statement: 2012 Overview

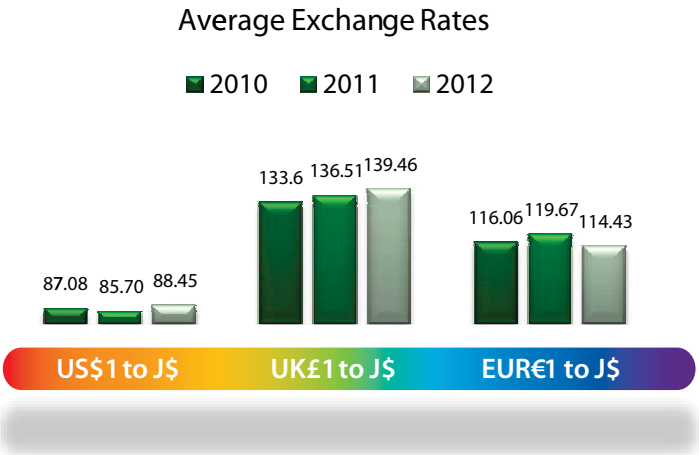



For the year 2012, JP generated total revenues of $6.79 billion, an increase of 10% relative to 2011. Profits attributable to shareholders of $189 million were down relative to profits of $963 million for 2011. Profits for 2011 were positively impacted by the realisation of abnormal gains of $1,085 million from the sale of investments.

The increase in our revenues in 2012 was due in large part to our acquisition of Tortuga which contributed $886 million (excluding associated revenues from our Cayman business). However, we also experienced positive revenue growth (in the local currency applicable to each business) in all of our businesses with the exception of JP Tropical Foods, which was on track for year on year growth until the impact of Hurricane Sandy on our banana farms resulted in a significant adverse impact in Q4 2013.

As an international group, our results are heavily affected by foreign exchange rates. With approximately 77% of our revenues denominated in foreign currencies, movements in our core currency rates can affect our reported earnings significantly. In 2012 a 4.4% depreciation in the average rate of the Euro against the Jamaican Dollar caused a $165 million (2.7%) reduction in our year-on-year revenues and more than offset the increase in local currency revenues of our European businesses.

The composition of our 2012 revenue and profit also reflects our recent initiatives to diversify the business of JP while taking steps to address certain operating challenges inherent in our traditional banana business. Although we experienced a 2012 loss from operations of $37 million (compared to a 2011 profit of $43 million), our income from associates and joint ventures grew by $264 million and resulted in earnings before interest, tax depreciation and amortisation (EBITDA) of $566 million and an overall profit attributable to shareholders of $189 million (earnings per share of 101.27 cents).




The reduction in operating profits being more than offset by an increase in our income from associates and joint ventures is the direct result of our decision to reduce our treasury holdings (which contributed to operating revenues and income in prior years) and increase our debt by way of the issuance of fixed rate Jamaican dollar notes and to invest the proceeds in profitable real sector holdings in joint ventures and associates, including Kingston Wharves Limited and Mavis Bank Coffee Factory. Unfortunately, the anticipated reduction in operating profits was compounded by the adverse impact of Hurricane Sandy and start-up losses at Hoogesteger that were associated with our introduction of the new processing line to extend the shelf-life of our freshly squeezed juices. These operating challenges were partially offset by positive gains at Four Rivers Mining and JP Shipping and profits from our new Tortuga acquisition. We are satisfied that we are taking appropriate measures to improve the operating results of the businesses that experienced challenges in 2012 and to maintain the momentum of those that delivered positive results during the year. Further, our focus on cost control continues, and whilst the group's total 2012 overheads reflect an increase arising from the first year consolidation of Tortuga, the underlying like-for-like businesses showed a 4.8% reduction in overhead expense.

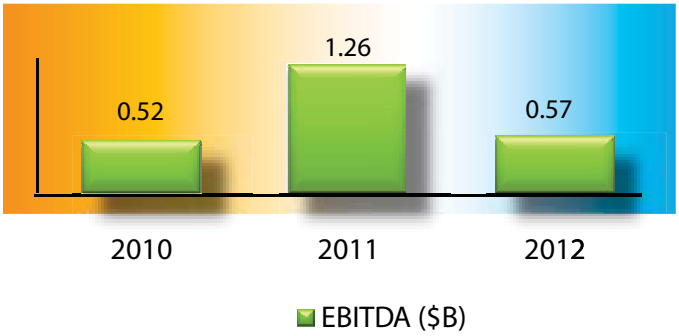
## The Group Balance Sheet and Cashflow: 2012 Overview

The Group's net worth increased 4.7% to $5.02 billion, with total assets increasing by 23.6% to $7.51 billion. During 2011, JP liquidated various passive long-term investments in order to finance its expansion and diversification program while limiting our medium-term exposure to reduced yields from Government securities denominated in Jamaican dollars. As a result of this decision, our current assets decreased by 48.5% to $1.66 billion while our non-current assets increased by 105% to $5.84 billion to account for our investments in MBCF, Tortuga and KW. The largest component of this shift in the composition of our assets was the $2.45 billion increase in our interest in associated companies which had a book value of $2.62 billion at year-end representing principally our investment in Kingston Wharves Limited. Furthermore, the acquisition of Tortuga brought significant new non-current assets in the form of specific intangible assets and property, plant and equipment. Goodwill of $116 million was also acquired in this transaction.

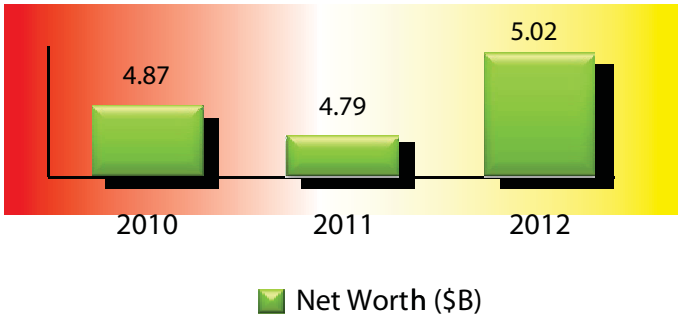
Our capital expenditure programme in existing businesses was significantly lower in 2012 than in 2011 with additions of $217 million down from the 2011 spend of $515 million. This was according to plan as, following three years of significant reinvestment, our focus in 2012 turned to operating efficiencies and commercial development of the opportunities presented by our capital programme.

Whilst the Group's working capital base decreased due to the aforementioned reallocation of short-term treasury investments to long-term operating assets, we still maintain a strong current ratio of 1.55:1. A focus on cash and working capital saw a $216 million increase in our cash generation compared to the prior year, driven by improved operating cash flows from our subsidiaries.

In March 2012 we successfully completed the issuance of $1 billion of fixed rate Jamaican dollar denominated notes as part of our overall programme of expanding the group through acquisition and investment. This debt substantially changed the gearing of the Group from a debt to equity ratio of only 4.4% at the end of 2011 to our current gearing of 24.5% at the 2012 year-end. We are satisfied with the returns from our investments that were facilitated by this leverage and believe this will enhance shareholder returns both in the short and long term. During the year we satisfied all covenants applicable to the loans.




Total stockholders' equity per share increased to $26.82 per stock unit ($29.51 per stock unit after exclusion of stock held by the Group's Employee Share Ownership Programme).




## Dividends

JP paid out dividends of 20 cents per share for 2012, representing a total dividend pay-out of $37 million, or approximately 23% of profits, up from 10% in 2011. Our dividend policy anticipates annual distribution equal to 15% of net profits, subject to the financing requirements for growth opportunities.

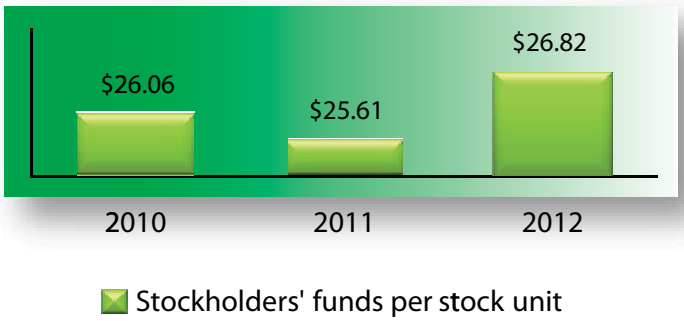
## Divisional Analysis: JP Tropical

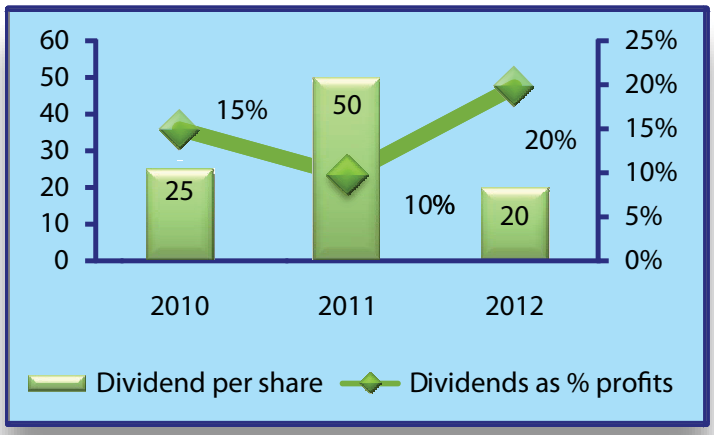
In 2012 the JP Tropical Division focused on the consolidation of our recent acquisitions in Tortuga and MBCF alongside the turn-around of our JPTF operations in Jamaica and the Dominican Republic and the start-up of Four Rivers Mining.

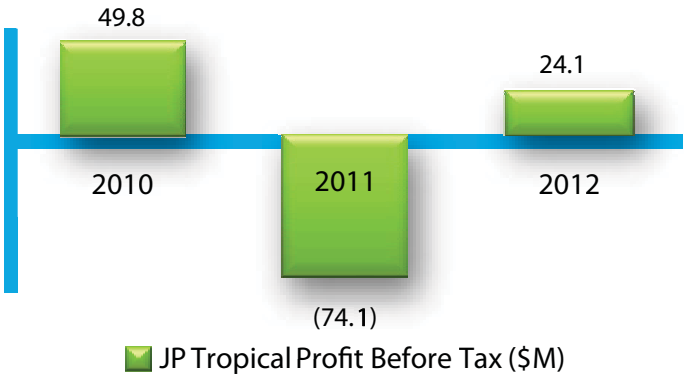
Overall our JP Tropical segment revenues are up by 65% to $1.95 billion. The major share of this change year-on-year is the inclusion of Tortuga, which was acquired on 2nd January 2012. The results for MBCF are accounted under the equity method as a joint venture company and accordingly revenues are not consolidated.

The JP Tropical Division generated profits before tax of $24 million, an improvement of $98 million on 2011 where a loss of $74 million was recorded. The results from our new acquisitions of Mavis Bank and Tortuga were responsible for most of the turnaround of the division, as following Hurricane Sandy the net result of the JP Tropical Foods operations in the DR and Jamaica compared to the prior year was not improved on.

Until the end of Q3 2013, however, the JP Tropical Foods business had experienced improved performance. This business has at its core the farming and distribution of bananas, pineapples and other fresh produce, the manufacturing and distribution of banana and plantain chips and other snacks under the St Mary's brand and snack manufacturing for third party brands by our joint venture company in the Dominican Republic. In 2011 this business recorded a loss principally from the result of (a) low farm yields followed by (b) increased competition that challenged the market share of our local snacks and (c) low co-packing sales from our DR facility. Our 2011 and 2012 actions had positively addressed these issues which resulted by the end of Q3 2012 in farm output being up 39%, fresh banana revenues up 5.5% and pineapple revenues up by 664%. For the full year we also stemmed any market share erosion in the local banana chip market, grew snack export revenues by 40% and added new co-packing agreements to supply customers with tropical snacks in the Caribbean and Central America from our joint venture facility located in the Dominican Republic.




However, following the destruction of our farms by Hurricane Sandy on 23rd October 2012, the loss in revenue, cost of farm resuscitation and one-off write-offs of biological assets caused the business to reverse these positive gains, and for the year record a significant loss. At the end of 2012, we sought to further reduce the overall risk associated with this business and, therefore, from 1st January 2013 we took direct control over the running and output of the DR factory and increased our stake in the operation from 50% to 100%. The core objective of the initiative is to better balance our production and productive capacity between Jamaica and the DR and to enable a quicker response to changing raw material availability in Jamaica. At the same time, we have intensified efforts to pursue crop diversification on our farms in St. Mary with the expansion of pineapple and cassava production.

The outlook for 2013 for JPTF remains a challenging one and the business is not expected to return to profitability until Q4 2013 when we will achieve full supply of fresh produce from our Jamaican farms and tropical snacks from the combined output of our facilities in Jamaica and the DR to meet market demand.

Mavis Bank Coffee Factory and Tortuga both had results in 2012 that were on or ahead of plan in their first full year post-acquisition.

Mavis Bank confirmed its core green bean customer volumes early in the crop year and was then able to secure adequate volumes of coffee cherries from local farmers for the 2011/2012 crop year representing 35% of the total crop, a proportion in line with the previous crop years when the operation was still owned by the Government of Jamaica. Processing and overhead efficiency savings combined with improved margins on our roasted products led to net results ahead of our plan. This was also supplemented by a one-off gain on acquisition recognised in accordance with International Financial Accounting Standards.

The 2013 challenge for Mavis Bank will be to continue to secure its cherry volumes in light of the damaging Berry Borer insect and Leaf Rust fungus affecting Jamaican coffee farms in 2012. Ongoing progress on demand side initiatives such as our premium 100% Blue Mountain Jablum Gold, launched in mid-2012 and the establishment of a retail site in Falmouth have been satisfactory, however, the expansion of our green bean coffee volumes to new markets such as China and Korea, will not be realised if the underlying supply of Blue Mountain coffee is not expanding.

Tortuga International Holdings Limited (TIHL) consolidated the operations of four separate legal entities on 2nd January 2012, the same day that JP acquired 62% of its shares. Accordingly, management's core objective in 2012 was to bring the four operations in four countries into one cohesive business in order to realise revenue and cost synergies and to set the strategic platform for growth. This has substantially been completed, and whilst 2013 will see a continuance of investments in people development, information systems and improvements in manufacturing facilities, our focus will be increasingly on revenue growth through increased marketing effectiveness.

Tortuga operates a multi-channel sales operation. 2012 revenue side investments include three new retail stores in cruise ports and airports at Falmouth, Jamaica and Bridgetown, Barbados as well as a substantial investment in the Tortuga website. We will continue to develop strategic relationships with travel retail customers across the Caribbean and develop our e-commerce platform.

The effective utilisation of our non-core land assets continues to be an important goal in adding shareholder value. Four Rivers Mining generated incremental revenues and profits from its first full year of operations after commissioning and we expect this to improve in 2013. We continue to look for opportunities to realise shareholder value from our land and non-core assets.

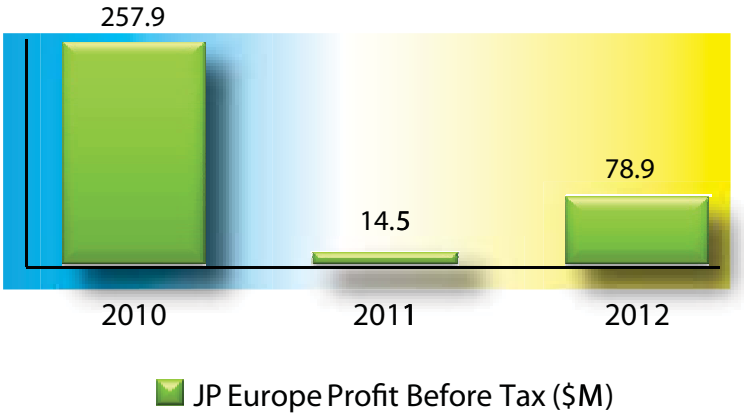
## Divisional Analysis: JP Europe

Our JP Europe Division operates A. L. Hoogesteger Fresh Specialist B.V., the largest supplier of fresh fruit juice in the Netherlands and JP Shipping Services Limited, a UK-based logistics company serving the English-speaking Caribbean.

The divisional revenues declined by 3% to $4.72 billion. Underlying local currency revenues grew at both Hoogesteger and JP Shipping Services, but a 4.4% year-on-year depreciation of the average rate of the Euro to the Jamaican Dollar caused a $165 million decline in Jamaican dollar revenues.

The profit before tax of $79 million was $64 million ahead of 2011 which was adversely affected by a one-time $126 million impairment of goodwill in the logistics business.

The volume decline in the second half of the year arrived just at the point when our cost and efficiency gains on our new Fresh Micro Pulse technology were beginning to be realised. Whilst this technology was able to deliver the desired specification product, teething problems in the technology used in the production line caused higher than expected start-up costs. A refocusing of objectives in mid-2012 is showing positive results in cost and efficiency control.




Although slower than we planned, the expansion of our geographic customer base with both our current key partners and new customers is our strategic goal in the context of a very competitive local market as well as accessing markets that are less developed in chilled juice offerings than the Netherlands.

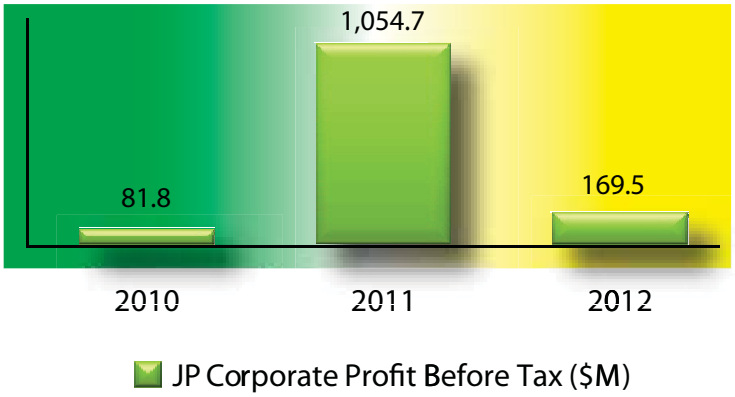
JP Shipping Services made a return to profitability following losses in 2011. The business has been impacted by a climate of flat demand whilst experiencing increased competition and increasing freight rates. The business continues to be the leader in the niche market of UK-Jamaica logistics and is one of the top three providers of logistics services between the UK and Caribbean.

Principally driven by cost savings in overheads and the rationalisation of operating sites, but supported by improving volume levels in Q3 and Q4 2012, the business saw a $33 million improvement in its pre-tax profits year-on-year and represents a success story for management's turnaround plans.

## Divisional Analysis: JP Corporate

The Corporate segment recorded profit before tax of $170 million, compared to $1.05 billion in 2011. In 2011 one-off gains on the realisation of long-term equity investments of $1.09 billion were recorded against only $71 million gains in 2012.

In 2012 income in the Corporate Division comprises interest and investment income from third parties and management fees from group businesses. It also records our share of Kingston Wharves' results and our financing costs associated with long-term debt. With the transfer of long-term passive investments to operational associate, joint venture and subsidiaryinvestments, the income from treasury activities substantially reduced year-on-year. However, this was more than offset by the net earnings of these new acquisitions, particularly Kingston Wharves. At year-end JP's stake represented a 30.19% investment in that company.




Kingston Wharves had a strong year with revenues up by 15.8% to $3.67 billion and operating profits up by 68.4% to $1.08 billion. This improvement has been driven by the core terminal operations which has seen volumes rise whilst undertaking aggressive cost management initiatives. A 15% increase in container volumes and a 27% increase in motor vehicles handled were supported by below inflation increases in the cost base. This operational improvement has been augmented by a year-on-year increase in interest income and exchange gains on deposits. Overall profits attributable to shareholders of Kingston Wharves grew by 62.8% to $549.5 million and JP recorded earnings of $178.7 million, net of tax, from KW. At year-end the book value of our investment was $2.31 billion.

## The Outlook

2013 will continue to be focused on realising the growth opportunities that now reside within our portfolio of businesses, and in general, we will only seek to expand our business through acquisitions if they support or enhance our existing core businesses.

JP Tropical enters 2013 with the major challenge of funding the ongoing resuscitation of our banana farms while restructuring our cost base to match the current market realities. Mavis Bank and Tortuga will be focused on continuing investments in production efficiency and volume growth that were started in 2012. These two businesses, in particular, have common synergies in many commercial areas and our challenge is to harness these synergies.

JP Europe, through Hoogesteger, has spent 2011 and 2012 developing a platform to take the business outside of its core market in the Netherlands. The new customers and improved production capabilities that were developed in the second half of 2012 lead us to firmly believe that 2013 will show positive returns from our investment in state of the art juice processing technology. The combination of partnering with our long-term strategic customers along with the geographic expansion of our revenue base will benefit all our stakeholders. JP Shipping Services' return to profitability in 2012 was, in part, due to a trend of improved revenues which suggests improved profitability in 2013.

Our Corporate division will continue to have as its core focus the governance and oversight of our subsidiaries, associated companies and investments with particular emphasis on the return on the capital allocated to each entity or investment and the return on assets held in treasury. Although we have expanded our scope of activities and interests, we will strive to remain simple and cost efficient in the performance of this function.

Overall we believe the returns from diversification of our strategic platforms in 2012, which has given access to more markets, more customers and more opportunities, will continue to be realised and prove beneficial for JP and our shareholders in the future.

## Risks

As with all business operations, JP is exposed to risks. Our internal risk management focuses our governance procedures on the identification, analysis, control implementation and monitoring of performance. JP continues to invest in information systems to support our risk management processes.

The approach to managing risk begins at the highest level of management in our organisation. The Board of Directors is ultimately responsible for our risk management processes. The Board of Directors is chaired by Charles Johnston, and includes a majority of non-executive directors. The Board operates with three sub-committees: a six-member Audit Committee, a three-member Compensation Committee and a six-member Executive Committee. The Board of Directors and its committees meet regularly throughout the year and are continually apprised of the Group's performance, financial and non-financial issues, risks, prospective future developments and opportunities, and discuss any other matters as may be required.

JP's core risks can be categorised into two areas: operational and financial.

## Operational Risks

These are risks inherent in our business operations:

1) **Natural Disasters and Continuity of Supply.** Our operations in the Caribbean and Europe are substantially centred around manufacturing and farming facilities. Major events which affect these facilities will have a significant impact in the ability of the businesses to serve our customers.

   The core risk management polices revolve around strong resilience plans, both internal and third party, and ensuring that cost effective, comprehensive insurance policies are in place. Unfortunately, in 2012 Hurricane Sandy has tested these resilience plans and whilst this has generally proved successful, we continue to learn from experience.

2) **Commodity Prices.** All our businesses are influenced by commodity price inflation, both directly in the form of higher raw material input prices for our food businesses or indirectly through higher distribution costs arising from higher fuel prices.

   In order to mitigate these risks JP has sought, where possible, to pass the risk on to another party. Specifically, JP has sought to enter into either long-term customer contracts that cover fluctuations in raw material prices or medium-term supply contracts that fix the input prices. Where this is not possible, JP manages its purchases of commodities in order to minimise risks, by continually monitoring market prices and ensuring multiple supply sources to provide flexibility.

3) **Reputational Risk.** JP and its associated brands and subsidiaries operate with significant reputational assets, either in the form of a direct brand or in the form of an indirect brand through a perception of service and quality.

   JP and its subsidiaries highly value these assets, and management ensures that staff members are constantly aware of the quality levels, service and customer experience we seek to deliver. All our business units have established measurement criteria for monitoring this as well as training programmes to manage our employees' development in this area.

## Financial Risks

These risks arise from both our operating business units and from our substantial financial asset base. Our most significant risks are:

1) **Currency Risk**. With an asset base and revenues derived in multiple currency environments, JP's multi-national businesses expose it to substantial gains and losses on foreign exchange. JP's prime exposure is to the euro, US dollar and pound sterling. During 2012 JP continued to expand its exposure to non-Jamaica currencies.

   At a business unit level each operation naturally hedges as far as possible any currency risks in income and expenses, through the choice of transactional currency. JP did not seek to enter into any foreign currency derivative or hedging instrument in 2012.

At a group level, JP has structured its subsidiaries and its assets in order to minimise the exposure to currency risk, however, this does not eliminate translational currency risks which in periods of Jamaican dollar appreciation will cause a decline in the Jamaican book values of non-Jamaican assets.

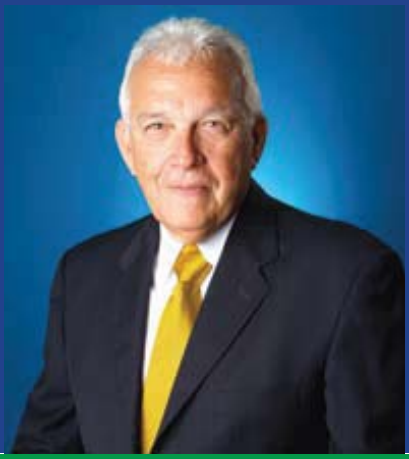
2) **Credit Risk.** This represents the risk of failure by a third party in settling an outstanding debt to JP. At a business unit level, each operation manages credit risk according to the environment in which it operates. Each unit assesses trading relationships, in conjunction with financial information, and sets limits on the amount of exposure placed on that relationship.

3) **Interest Rate Risk.** This represents the risk to the value or cash flows of a financial instrument from fluctuations in interest rates.

   JP has a moderate level of debt. Of the interest-bearing debt at the end of 2012, there is a bias in Jamaica to fixed currency rates in order to risk mitigate for future interest rate volatility. Our overseas debt has a blend of fixed and variable interest rates to balance our exposure.

   The interest rate on our interest-bearing assets is fixed, however, we manage the balance between risk and rewards by monitoring the maturity profile of these assets.

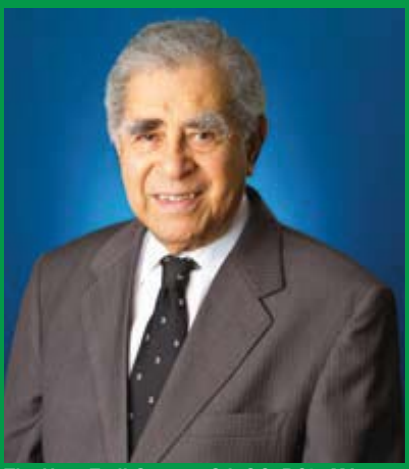
# BOARD OF DIRECTORS



**Charles H. Johnston, CD, BSc (Econ.)**, is the Executive Chairman of Jamaica Fruit and Shipping Company Limited. He has been the Chairman of Jamaica Producers Group since 1986. Mr. Johnston has for many years been actively involved in Jamaica's shipping industry and is a past president of the Shipping Association of Jamaica. He is currently an honorary member of that Association's Management Committee. He also serves on various Boards including Scotia Group Jamaica Limited, Kingston Wharves Limited and Jamaica Public Service Company. He is also a member of the King's House Foundation. Mr. Johnston was conferred with the Order of Distinction, Commander Class in 2006 and was inducted into the Hall of Fame of the Private Sector Organisation of Jamaica in 2008.

**Jeffrey Hall, BA, MPP, JD,** was appointed Group Managing Director of Jamaica Producers Group in July 2007 after joining the Board in 2004 and joining the Group in 2002. He serves on the Board's Audit and Executive Committees. Mr. Hall is a Director of Scotia Group Jamaica Limited, Kingston Wharves Limited, Blue Power Group Limited, JAMPRO, Agro-Investment Corporation and Junior Achievement Jamaica and is a member of the Council of the Institute of Jamaica. Mr. Hall received his Bachelor of Arts degree (summa cum laude) in Economics from Washington University, his Masters degree in Public Policy from Harvard University and his Juris Doctorate from Harvard Law School. He has practised law as a member of the New York Bar.

**The Hon. Oliver F. Clarke, OJ, JP, BSc., (Econ.), FCA, LLD (Hon.)** is the Chairman of the Gleaner Company Limited and Chairman of Jamaica National Building Society. He was appointed to the Board of Jamaica Producers Group in January 2008. Mr. Clarke also serves on the boards of several other companies and is a Past President of the Private Sector Organisation of Jamaica (PSOJ). In 1997 he was inducted into the Hall of Fame of the PSOJ. In 1998, Mr. Clarke was awarded the Order of Jamaica.

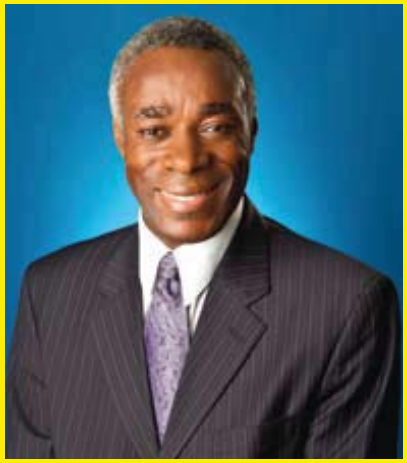


**The Hon. Emil George, OJ, QC, BCL, MA (Oxon.),** Attorney-at-Law, is the Honorary Consul for Dominica. He was appointed to the Board of Jamaica Producers in 1981. His other directorships include: Chairman of Wray & Nephew Group Limited, Chairman of Crown Packaging Limited and Member of the Board of the St. Andrew Parish Foundation. Mr. George was appointed Queens Counsel in 1970 and was conferred with the Order of Jamaica in 2002.

**Dr. The Hon. Marshall McG. Hall, OJ, CD, PhD,** was the Group Managing Director from 1979 until his retirement in June 2007. He serves on the Board's Audit, Compensation and Executive Committees in addition to being a Board member of the subsidiary companies and related banana entities. He was formerly Executive Chairman of Jamaica Public Service Company and a Professor at the University of the West Indies and Washington University. He has served on the boards of a number of public sector bodies and currently serves on the Council of the University of the West Indies, the Police Service Commission and the Police Civilian Oversight Authority. Dr. Hall was inducted into the Private Sector Organisation of Jamaica Hall of Fame in October 2005. He was conferred with the Order of Jamaica in 2010.

**Dahlia Kelly, BSc,** is Managing Director of Patsy Kelly and Associates, an Executive Placement Service. She has served in various positions at Jamaica Producers Group, and serves on the Board's Executive Committee. Mrs. Kelly is a Trustee of the Sydney A. Phillips Scholarship Trust.

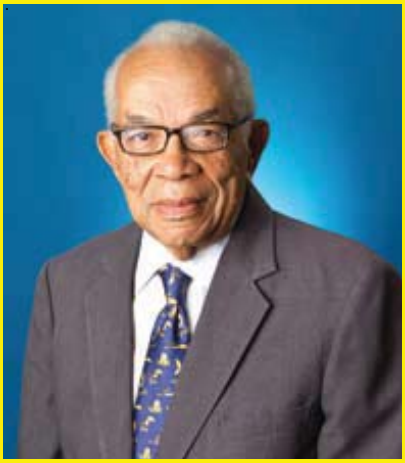
**John O. (Jackie) Minott, CD, BCom, JP,** has served as a Director of Jamaica Producers Group since 1993. He is a member of the Audit and Executive Committees of the Board. He is Managing Director of the family-owned Jamaica Standard Products Company Limited, producers of Jamaica's most well-known coffee products. Mr. Minott chaired the Munro & Dickenson Trust for over 20 years. He currently sits on the Boards of the Barita Unit Trust and the Manchester Parish Development Committee and served previously as a Director of Jamaica Trade and Invest (now JAMPRO). In 1994, Mr. Minott was awarded the Jamaica Exporters' Association Trailblazer Award and in 2000 was conferred with the Order of Distinction, Commander Class.



**Prof. Alvin Wint, BSc, MBA, DBA**, is a Professor of International Business and a former Pro Vice Chancellor at the University of the West Indies. He joined the Board of Jamaica Producers Group in June 1998 and is a member of the Group's Audit Committee. He also serves on the boards of the Planning Institute of Jamaica and the National Commercial Bank Jamaica Limited (NCB) and several of its subsidiaries. He is the Chairman of the NCB Group Audit Committee. Professor Wint serves as Chairman of the Statistical Institute of Jamaica as well as Chairman of the CARICOM Regional Investment Promotion Steering Committee. He holds a doctorate in International Business from Harvard University, has served as an expert resource person for the United Nations and is a former consultant to the World Bank. Professor Wint was a recipient of the prestigious UWI Vice-Chancellor's Award for Excellence in 2003 and the Mona School of Business 21st Anniversary Award in November 2008.

**Kathleen A. J. Moss, BSc, MBA, CBV,** is a Management Consultant and Chartered Business Valuator with Sierra Associates, an independent advisory and business valuation firm that she established in 1993. She was appointed to the Board of Directors of Jamaica Producers Group in 1999. She is a member of the Executive and Compensation Committees and chairs the Audit Committee. Mrs. Moss serves on the Boards of JN General Insurance Company, where she is Deputy Chairman, Kingston Wharves Limited, Pan Jamaican Investment Trust, Jamaica National Building Society and Assurance Brokers Jamaica Limited. She is a trustee of the Violence Prevention Alliance and sits on the Finance Committee of the Archdiocese of Kingston. Mrs. Moss is a member of the Canadian Institute of Chartered Business Valuators and is a graduate of the University of the West Indies and McGill University.

**Donovan H. Perkins, BA (Hons.), MBA** is the President and Chief Executive Officer of Sagicor Investments Jamaica Limited (formerly PanCaribbean Financial Services). Prior to joining Sagicor, he worked with Bank of America in Corporate Banking. Mr. Perkins has served as a Director of Jamaica Producers Group since July 2007. In addition, he sits on the Boards of Pan Jamaican Investment Trust Limited and is the Chairman of the Jamaica Stock Exchange. He previously served as Deputy Chairman of the National Water Commission and Vice President of the Private Sector Organisation of Jamaica. Mr. Perkins holds a Bachelor's Degree in Finance (Hons.) from the University of South Florida and an MBA with concentrations in Finance and Marketing from the Darden School at the University of Virginia.



***Aubrey E. Ffrench, Hon. Director (since September 2007)*** joined the staff of Jamaica Producers Group in 1961 and was appointed a member of the Board in 1990. Prior to that, he served Jamaica Producers Group in the capacity of Accountant, Manager and as Company Secretary for over 33 years at his retirement in 1994.

# DIRECTORS' REPORT

The Directors present this report, the Chairman's Statement and the Audited Financial Statements of the Company and the Group for the year 2012 to the 76th Annual General Meeting.

FINANCIAL STATEMENTS

The Group's financial statements are shown on pages 30 to 77 of this publication.

Highlights are:

| | 2012 | 2011 |
|---|---|---|
| | $M | $M |
| Gross Operating Revenue | 6,790 | 6,181 |
| Group Attributable Profit | 189 | 963 |
| Retained earnings January 1 | 2,704 | 1,826 |
| Retained earnings December 31 | 2,860 | 2,704 |
| Profit per stock unit :- | | |
| based on stock units in issue | 101.27¢ | 514.86¢ |
| after excluding stocks held by the ESOP | 111.59¢ | 569.05¢ |
| Stockholders' Funds per stock unit at December 31, net of stock units held by the ESOP, amounted to | $29.51 | $28.28 |

| DIVIDENDS | $'000 | $'000 |
|---|---|---|
| Interim of 20 cents (2011 - 50 cents) per ordinary stock unit – paid January 22, 2013 (2011 paid January 26, 2012) | 37,405 | 93,512 |

No final dividend is recommended in respect of 2012.

AUDITORS

The Auditors, KPMG, Chartered Accountants, 6 Duke Street, Kingston, Jamaica have expressed their willingness to continue in office.

DIRECTORS

Your Directors who served diligently during the year are :-

The Hon. Oliver Clarke, OJ, JP, BSc (Econ.), FCA, LLD (Hon.)
The Hon. Emil C. George, OJ, QC, BCL, MA (Oxon.)
Mr. Jeffrey McG. Hall, BA, MPP, JD - Group Managing Director
Dr. The Hon. Marshall McG. Hall, OJ, CD, PhD
Mr. Charles Johnston, CD, BSc (Econ.) - Chairman
Mrs. Dahlia Kelly, BSc
Mr. John O. Minott, CD, BCom, JP
Mrs. Kathleen A. J. Moss, BSc, MBA, CBV
Mr. Donovan H. Perkins, BA (Hons.), MBA
Prof. Alvin G. Wint, BSc, MBA, DBA

Prof. Alvin G. Wint retires by rotation and being eligible offers himself for re-election in accordance with the Articles of Incorporation.

C. H. Johnston
Chairman
April 15, 2013

# BOARD COMMITTEES

## AUDIT COMMITTEE


Mrs. Kathleen A. J. Moss – Chair


Mr. Jeffrey Hall


Dr. The Hon. Marshall Hall


Mr. Charles Johnston


Mr. J.O. Minott


Prof. Alvin G. Wint

**Composition**
The Audit Committee is appointed by the Board and consist of not less than three (3) members and shall not include more than one (1) Executive Director nor be chaired by the Board Chairman.

**Functions**
- Monitors the adequacy and effectiveness of JP Group's systems of risk management, internal control and external auditors
- Reviews JP Group's annual and interim financial statements and related accounting policies and assumptions and any accompanying reports or related policies and statements
- Monitors and reviews the effectiveness of JP Group's internal audit function
- Monitors and reviews the external auditor's independence, objectivity and effectiveness
- Develops and implements policy on the engagement of the external auditor to supply non-audit services
- Reviews and approves related party transactions

## COMPENSATION AND HUMAN RESOURCES COMMITTEE (CHRC)


Mr. Charles Johnston – Chair


Dr. The Hon. Marshall Hall


Mrs. Kathleen A. J. Moss

**Composition**
The Board appoints not less than two (2) and up to four (4) Directors excluding Executive Directors.

**Functions**
This committee is responsible for keeping under review the composition of the Board and succession to it. The CHRC makes recommendations to the Board in consultation with the Company's Chairman and Group Managing Director concerning potential appointments, having regard to the balance and structure of the Board and the required blend of skills and experience.

The CHRC serves inter alia to:
- nominate potential candidates and evaluate the suitability of those candidates for future Board membership
- propose suitable candidates to the Board for approval
- approach the future candidate and upon positive response, introduce the candidate to the Board

The CHRC also conducts an annual review of the remuneration policies for Executive Directors and Senior Officers of JP Group as well as material employee benefits and compensation plans and programmes. This review includes an assessment of whether the JP Group's compensation plans are consistent with the sustainable achievement of its business objectives, the prudent management of its operations and the risks to which it is exposed and looks for adherence to JP Group's processes, policies, procedures and controls. The CHRC reviews the JP Group's senior level organisation structure and management succession plan at least annually.

## EXECUTIVE COMMITTEE


Mr. Charles Johnston – Chair


Mr. Jeffrey Hall


Dr. The Hon. Marshall Hall


Mrs. Kathleen A. J. Moss


Mrs. Dahlia Kelly


Mr. J.O. Minott

**Composition**
The Executive Committee is appointed by the Board and comprises not more than six (6) Directors.

**Functions**
The Executive Committee is responsible for carrying out, at short notice, a review of critical business decisions for which Executive Management is required or has elected to obtain the support, advice and/or approval of the Board.

### Directors' Attendance

| | Annual General Meeting | Board Meetings | Audit Committee Meetings | CHRC Meetings | Executive Committee Meetings |
|---|---|---|---|---|---|
| Number of Meetings for the year | 1 | 8 | 4 | 1 | 1 |
| | | | | | |
| Charles Johnston | 1 | 8 | 3 | 1 | 1 |
| Jeffrey Hall | 1 | 8 | 4 | N/A | 1 |
| Emil George | 1 | 5 | N/A | N/A | N/A |
| Marshall Hall | 1 | 7 | 4 | 1 | 1 |
| Oliver Clarke | 1 | 5 | N/A | N/A | N/A |
| Kathleen Moss | 1 | 8 | 4 | 1 | 0 |
| Dahlia Kelly | 1 | 5 | N/A | N/A | 1 |
| John O. Minott | 1 | 2 | 2 | N/A | 1 |
| Donovan Perkins | 1 | 7 | N/A | N/A | N/A |
| Alvin Wint | 1 | 8 | 4 | N/A | N/A |

# STOCKHOLDINGS OF DIRECTORS AND OFFICERS
## December 31, 2012

| | Personal shareholdings | Shareholdings in which Director/Officer has a controlling interest | Total |
|---|---|---|---|
| **DIRECTORS** | | | |
| The Hon. O. Clarke | - | 1,674,849 | 1,674,849 |
| The Hon. E.C. George | 4,687 | - | 4,687 |
| Mr. J. McG. Hall | 2,612,386 | - | 2,612,386 |
| Dr. M. McG. Hall | 14,040,713 | - | 14,040,713 |
| Mr. C.H. Johnston | 397,389 | 11,099,090 | 11,496,479 |
| Mrs. D. Kelly | 121,833 | 89,700 | 211,533 |
| Mr. J.O. Minott | 13,182 | - | 13,182 |
| Mrs. K.A.J. Moss | 2,208,238 | 1,698,600 | 3,906,838 |
| Mr. D. Perkins | - | - | - |
| Prof. A.G. Wint | 8,228 | - | 8,228 |
| **OFFICERS** | | | |
| Mr. Alan Buckland | 95,381 | - | 95,381 |
| Mr. Paul Samuels | 23,041 | - | 23,041 |
| **TRUSTEES** | | | |
| Jamaica Producers Group Limited ESOP | 17,022,147 | - | 17,022,147 |

## TOP TEN STOCKHOLDERS
### December 31, 2012

| | |
|---|---|
| Trustees - Jamaica Producers Group Limited ESOP | 17,022,147 |
| Grace Kennedy Pension Scheme | 15,025,848 |
| Marshall and Jeanette Hall | 14,040,713 |
| Lennox Portland Ltd. et al | 11,496,479 |
| National Insurance Fund | 6,231,401 |
| MF&G Trust and Finance Ltd A/C # 528 | 5,836,041 |
| Sagicor PIF Equity fund | 4,976,647 |
| Trading A/C Sagicor Life of Jamaica | 4,019,852 |
| David and Kathleen Moss | 3,906,838 |
| Jeffrey Hall | 2,612,386 |



**1** ***JP Creating Opportunities for the Sons and Daughters of St. Mary****. At left Patsy Kelly (JP Director and Trustee of the Sydney A. Phillips Scholarship Trust) proudly stands with scholarship recipients Kem-Maria McCook, sister of Krystal Binns (receiving the award on her behalf), Carson Hamilton, Christopher Ramdon (first Sydney A. Phillips Scholar & now a Trustee), Elizabeth Phillips (Trustee) and Marsha-Lee Mundle.*

**2** ***JP Rebuilding and Replanting – Committed to Jamaican Agri-Business.*** *Group Managing Director Jeffrey Hall and Minister of Agriculture and Fisheries the Hon. Roger Clarke at the signing of the Banana Resuscitation Loan Programme. Looking on are Permanent Secretary in the Ministry of Agriculture Donovan Stanberry and Chairman of the AIBGA Grethel Sessing.*

**3** **4** **5**

***JP Reaching out and Sharing.*** *Annual Treat for the boys of the Jamaica Christian Boys Home held at the Hope Zoo.*


**6** ***JP's St. Mary's Foundation Putting Local Farmers in Business.*** *Fine agricultural produce from our Project Care farmers at the St. Mary Agri Expo.*

**7** ***JP Tropical Foods Working with our Community.*** *From left former Custos of St. Mary A.A. "Bobby " Pottinger, JP Farms GM Nadav Goren, Mavis Bank Coffee Factory CEO Sen. Norman Grant , Governor General Sir Patrick Allen and the Hon. Dr. Morais Guy, M.P. in discussion at the JP Tropical Booth at the St. Mary Agri Expo.*

**8** ***JP Putting Our Resources behind Jamaican Logistics.*** *JP Group Chairman Charles Johnston and Company Secretary of Kingston Wharves Roger Hinds look on as JP Group MD Jeffrey Hall and Chairman and CEO of Kingston Wharves Grantley Stephenson sign the purchase agreement making Kingston Wharves, an associated company.*

**9** ***Jablum Coffee*** *on display in the new retail outlet at the Falmouth Pier*

**10** ***Group Chairman Charles Johnston*** *cuts the ribbon at the opening of the Tortuga retail outlet on the Falmouth Pier. Looking on from left are CEO of Tortuga International Holdings Marcus Simmonds, JP Director Dr. Marshall Hall (partially hidden), GM of Tortuga CRC Jamaica Jermaine Robinson and Chief Marketing Officer of Tortuga International Holdings Monique Hamaty-Simmonds*

KPMG
**Chartered Accountants**
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Jamaica, W.I.

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Jamaica, W.I.
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To the Members of
JAMAICA PRODUCERS GROUP LIMITED

**Report on the Financial Statements**

We have audited the consolidated financial statements of Jamaica Producers Group Limited and its subsidiaries ("the group"), set out on pages 30 to 77 which comprise the group balance sheet as at December 31, 2012, the group profit and loss account, 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal controls 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 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 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 control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity'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
JAMAICA PRODUCERS GROUP LIMITED

**Report on the Financial Statements, continued**

*Opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Jamaica Producers Group Limited as at December 31, 2012, and of the group's 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.

**Additional reporting 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, so far as appears from our examination of those records, 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
Kingston, Jamaica

February 22, 2013

# GROUP BALANCE SHEET
## December 31, 2012

| | Notes | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3(c),4 | 323,929 | 160,339 |
| Short-term investments | 3(d),5 | 131,316 | 261,550 |
| Securities purchased under resale agreements | 3(e) | 175,587 | 1,273,355 |
| Accounts receivable | 6 | 604,071 | 1,092,884 |
| Taxation recoverable | | 72,491 | 87,183 |
| Inventories | 7 | 353,932 | 352,759 |
| Total current assets | | 1,661,326 | 3,228,070 |
| CURRENT LIABILITIES | | | |
| Credit facilities | | 30,870 | - |
| Accounts payable | 8 | 967,362 | 1,056,073 |
| Taxation | | 3,154 | 9,218 |
| Current portion of long-term loans | 19 | 67,235 | 12,300 |
| Total current liabilities | | 1,068,621 | 1,077,591 |
| WORKING CAPITAL | | 592,705 | 2,150,479 |
| NON-CURRENT ASSETS | | | |
| Biological assets | 9 | 47,957 | 21,519 |
| Interest in associated companies and joint ventures | 10 | 2,617,756 | 170,511 |
| Investments | 11 | 502,998 | 794,750 |
| Intangible assets | 13 | 1,053,975 | 397,937 |
| Deferred tax assets | 14 | 3,083 | 8,331 |
| Property, plant and equipment | 15 | 1,618,297 | 1,448,744 |
| Total non-current assets | | 5,844,066 | 2,841,792 |
| Total assets less current liabilities | | 6,436,771 | 4,992,271 |
| EQUITY | | | |
| Share capital | 16 | 18,702 | 18,702 |
| Reserves | 17 | 4,997,473 | 4,771,594 |
| Total equity attributable to equity holders of the parent | | 5,016,175 | 4,790,296 |
| NON-CONTROLLING INTEREST | | 259,087 | (16,159) |
| Total equity | | 5,275,262 | 4,774,137 |
| NON-CURRENT LIABILITIES | | | |
| Employee benefit obligation | 18 | - | 20,239 |
| Deferred tax liability | 13 | 1,611 | - |
| Long-term loans | 19 | 1,159,898 | 197,895 |
| Total non-current liabilities | | 1,161,509 | 218,134 |
| Total equity and non-current liabilities | | 6,436,771 | 4,992,271 |

The financial statements on pages 30 to 77 were approved for issue by the Board of Directors on February 22, 2013 and signed on its behalf by:

_____ Chairman
C. H. Johnston

_____ Managing Director
J. Hall

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

# GROUP PROFIT AND LOSS ACCOUNT
## Year ended December 31, 2012

| | Notes | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| Gross operating revenue | 20 | 6,790,257 | 6,180,569 |
| Cost of operating revenue | | (5,349,882) | (4,921,639) |
| Gross profit | | 1,440,375 | 1,258,930 |
| Marketing, selling and distribution costs | | ( 477,972) | ( 371,410) |
| Administration and other operating expenses | | ( 999,050) | ( 844,728) |
| (Loss)/profit from operations | | ( 36,647) | 42,792 |
| Share of profit/(loss) in associated companies and joint ventures | | 258,988 | ( 5,335) |
| Net gain/(loss) from fluctuations in exchange rates | | 17,310 | ( 3,860) |
| Gain on disposal of property, plant and equipment and investments | | 71,866 | 1,088,990 |
| Impairment loss on goodwill | | - | ( 125,855) |
| Other income | | 44,449 | 4,958 |
| Profit before finance cost and taxation | | 355,966 | 1,001,690 |
| Finance cost - interest | 21 | ( 83,517) | ( 6,559) |
| Profit before taxation | | 272,449 | 995,131 |
| Taxation charge | 22 | ( 64,739) | ( 39,364) |
| Profit for the year | 23 | 207,710 | 955,767 |
| Attributable to: | | | |
| Parent company stockholders | | 189,406 | 962,907 |
| Non-controlling interest | | 18,304 | ( 7,140) |
| | | 207,710 | 955,767 |
| Dealt with in the financial statements of: | | | |
| The company | | 17,581 | 1,048,933 |
| Subsidiary companies | | ( 19,409) | ( 80,691) |
| Associated companies and joint ventures | | 191,234 | ( 5,335) |
| | | 189,406 | 962,907 |
| Profit per ordinary stock unit: | 24 | | |
| Based on stock units in issue | | 101.27¢ | 514.86¢ |
| After exclusion of stock units held by ESOP | | 111.59¢ | 569.05¢ |

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

# GROUP STATEMENT OF COMPREHENSIVE INCOME
## Year ended December 31, 2012

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Profit for the year | 207,710 | 955,767 |
| Other comprehensive income: | | |
| Exchange gain/(loss) on translating foreign operations | 207,957 | ( 26,872) |
| Available-for-sale investments: | | |
| Net change in fair value of available-for-sale investments | ( 95,320) | 157,973 |
| Realised revaluation gains on available-for-sale investments transferred to group profit and loss account | ( 61,517) | (1,104,982) |
| | 51,120 | ( 973,881) |
| Total comprehensive income/(loss) for the year | 258,830 | ( 18,114) |
| Attributable to: | | |
| Parent company stockholders | 240,526 | ( 10,974) |
| Non-controlling interest | 18,304 | ( 7,140) |
| | 258,830 | ( 18,114) |

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

# GROUP STATEMENT OF CHANGES IN EQUITY
## Year ended December 31, 2012

| | Share capital $'000 (note 16) | Share premium $'000 (note 17) | Capital reserves $'000 | Fair value reserve $'000 | Reserve for own shares $'000 | Retained profits $'000 | Parent company stockholders' equity $'000 | Non - controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balances at December 31, 2010 | 18,702 | 135,087 | 1,760,043 | 1,332,894 | ( 199,590) | 1,826,249 | 4,873,385 | ( 9,019) | 4,864,366 |
| **Changes in equity:** | | | | | | | | | |
| **Profit for the year** | - | - | - | - | - | 962,907 | 962,907 | ( 7,140) | 955,767 |
| **Other comprehensive income** | | | | | | | | | |
| Exchange loss arising on retranslation of foreign operations | - | - | ( 26,872) | - | - | - | ( 26,872) | - | ( 26,872) |
| Net change in fair value of available-for-sale investments | - | - | - | 157,973 | - | - | 157,973 | - | 157,973 |
| Realised revaluation gains on available-for-sale investments transferred to group profit and loss account | - | - | - | (1,104,982) | - | - | (1,104,982) | - | (1,104,982) |
| Total other comprehensive income | - | - | ( 26,872) | ( 947,009) | - | - | ( 973,881) | - | ( 973,881) |
| Total comprehensive income/(expense) for the year | - | - | ( 26,872) | ( 947,009) | - | 962,907 | ( 10,974) | ( 7,140) | ( 18,114) |
| **Transactions with owners of the company** | | | | | | | | | |
| Own shares sold by ESOP | - | - | - | - | 8,944 | - | 8,944 | - | 8,944 |
| Distributions to stockholders (note 25) | - | - | - | - | - | ( 84,702) | ( 84,702) | - | ( 84,702) |
| Unclaimed distribution to stockholders | - | - | 3,643 | - | - | - | 3,643 | - | 3,643 |
| | - | - | 3,643 | - | 8,944 | ( 84,702) | ( 72,115) | - | ( 72,115) |
| Balances at December 31, 2011 | 18,702 | 135,087 | 1,736,814 | 385,885 | ( 190,646) | 2,704,454 | 4,790,296 | (16,159) | 4,774,137 |
| Retained in the financial statements of: | | | | | | | | | |
| The company | 18,702 | 135,087 | 1,581,429 | 375,678 | - | 2,318,294 | 4,429,190 | | |
| Subsidiary companies | - | - | 156,860 | 10,207 | ( 190,646) | 429,853 | 406,274 | | |
| Joint venture companies | - | - | ( 1,475) | - | - | ( 43,693) | ( 45,168) | | |
| Balances at December 31, 2011 | 18,702 | 135,087 | 1,736,814 | 385,885 | ( 190,646) | 2,704,454 | 4,790,296 | | |

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

# GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

## Year ended December 31, 2012

| | Share capital $'000 (note 16) | Share premium $'000 (note 17) | Capital reserves $'000 | Fair value reserve $'000 | Reserve for own shares $'000 | Retained profits $'000 | Parent company stockholders' equity $'000 | Non - controlling interest $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|---|---|---|
| Balances at December 31, 2011 | 18,702 | 135,087 | 1,736,814 | 385,885 | ( 190,646) | 2,704,454 | 4,790,296 | ( 16,159) | 4,774,137 |
| **Changes in equity:** | | | | | | | | | |
| **Profit for the year** | - | - | - | - | - | 189,406 | 189,406 | 18,304 | 207,710 |
| **Other comprehensive income** | | | | | | | | | |
| Exchange gains arising on retranslation of foreign operations | - | - | 207,957 | - | - | - | 207,957 | - | 207,957 |
| Net change in fair value of available-for-sale investments | - | - | - | ( 95,320) | - | - | ( 95,320) | - | ( 95,320) |
| Realised revaluation gains on available-for-sale investments transferred to group profit and loss account | - | - | - | ( 61,517) | - | - | ( 61,517) | - | ( 61,517) |
| Total other comprehensive income/(expense) | - | - | 207,957 | ( 156,837) | - | - | 51,120 | - | 51,120 |
| Total comprehensive income/(expense) for the year | - | - | 207,957 | ( 156,837) | - | 189,406 | 240,526 | 18,304 | 258,830 |
| **Changes in ownership interest in subsidiaries** | | | | | | | | | |
| Non-controlling interest on acquisition of subsidiary | - | - | - | - | - | - | - | 256,942 | 256,942 |
| **Transactions with owners of the company** | | | | | | | | | |
| Own shares sold by ESOP | - | - | - | - | 11,658 | - | 11,658 | - | 11,658 |
| Distributions to stockholders (note 25) | - | - | - | - | - | ( 34,001) | ( 34,001) | - | ( 34,001) |
| Unclaimed distribution to stockholders | - | - | 7,696 | - | - | - | 7,696 | - | 7,696 |
| | - | - | 7,696 | - | 11,658 | ( 34,001) | ( 14,647) | - | ( 14,647) |
| Balances at December 31, 2012 | 18,702 | 135,087 | 1,952,467 | 229,048 | ( 178,988) | 2,859,859 | 5,016,175 | 259,087 | 5,275,262 |
| Retained in the financial statements of: | | | | | | | | | |
| The company | 18,702 | 135,087 | 1,589,125 | 225,266 | - | 2,298,471 | 4,266,651 | | |
| Subsidiary companies | - | - | 371,606 | 3,782 | ( 178,988) | 490,166 | 686,566 | | |
| Associated companies and joint ventures | - | - | ( 8,264) | - | - | 71,222 | 62,958 | | |
| Balances at December 31, 2012 | 18,702 | 135,087 | 1,952,467 | 229,048 | ( 178,988) | 2,859,859 | 5,016,175 | | |

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

# GROUP STATEMENT OF CASH FLOWS
## Year ended December 31, 2012

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Adjustment for: | | |
| Profit for the year attributable to parent company stockholders | 189,406 | 962,907 |
| Adjustments to reconcile profit for the year to net cash provided/(used) by operating activities: | | |
| Items not affecting cash: | | |
| Depreciation and impairment losses – property, plant and equipment | 163,111 | 136,190 |
| Amortisation and impairment losses – biological assets | 18,650 | - |
| Amortisation and impairment losses – goodwill and intangible assets | 27,852 | 125,855 |
| Exchange movement in working capital | 17,153 | ( 476) |
| Deferred tax, net | 6,418 | ( 501) |
| Taxation charge | 58,321 | 39,865 |
| Employee benefits, net | ( 20,239) | 17,483 |
| Gain on disposal of property, plant and equipment and investments | ( 71,866) | (1,088,990) |
| Share of (profit)/loss in associated companies and joint ventures | ( 258,988) | 5,335 |
| Non-controlling interest in profit/(loss) for the year | 18,304 | ( 7,140) |
| Interest earned | ( 66,423) | ( 105,592) |
| Interest expense | 83,517 | 6,559 |
| | 165,216 | 91,495 |
| Decrease/(increase) in current assets: | | |
| Accounts receivable | 598,843 | ( 359,145) |
| Taxation recoverable | 14,692 | 38,610 |
| Inventories | 61,050 | ( 117,556) |
| Decrease in current liabilities: | | |
| Accounts payable | ( 172,026) | 164,605 |
| Tax paid | ( 485) | ( 31,865) |
| Net cash provided/(used) by operating activities | 667,290 | ( 213,856) |
| CASH FLOWS FROM INVESTMENT ACTIVITIES | | |
| Biological assets | ( 45,088) | ( 19,518) |
| Short-term investments | 130,234 | 262,165 |
| Interest received | 73,046 | 108,557 |
| Securities purchased under resale agreements | 1,097,768 | ( 884,044) |
| Additions to property, plant and equipment | ( 216,838) | ( 514,508) |
| Proceeds from disposal of property, plant and equipment and investments, net of own shares acquired by ESOP | 154,798 | 1,366,802 |
| Acquisition of subsidiaries | ( 478,197) | - |
| Acquisition of associated companies | (2,089,795) | - |
| Interests in associated companies and joint ventures | 4,795 | ( 105,663) |
| Movement in long term loans receivable | 5,041 | 21,425 |
| Additions to investments | ( 5,000) | ( 116,183) |
| Net cash (used)/provided by investment activities | (1,369,236) | 119,033 |

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

# GROUP STATEMENT OF CASH FLOWS (Cont'd)
## Year ended December 31, 2012

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long-term loans | 978,875 | 62,566 |
| Interest paid | ( 54,877) | ( 497) |
| Distributions to stockholders, net | ( 77,006) | ( 38,600) |
| Net cash provided by financing activities | 846,992 | 23,469 |
| Net increase/(decrease) in cash and cash equivalents | 145,046 | ( 71,354) |
| Cash and cash equivalents at beginning of the year | 160,339 | 229,232 |
| Exchange gain on foreign currency cash and cash equivalents | 18,544 | 2,461 |
| Cash and cash equivalents at end of the year | 323,929 | 160,339 |

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

1. The company

Jamaica Producers Group Limited ("company") is incorporated and domiciled in Jamaica. The company's registered office is located at 6A Oxford Road, Kingston 5.

The main activities of the company and its subsidiaries ("group") (note 33) are juice and food manufacturing, the cultivation, marketing and distribution of fresh produce locally, logistics, land management and the holding of investments.

During the year the group acquired a 62% share in Tortuga International Holdings Limited, a company that operates food manufacturing and distribution in the Caribbean (note 33). The group also acquired 357,550,000 ordinary shares of Kingston Wharves Limited (KW) and together with other acquisitions resulted in an associated company holding of 30% of the issued shares of that company (note 10) at year-end.

During the prior year, the group realised gains on the sale of long-term equity investments amounting to $1,085 million in a move to transform its long-term investment portfolio into investments in which the group is actively involved in the management and consequently, the returns of those businesses. Also, consistent with the group's policy of testing goodwill for impairment, an impairment loss on our logistics business of $126 million was recognised in the prior year.

During the fourth quarter of 2011, the group acquired a 50% holding in Mavis Bank Coffee Factory Limited (formerly Orchard Plantation Coffee Factory Limited), a company that processes and sells Jamaican Blue Mountain coffee (note 10).

The group incurred acquisition-related costs of approximately $18 million from external legal and due diligence services associated with the above-mentioned acquisitions which were recognised in the administrative expenses of the prior year's group profit and loss account.

There have been no other exceptional items or discontinued operations.

2. Statement of compliance and basis of preparation

(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 (IASB) and comply with the provisions of the Jamaican Companies Act.

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The group has adopted those which are relevant to its operations, none of which resulted in any changes in accounting policies or material changes to the content or presentation of amounts or disclosures in these financial statements.

New standards, and interpretations of and amendments to existing standards that are not yet effective:

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

At the date of authorisation of the financial statements, certain new, revised and amended standards and interpretations, have been issued which are not yet effective and which the group has not early-adopted. The group has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has determined that the following may be relevant to its operations and has concluded as follows:

- *IFRS 9, Financial Instruments (2010).* The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for accounting periods beginning on or after January 1, 2015 (previously 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. The revised 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 group is assessing the impact that the standard will have on its 2015 financial statements.

- *IFRS 10*, *Consolidated Financial Statements* (effective for annual reporting periods beginning on or after January 1, 2013) supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008). The group does not expect this standard to have a significant impact on its 2013 financial statements.

- *IFRS 11*, *Joint Arrangements* and *IAS 28 Investments in Associates* and *Joint Ventures (2011)* (effective for annual reporting periods beginning on or after January 1, 2013) removes from *IAS 31 Jointly Controlled Entities*, those cases which, although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations and are now called joint operations. The remainder of IAS 31, now called *Joint Ventures,* removes the choice of equity accounting or proportionate consolidation and requires that the equity method be used. The group does not expect this standard to have a significant impact on its 2013 financial statements.

- *IFRS 12*, *Disclosure of Interest in Other Entities,* which is effective for annual reporting periods beginning on or after from January 1, 2013, contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The disclosure requirements encompass risk exposures for the sponsor of such an entity even if it no longer has any contractual involvement. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The group does not consider that the amendments to this standard will have a significant impact on its 2013 financial statements.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New standards, and interpretations of and amendments to existing standards that are not yet effective (continued):

- IFRS 13, *Fair Value Measurement,* which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The group does not expect this standard to have a significant impact on its 2013 financial statements.

- *Improvements to IFRS 2009-2010* cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments applicable to the group are as follows:

  - *IAS 1 Presentation of Financial Statements* is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

  - *IAS 16 Property, Plant and Equipment* – The standard is amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, standby-by equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using *IAS 2 Inventories*.

  - *IAS 32 Financial Instruments: Presentation* – The standard is amended to clarify that *IAS 12 Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

  - *IAS 34 Interim Financial Reporting* is amended to require the disclosure of a measure of total assets and liabilities for a particular reporting segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

  The group does not expect these amendments to have a significant impact on its 2013 financial statements.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

New standards, and interpretations of and amendments to existing standards that are not yet effective (continued):

- IAS 19, *Employee Benefits*, is effective for annual periods beginning on or after January 1, 2013. The standard requires all actuarial gains and losses to be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss. The expected return on plan assets recognized in profit or loss is to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard. The group does not expect these amendments to have a significant impact on its 2013 financial statements.

(b) Basis of preparation:

The financial statements are prepared on the historical cost basis, except for available-for-sale investments which are stated at fair value. The financial statements are presented in Jamaica dollars (J$), which is the functional currency of the company.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of, and disclosures relating to assets, liabilities, contingent assets and contingent liabilities at the balance sheet 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 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 a 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 group's balance sheet and profit and loss account 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 and the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations.

2. Statement of compliance and basis of preparation (continued)

(b) Basis of preparation (continued):

(ii) Impairment of goodwill

Impairment of goodwill is dependent upon management's internal assessment of future cash flows from cash-generating units that gave rise to the goodwill. That internal assessment determines the amount recoverable from future use of those units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rates used.

It is possible, based on existing knowledge, that outcomes that are different from these assumptions could require a material adjustment to the carrying amount reflected in future financial statements [note 13(a)].

3. Significant accounting policies

The significant accounting policies below conform in all material respects to IFRS.

(a) Basis of consolidation:

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is at the date on which control is transferred to the group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquired entity; plus
- if the business combination is achieved in stages, the fair value of the pre-existing interest in the acquired entity; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(ii) Subsidiaries

Subsidiaries are those entities controlled by the company. The consolidated financial statements include the financial statements of all subsidiaries, including an Employees Share Ownership Plan (ESOP) classified as a special purpose entity [note 17(i)], made up to December 31, 2012.

The company and its subsidiaries are collectively referred to as "group".

(iii) Loss of control

On the loss of control, the group derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

(iv) Joint venture arrangements

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control over the financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses of joint ventures on the equity accounting basis (note 10). If the group's share of losses exceeds its interest in a joint venture the group's carrying amount is reduced to $nil and recognition of further losses is discontinued, except to the extent that the group has incurred legal or constructive obligations or made payments on behalf of a joint venture. If the joint venture subsequently reports gains, the group resumes recognising its share of those gains only after its share of gains equals the share of losses not recognised.

(v) Associates

Associates are all entities over which the group has significant influence, but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognized at cost. The group's investment is carried at the group's share of the fair value of net identifiable assets of the associate net of any impairment loss identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the profit and loss account and its share of post-acquisition movements in reserves is recognized in other comprehensive income to the extent that the profits, losses or movements are consistent with the group's significant accounting policies. Should the group's share of losses in an associate equal or exceed its interest in the associate, including any other unsecured receivables, the group will not recognize further losses unless it has incurred obligations or made payments on behalf of the associate.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued):

(vi) Transactions eliminated on consolidation

Balances and transactions between companies within the group, and any unrealised gains arising from those transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions between the group and its associate and joint ventures are eliminated to the extent of the group's interest in the associate or joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(b) Foreign currencies:

The group's foreign assets and liabilities are translated at the buying rates of exchange ruling at the balance sheet date [note 32(b)(ii)]. Items in the foreign subsidiaries' profit and loss accounts are translated at rates of £1 to J$139.46 (2011: J$136.51), US$1 to J$88.45 (2011: J$85.70), €1 to J$114.43 (2011: J$119.67), being the weighted average rates of exchange for the year.

Other transactions in foreign currencies are converted at the rates of exchange at the dates of those transactions.

Gains and losses arising from translating profit or loss items are included in profit or loss. Unrealised portions of such gains are, ultimately, transferred to capital reserve. Exchange differences arising on other changes to stockholders' interests are reflected in other capital reserves [note 17(ii)].

(c) Cash and cash equivalents:

Cash comprises cash in hand and on demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(d) Short-term investments:

Short-term investments comprise fixed deposits with banks, money market securities and loans and receivables maturing within one year. They are acquired for their earnings potential and for balancing the group's risks on its investment portfolio. Their nature, liquidity and risk are similar to those of cash and cash equivalents.

(e) Securities purchased under resale agreements:

Securities purchased under resale agreements ('reverse repos') are short-term transactions in which the purchaser makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Reverse repos are accounted for as short-term collateralised lending.

The difference between the sale and repurchase consideration is recognised on the accrual basis over the period of the transaction and is included in interest income.

3. Significant accounting policies (continued)

(f) Trade and other receivables:

Trade and other receivables are stated at amortised cost, less impairment losses [see note 3(m)].

(g) Inventories:

Inventories are valued at the lower of cost, determined principally on the first-in first-out basis, and net realisable value. Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses.

(h) Trade and other payables:

Trade and other payables, including provisions, are stated at their amortised cost. A provision is recognised in the balance sheet when the group 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 risks specific to the liability.

(i) Biological assets:

Biological assets represent the cost of primarily pineapple and banana plants which are capitalised up to maturity. These are stated at cost, less accumulated amortisation and impairment losses, as fair value cannot be reliably determined. The costs are normally amortised over a period of two years for pineapple and seven years for bananas. The costs for banana plants are being taken to profit or loss over two years due to the uncertainty of future profits from which those costs would normally be recovered.

(j) Investments:

Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are stated at amortised cost, less impairment losses. Where the group has the positive intent and ability to hold securities to maturity, they are classified as held-to-maturity and recognised initially at cost and subsequently measured at amortised cost, less impairment losses. Other investments held by the group are classified as available-for-sale and are stated at fair value with changes in fair value recognised to other comprehensive income except for impairment losses and foreign exchange gains and losses in the case of monetary items, such as debt securities. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in group profit or loss. Where fair value cannot be reliably measured, these investments are stated at cost. Available-for-sale investments include certain debt and equity securities.

The fair value of quoted available-for-sale investments is their bid price.

Available-for-sale investments are recognised/derecognised by the group on the date it commits to purchase or sell the investments. Other investments are recognised/derecognised on the day they are transferred to/by the group.

3. Significant accounting policies (continued)

(k) Intangible assets and goodwill:

Goodwill is subsequently measured at cost, less any accumulated impairment losses. Goodwill is allocated to cash-generating units (note 13) and tested annually for impairment. In respect of equity accounted investees, the carrying amount of goodwill is including in the carrying amount of the equity accounted investee as a whole.

(i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented in intangible assets, for measurement of goodwill at initial recognition, see note 3(a)(i).

(ii) Other intangible assets

Other intangible assets that are acquired by the group and have finite useful lives are amortized and tested for impairment.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

Except for goodwill, intangible assets are amortised on the straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

The estimates useful lives are as follows:

- brands and trademarks 25 years
- customer relationships 15 years
- other identified intangible asset 3 years

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

(l) 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. The cost of self-constructed assets include the costs of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets are recognised as part of the cost of the qualifying asset.

3. Significant accounting policies (continued)

(l) Property, plant and equipment:

(ii) Leased assets

Leases under which the group assumes substantially all the risks and rewards of ownership are classified as finance leases Assets acquired under finance leasing arrangements are stated at an amount equal to the lower of the fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation, calculated in accordance with the policy in (iv) below, and impairment losses. After deducting interest attributable to future periods, the net amount payable is included in accounts payable.

(iii) Subsequent costs

The group recognises the cost of replacing part of an item of property, plant and equipment in the carrying amount of such an item when that cost is incurred, if it is probable that the future economic benefits embodied with the item will flow to the group and the cost of the item can be measured reliably.

(iv) Depreciation

Property, plant and equipment, including leased assets, with the exception of freehold land on which no depreciation is provided, are depreciated on the straight-line basis at annual rates, varying between 2% and 50%, estimated to write down the assets to residual values over their expected useful lives. Computer software and equipment are depreciated on the straight-line basis at rates between 25% and 100% per annum. Depreciation methods, useful lives and residual values are reassessed at each reporting date.

(m) Impairment:

The carrying amounts of the group's 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. For goodwill, the recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of other assets in the unit on a pro rata basis. Impairment losses are recognised in group profit or loss.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated. Objective evidence that financial assets are impaired can include default or delinquency by a customer or counterparty or indicators that the customer or counterparty will enter bankruptcy.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. When a decline in the fair value of an available-for-sale investment has been recognised directly in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in other comprehensive income is recognised in group profit or loss even though the investment has not been derecognised.

3. Significant accounting policies (continued)

(m) Impairment (continued):

The amount of the cumulative loss that is recognised in group profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in group profit or loss.

(i) Calculation of recoverable amount

The recoverable amount of the group's investments in held-to-maturity securities and loans and 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 a held-to-maturity security, loan or receivable is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through group profit or loss.

An impairment loss in respect of goodwill is not reversed.

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 asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognised.

(n) Employee benefits:

Employee benefits are all forms of consideration given by the group in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, national insurance contributions, annual leave and non-monetary benefits such as medical care and housing, post-employment benefits such as pensions and other long-term employee benefits such as termination benefits. Employee benefits that are earned as a result of past or current service are recognised in the following manner:

- Current employee benefits are recognised as a liability, net of payments made, and charged as expense. The expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.

3. Significant accounting policies (continued)

(n) Employee benefits (continued):

- Post-employment benefits, comprising pensions and other post-employment obligations included in the financial statements, are 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 are conducted in accordance with IAS 19, and the financial statements reflect the group's post-employment benefit obligation as computed by the actuary. In carrying out their audit, the auditors rely on the actuary's report.

Defined-benefit pension plans

The group's net obligation in respect of its defined-benefit pension plans 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. The discount rate is determined by reference to the yield at the balance sheet date on high-quality corporate bond of maturities approximating the tenure of the group's obligation. The calculation is performed by a qualified actuary using the projected unit credit method.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the group profit and loss account on the straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in the group profit and loss account.

To the extent that any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the defined-benefit obligation and the fair value of plan assets, that portion is recognised in the group profit and loss account over a period representing 50% of the average remaining working lives of staff members in the plan.

Where the calculation results in a pension surplus to the group, the recognised asset is limited to the present value of any future refunds from the plan, or reductions in future contributions to the plan, less any unrecognised actuarial losses and past service costs.

(o) Revenue:

Revenue from the sale of goods is recognised in the group profit or loss when the significant risks and rewards of ownership have been transferred to the buyer and the group is reasonably certain that economic benefit will be received. Revenue from services rendered is recognised in the group profit or loss in proportion to the stage of completion of the service at the reporting date.

(p) Finance costs:

Finance costs represent interest payable on borrowings calculated using the effective interest method.

(q) Interest income:

Interest income is recognised in the group profit or loss as it accrues, taking into account the effective yield on the asset.

3. Significant accounting policies (continued)

(r) Taxation:

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the group profit or loss, except to the extent that it relates to items recognised directly to 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 balance sheet 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 balance sheet date.

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.

(s) Segment reporting:

An operating segment is a component of the group 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 group's other components. An operating segment's operating results are reviewed regularly by the Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. Cash and cash equivalents

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Cash and bank balances | 323,929 | 160,339 |

5. Short-term investments

| | | |
|---|---|---|
| This comprises fixed deposits as loans and receivables. | 131,316 | 261,550 |

6. Accounts receivable

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Trade receivables | 466,519 | 556,029 |
| Staff receivables | 15,820 | 5,641 |
| Other receivables and prepayments | 150,749 | 561,147 |
| | 633,088 | 1,122,817 |
| Less: allowance for impairment | ( 29,017) | ( 29,933) |
| | 604,071 | 1,092,884 |

Included within other receivables is a balance of US$ nil (2011: US$4.8m) which was cash held by a third party on behalf of the group in advance of the completion of an acquisition.

The movement in allowance for impairment in respect of accounts receivable during the year is as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Balance at beginning of year | 29,933 | 24,382 |
| Impairment losses recognised | 9,211 | 9,510 |
| Impairment losses reversed | ( 516) | - |
| Amounts written off as uncollectible | ( 5,143) | ( 2,533) |
| Amounts recovered during the year | ( 5,358) | ( 1,582) |
| Exchange loss on retranslation | 890 | 156 |
| Balance at end of year | 29,017 | 29,933 |

The allowance for impairment of accounts receivable is used to record impairment losses, unless the group is satisfied that no recovery of the amount owing is possible, at which point the amount considered irrecoverable is written-off against the receivable directly.

The aging of trade receivables at the reporting date was:

| | Gross | | Impairment | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Not past due | 278,867 | 456,224 | 265 | - |
| Past due 0 - 30 days | 117,080 | 42,974 | - | - |
| Past due 31 - 120 days | 49,687 | 12,048 | 4,809 | 724 |
| Past due 121 days - 1 year | 2,244 | 27,910 | 2,244 | 4,922 |
| More than 1 year | 18,641 | 16,873 | 11,564 | 10,677 |
| | 466,519 | 556,029 | 18,882 | 16,323 |

Amounts due from directors in the ordinary course of business include $1,579,026 (2011: $1,047,103) in other receivables [note 30(b)]. These amounts were subsequently settled.

7. Inventories

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Processed goods | 116,519 | 45,659 |
| Raw materials and consumables | 226,479 | 294,593 |
| Spare parts and other | 10,934 | 12,507 |
| | 353,932 | 352,759 |

8. Accounts payable

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Trade payables | 538,010 | 576,557 |
| Dividend payable | 34,001 | 84,702 |
| Other | 395,351 | 394,814 |
| | 967,362 | 1,056,073 |

9. Biological assets

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Balance at beginning of the year | 21,519 | 2,001 |
| Increase due to new plantings | 45,088 | 19,518 |
| Impairment losses | (13,296) | - |
| Amortisation in year | ( 5,354) | - |
| Balance at end of the year | 47,957 | 21,519 |

10. Interest in associated companies and joint ventures

The group's associated company and joint venture investments are set out below, using the equity method:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Shares, at cost or fair value, less amounts written-off | 2,259,833 | 83,215 |
| Group's share of reserves | 63,394 | ( 45,168) |
| Current accounts payable | ( 12,800) | - |
| Loan accounts receivable | 307,329 | 132,464 |
| | 2,617,756 | 170,511 |

10. Interest in associated companies and joint ventures (continued)

Represented by:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| (i) 50% joint venture investments in: | | |
| (a) a banana and plantain chip manufacturing business | 43,261 | 100,020 |
| (b) a Jamaican Blue Mountain coffee processor/distributor | 181,807 | 70,491 |
| (ii) 40% associated company investment in bakery operations | 85,619 | - |
| (iii) 30% associated company investment in a multi-purpose port operator | 2,307,069 | - |
| | 2,617,756 | 170,511 |

During the year the group acquired shares in Kingston Wharves Limited, which bring the group's total holding in the company to 30% at year-end. The associated company operates public wharves and provides security and cold storage services. The carrying value of the associate is stated at the group's share of the fair value of its net identifiable assets less impairment on acquisition.

During the year, as part of the acquisition of Tortuga International Holdings Limited (note 12) the group acquired a 40% holding in a company that manufactures and distributes baked products.

During the prior year the group acquired a 50% holding in a joint venture company that processes and sells Jamaican Blue Mountain coffee. Up to December 31, 2012 the group's contribution to that joint venture was $121 million (2011: $56 million) used for working capital financing and start-up costs.

In the prior year the capital structure of the banana and plantain chip manufacturing joint venture was revised by the partners. As a result, $42.7 million of the loan account receivable was converted to equity in the venture.

10. Interest in associated companies and joint ventures (continued)

The group's share of profit/(loss) in its equity-accounted investees for the year was $151.7 million (2011: $5.3 million loss). In 2012, the group received dividends of $43.2 million from its investments in equity accounted investees (2011: Nil).

Kingston Wharves Limited is listed on the Jamaica Stock Exchange. Based on its closing price of $5.00 per share at the reporting date, the fair value of the group's investment is $2.16 billion. Other associated company and joint ventures are not publicly listed and consequently do not have published price quotations.

Summary financial information for equity-accounted investee is as follows:

| | Reporting date | Ownership | Assets $'000 | Liabilities $'000 | Net assets $'000 | Revenue $'000 | Profit (loss) $'000 | Group's share of net assets $'000 | Group's share of profit/(loss) $'000 |
|---|---|---|---|---|---|---|---|---|---|
| **2012** | | | | | | | | | |
| Kingston Wharves Limited | 31 December | 30 | 12,522,059 | (3,734,613) | 8,787,446 | 3,670,177 | 555,728 | 2,652,929 | 178,776 |
| Mavis Bank Coffee Factory Limited | 31 December | 50 | 697,199 | ( 566,456) | 130,743 | 726,911 | 82,727 | 65,372 | 42,064 |
| Antillean Foods, Inc. | 31 December | 50 | 166,607 | ( 272,948) | ( 106,341) | 213,158 | (125,418) | ( 53,171) | ( 30,024) |
| Tortuga Cayman Limited | 31 December | 40 | 86,068 | ( 85,884) | 184 | 229,432 | 1,014 | 74 | 418 |
| | | | 13,471,933 | 4,659,901 | 8,812,032 | 4,839,678 | 514,051 | 2,665,204 | 191,234 |
| **2011** | | | | | | | | | |
| Mavis Bank Coffee factory Limited | 31 December | 50 | 502,908 | ( 446,838) | 56,070 | 101,297 | 36,070 | 28,035 | 18,035 |
| Antillean Foods, Inc. | 31 December | 50 | 257,199 | ( 234,546) | 22,653 | 311,425 | ( 44,905) | 11,327 | ( 23,370) |
| | | | 760,107 | ( 681,384) | 78,723 | 412,722 | ( 8,835) | 39,362 | ( 5,335) |

11. Investments

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Available-for-sale securities: | | |
| Quoted | 334,044 | 519,951 |
| Unquoted | - | 21,000 |
| | 334,044 | 540,951 |
| Loans and receivables: | | |
| Government of Jamaica bonds | - | 86,135 |
| Long-term loan | 168,954 | 167,664 |
| | 168,954 | 253,799 |
| | 502,998 | 794,750 |

It is the opinion of the directors that the fair value of unquoted investments approximates to their carrying value.

Included in loans and receivables is a loan of $180,305,000 or US$2.0 million (2011: $179,216,000 or US$2.1 million) repayable on an amortized basis with equal monthly payments over fifteen years, including a one-year moratorium from repayment of principal in the first year. The loan which earns interest at 3% per annum, is secured by a first mortgage over property and liens over plant, equipment, inventories and any other assets owned by the borrower. In addition, a first lien is held over the shares held by the borrower in former subsidiaries that own the aforementioned assets pledged as security.

12. Acquisition of subsidiary

On January 2, 2012, the group acquired a 62% shareholding in Tortuga International Holdings Limited ("Tortuga"), a company that operates food manufacturing and distribution facilities in the Caribbean. The acquisition is expected to improve the resilience of the group and the stability and diversity of its earnings.

Since the date of acquisition, Tortuga has contributed revenue of $886,341,000 and attributable post-acquisition profit of $27,568,000 to the group's results in 2012. The following summarises the fair value of the identifiable assets and liabilities recognised by the group at the date of acquisition.

| | 2012 $'000 |
|---|---|
| Net identifiable assets and liabilities | |
| Property, plant and equipment | 32,431 |
| Intangible assets | 475,193 |
| Deferred tax asset | 567 |
| Investments in associates | 79,623 |
| Accounts receivable | 116,653 |
| Inventories | 60,027 |
| Accounts payable | (140,498) |
| Long-term loans | ( 82,931) |
| Net assets | 541,065 |
| Goodwill acquired | 116,369 |
| | 657,434 |
| Less: Minority interest on acquisition | (256,942) |
| Total consideration on acquisition in the year | 400,492 |

12. Acquisition of subsidiary (continued)

| | 2012 $'000 |
|---|---|
| Satisfied by the following: | |
| Cash consideration | 421,319 |
| Cash acquired | ( 20,827) |
| Net cash outflow arising on acquisition in the year | 400,492 |

Coincidental with the acquisition, the group took over long-term loans owed to certain of the previous shareholders of Tortuga. This resulted in a further payment of $55.5 million. The group incurred costs of $12.7 million, comprising mainly legal and due diligence costs related to this acquisition. These costs have been recognised in administrative expenses in the group profit or loss account of the previous year.

During the year, the acquired subsidiary purchased another business for $22.3 million including goodwill of $1.0 million.

The goodwill is attributable mainly to the value of brands/trademarks and customer relationships.

13. Intangible assets

| | Brands and trademarks $'000 | Customer relationships $'000 | Other identifiable intangibles $'000 | Goodwill $'000 | Total $'000 |
|---|---|---|---|---|---|
| At cost: | | | | | |
| December 31, 2010 | - | - | - | 527,497 | 527,497 |
| Exchange adjustments | - | - | - | ( 3,705) | ( 3,705) |
| December 31, 2011 | - | - | - | 523,792 | 523,792 |
| Additions | 339,073 | 123,491 | 30,586 | 117,431 | 610,581 |
| Exchange adjustments | 23,709 | 8,623 | 2,219 | 48,714 | 83,265 |
| December 31, 2012 | 362,782 | 132,114 | 32,805 | 689,937 | 1,217,638 |
| Amortisation and impairment: | | | | | |
| December 31, 2010 | - | - | - | - | - |
| Impairment recognised | - | - | - | 125,855 | 125,855 |
| December 31, 2011 | - | - | - | 125,855 | 125,855 |
| Charge for the year | 14,150 | 8,454 | 5,248 | - | 27,852 |
| Exchange adjustments | 594 | 354 | 220 | 8,788 | 9,956 |
| December 31, 2012 | 14,744 | 8,808 | 5,468 | 134,643 | 163,663 |
| Net book values: | | | | | |
| December 31, 2012 | 348,038 | 123,306 | 27,337 | 555,294 | 1,053,975 |
| December 31, 2011 | - | - | - | 397,937 | 397,937 |
| December 31, 2010 | - | - | - | 527,497 | 527,497 |

13. Intangible assets (continued)

(a) Goodwill comprises the following significant carrying amounts:

| Group of cash-generating units | 2012 Discount rate | 2012 $'000 | 2011 Discount rate | 2011 $'000 |
|---|---|---|---|---|
| Juice manufacturing business | 10% | 284,166 | 10% | 261,538 |
| Other food manufacturing business | 15% | 125,637 | 15% | - |
| Logistics business | 10% | 106,549 | 10% | 97,457 |
| Other units | 15% | 38,942 | 15% | 38,942 |
| | | 555,294 | | 397,937 |

In testing goodwill for impairment, recoverable amounts of cash-generating units are estimated based on value in use. Where the recoverable amounts exceed the carrying amounts, no impairment allowance is made. The recoverable amounts of cash-generating units are arrived at by estimating their future cashflows and discounting those cashflows using long-term discount rates applicable to the countries in which the businesses operate. Future sustainable cashflows are estimated based on the most recent forecasts, after taking account of past experience. Each unit is regarded as saleable to a third party at any future date at a price sufficient to recover its carrying amount of goodwill.

14. Deferred tax asset/(liability)

The deferred tax asset/(liability) is attributable to the following:

| | Deferred tax | | | | | |
|---|---|---|---|---|---|---|
| | Asset | | Liability | | Net | |
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Property, plant and equipment | - | 962 | ( 397) | - | ( 397) | 962 |
| Employee benefits | - | 5,161 | - | - | - | 5,161 |
| Other liabilities | - | 3,039 | (1,214) | - | (1,214) | 3,039 |
| Other assets | 3,083 | (3,226) | - | - | 3,083 | (3,226) |
| Tax losses carried forward | - | 2,395 | - | - | - | 2,395 |
| | 3,083 | 8,331 | (1,611) | - | 1,472 | 8,331 |

Movement on net deferred tax asset during the year:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Net deferred tax asset at beginning of year | 8,331 | 7,659 |
| Acquisition of subsidiary companies | ( 621) | - |
| Recognised in taxation charge [note 22(a)(ii)] | (6,418) | 501 |
| Recognised in taxation charges | 180 | 171 |
| | 1,472 | 8,331 |

15. Property, plant and equipment

| | Freehold land and buildings $'000 | Leasehold land and buildings $'000 | Equipment, vehicles and furniture $'000 | Work-in-progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| At cost: | | | | | |
| December 31, 2010 | 555,618 | 223,137 | 1,100,186 | 67,490 | 1,946,431 |
| Additions | 150,923 | 17,237 | 346,348 | - | 514,508 |
| Disposals | - | - | ( 35,420) | - | ( 35,420) |
| Transfers | - | 50,997 | ( 38,818) | ( 12,179) | - |
| Exchange adjustments | ( 21,393) | - | ( 26,362) | ( 1,282) | ( 49,037) |
| December 31, 2011 | 685,148 | 291,371 | 1,345,934 | 54,029 | 2,376,482 |
| Additions | 955 | 18,680 | 191,506 | 5,697 | 216,838 |
| Disposals | ( 90) | ( 213) | ( 26,959) | ( 1,430) | ( 28,692) |
| Addition through acquisition of subsidiaries | - | 10,653 | 21,778 | - | 32,431 |
| Transfers | ( 3,433) | ( 6,829) | 10,755 | ( 493) | - |
| Exchange adjustments | 53,639 | 743 | 65,900 | 4,829 | 125,111 |
| December 31, 2012 | 736,219 | 314,405 | 1,608,914 | 62,632 | 2,722,170 |
| Depreciation and impairment: | | | | | |
| December 31, 2010 | 71,246 | 169,129 | 554,383 | 29,081 | 823,839 |
| Charge for the year | 27,004 | 6,851 | 89,175 | 13,160 | 136,190 |
| Eliminated on disposals | - | - | ( 23,399) | - | ( 23,399) |
| Transfers | - | 2,251 | ( 2,251) | - | - |
| Exchange adjustments | ( 3,025) | - | ( 4,325) | ( 1,542) | ( 8,892) |
| December 31, 2011 | 95,225 | 178,231 | 613,583 | 40,699 | 927,738 |
| Charge for the year | 32,519 | 11,462 | 110,259 | 8,871 | 163,111 |
| Eliminated on disposals | ( 110) | ( 140) | ( 18,827) | - | ( 19,077) |
| Transfers | - | ( 690) | 690 | - | - |
| Exchange adjustments | 8,728 | 169 | 19,138 | 4,066 | 32,101 |
| December 31, 2012 | 136,362 | 189,032 | 724,843 | 53,636 | 1,103,873 |
| Net book values: | | | | | |
| December 31, 2012 | 599,857 | 125,373 | 884,071 | 8,996 | 1,618,297 |
| December 31, 2011 | 589,923 | 113,140 | 732,351 | 13,330 | 1,448,744 |
| December 31, 2010 | 484,372 | 54,008 | 545,803 | 38,409 | 1,122,592 |

Freehold land and buildings include land as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| At cost | 168,614 | 168,614 |
| Directors' allocation of cost | 4,857 | 4,857 |
| Total land | 173,471 | 173,471 |

The company has given an undertaking to one of its bankers not to encumber real estate held at 4 Belmont Road, Kingston 5 while the company has credit arrangements.

16. Share capital

Authorised:
500,000,000 ordinary shares at no par value

| Stated capital: | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Issued and fully paid - 187,024,006 ordinary stock units | 18,702 | 18,702 |

The company's stated capital does not include share premium which is retained in capital reserves (note 17) in accordance with Section 39 (7) of the Jamaican Companies Act.

17. Reserves

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Capital: | | |
| Share premium (note 16) | 135,087 | 135,087 |
| Fair value reserve | 229,048 | 385,885 |
| Reserve for own shares [see (i) below] | ( 178,988) | ( 190,646) |
| Other [see (ii) below] | 1,952,467 | 1,736,814 |
| | 2,137,614 | 2,067,140 |
| Revenue: | | |
| Retained profits | 2,859,859 | 2,704,454 |
| | 4,997,473 | 4,771,594 |

(i) Reserve for own shares is included in these financial statements by consolidation of the company's Employees Share Ownership Plan (ESOP) as it is regarded as a Special Purpose Entity and is required to be consolidated under IAS 27, as interpreted by the Standing Interpretations Committee (SIC) Statement 12. The reserve comprises the cost of the company's shares held by the group through the ESOP, less net gains on shares sold.

The consolidated financial statements include the group's share of profits/losses of the ESOP based on management accounts for the year ended December 31, 2012. The results of operation of this entity are insignificant in relation to the group.

The number of stock units (note 16) held by the ESOP at December 31, 2012 was 17,022,147 (2011: 17,620,200). Based on the bid price, less a 15% discount normally allowed to staff, the value of those stock units at December 31, 2012 was $299,589,800 (2011: $359,901,400). The value of these stock units is not recognised in the group's reserve for own shares until sold.

(ii) Other capital reserves comprise gains on disposal of property, plant and equipment and investments up to December 31, 2012, unrealised exchange gains and unclaimed distributions to stockholders (note 25).

(iii) Losses in a subsidiary, in excess of the minority's interest in the equity of the subsidiary, have been included in the group's results prior to 2010. If the subsidiary subsequently reports profits, such profits are included in the group results, until the minority's share of losses, previously absorbed by the group, has been recovered.

18. Employee benefit obligation

The group operates two defined contribution schemes for all qualifying employees in Jamaica and the UK.

A number of employees in the group's subsidiary in the Netherlands are members of an industry-wide multi-employer defined benefit scheme. This subsidiary is required to contribute a specified percentage of payroll costs to the scheme to fund the benefits. This percentage may increase or decrease as a result of changes in actuarial valuations. The only obligation of the group with respect to this scheme is to make the specified contribution. Accordingly, it is treated as a defined contribution scheme for the purpose of the group's accounting. The most recent actuarial valuation of this scheme was performed at December 31, 2011 at which time the fund had a deficit of 4.3% (2010 – deficit of 2.0%). The next full actuarial valuation is due as at December 31, 2012.

In 2009, the group commenced participation in a defined benefit scheme for certain employees of the group's subsidiary in the Netherlands. From inception this company had partly contracted the commitments of this scheme to an insurance company. With effect from January 1, 2012 the group restructured contractual arrangement of this defined benefit pension scheme to contract all remaining legal and constructive commitments of the scheme to an insurance company. Accordingly, from 1 January 2012 this scheme is treated as a defined contribution scheme for the purpose of the group's accounting.

(a) Contributions under the two defined-contribution pension schemes, the industry-wide multi-employer scheme and, for 2012, the insured plan defined benefit scheme e during the year amounted to $103,023,000 (2011: $61,186,000).

(b) The amounts recognised in the group's financial statements in respect of the insured plan defined-benefit scheme are as follows:

(i) Employee benefit obligation:

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Present value of funded obligations [see (iii) below] | - | (84,757) |
| Fair value of plan assets [see (iv) below] | - | 41,037 |
| Sub-total | - | (43,720) |
| Elimination of unrecognised actuarial losses included in the sub-total above | - | 23,481 |
| Recognised obligation at end of year | - | (20,239) |

(ii) Movements in net obligation recognised in the group balance sheet:

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Net obligation at January 1 | (20,239) | ( 3,562) |
| Contributions paid | - | 18,429 |
| Transferred to insurance contract | 20,239 | - |
| Expense recognised in the group profit and loss account | - | (36,498) |
| | - | (21,631) |
| Exchange gain on retranslation | - | 1,392 |
| Net obligation at December 31 | - | (20,239) |

18. Employee benefit obligation (continued)

(b) The amounts recognised in the group's financial statements in respect of the defined-benefit scheme are as follows (continued):

(iii) Movements in present value of funded obligation:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Balance at January 1 | (84,757) | (63,074) |
| Transferred to insurance contract | 84,757 | - |
| Interest cost | - | ( 4,547) |
| Current service cost | - | (27,165) |
| Employee contributions | - | ( 1,915) |
| Actuarial gain/(loss) | - | 8,616 |
| | - | (88,085) |
| Exchange gain on retranslation | - | 3,328 |
| Balance at December 31 | - | (84,757) |

(iv) Movement in fair value of plan assets:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Fair value of plan assets at January 1 | 41,037 | 26,884 |
| Transferred to insurance contract | (41,037) | - |
| Expected return on plan assets | - | 1,915 |
| Contributions paid | - | 20,344 |
| Additional charges | - | ( 3,590) |
| Actuarial loss | - | ( 2,752) |
| | - | 42,801 |
| Exchange loss on retranslation | - | ( 1,764) |
| Fair value of plan assets at December 31 | - | 41,037 |

Plan assets are underwritten by an insurance contract. It is not possible to identify the allocation of plan assets to equities, bonds or cash.

The fair value of plan assets in the prior year was determined as the present value of vested benefits, based on a discount rate of 4.6%.

18. Employee benefit obligation (continued)

(b) The amounts recognised in the group's financial statements in respect of the defined-benefit scheme are as follows (continued):

(v) Expense recognised in the group profit and loss account:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Current service cost | - | (27,165) |
| Additional charges – insurance premiums | - | ( 3,590) |
| Interest on obligation | - | ( 4,547) |
| Actuarial loss recognised | - | ( 3,111) |
| Expected return on plan assets | - | 1,915 |
| Expense recognised in the group profit and loss account | - | (36,498) |

(vi) Principal actuarial assumptions at the balance sheet date:

| | 2012 % | 2011 % |
|---|---|---|
| Discount rate | n/a | 4.60 |
| Expected return on plan assets | n/a | 4.60 |
| Future salary increases | n/a | 2.00 |
| Future pension increases | n/a | 2.00 |

19. Long-term loans

| | Current portion | | Non-current portion | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Bank loans | 67,235 | 12,300 | 1,072,701 | 110,698 |
| Other related party | - | - | 87,197 | 87,197 |
| | 67,235 | 12,300 | 1,159,898 | 197,895 |

The loan from other related party of $87.2 million is due to a company that holds 35% of the equity in one of the group's subsidiaries. It arose from the assignment to the group by that company of assets held under a finance lease agreement with Bank of Nova Scotia Jamaica Limited. At balance sheet date, the assets taken over from October 4, 2010 were being used by the group. The loan is due and payable, together with interest, on or before January 1, 2018. Effective January 1, 2011 this was converted from a US dollar denominated loan to a Jamaican dollar denominated loan.

19. Long-term loans (continued)

During 2012 the group entered into a loan for $1,000,000,000. It is secured by a portion of the investment in associated company, and is repayable by annual instalments of $50,000,000 in the first four years, starting March 20, 2013 and a final payment of $800,000,000 in year five. The interest rate on the loan is fixed at 8.9% for the first three years then increases to 9.5% for the remaining two years.

During 2011 the group entered into a loan for €1,100,000. Of the total, €550,000 is repayable in quarterly instalments over five years commencing October 2011. The remaining €550,000 is repayable in full in October 2016. This loan is secured by a charge over certain properties of the group.

The terms and conditions of outstanding loans were as follows:

| | Currency | Nominal interest rate | Year of maturity | Face value 2012 $'000 | Carrying value 2012 $'000 | Face value 2011 $'000 | Carrying value 2011 $'000 |
|---|---|---|---|---|---|---|---|
| Secured syndicated third party loan | JMD | 8.9% | 2017 | 995,000 | 995,000 | - | - |
| Secured bank loan | BBD | 5.0% | 2018 | 25,778 | 25,778 | - | - |
| Secured bank loan | Euro | Euribor+2.25% | 2016 | 119,158 | 119,158 | 122,998 | 122,998 |
| Other related party | JMD | 5.0% | 2015 | 87,197 | 87,197 | 87,197 | 87,197 |
| | | | | 1,227,133 | 1,227,133 | 210,195 | 210,195 |

20. Gross operating revenue

Gross operating revenue comprises investment income, the gross sales of goods and services of the group and commission earned by the group on consignment sales. This is shown after deducting returns, rebates and discounts, consumption taxes and eliminating sales within the group.

21. Financial income and expenses

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Financial income: | | |
| Interest income on available-for-sale financial assets | 1,575 | 1,144 |
| Interest income on bank deposits, loans and receivables | 64,848 | 104,448 |
| Dividend income on available-for-sale financial assets | 14,319 | 21,487 |
| Net gain on available-for-sale financial assets transferred from equity | 61,517 | 1,104,982 |
| Net foreign exchange gain | 17,310 | - |
| | 159,569 | 1,232,061 |
| Financial expenses: | | |
| Interest expense on financial liabilities measured at amortised cost | ( 83,517) | ( 6,559) |
| Net foreign exchange loss | - | ( 3,860) |
| | ( 83,517) | ( 10,419) |
| Net financial income | 76,052 | 1,221,642 |

22. Taxation

(a) The taxation charge is based on the group's results for the year, as adjusted for tax purposes, and comprises:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| (i) Current tax charge: | | |
| United Kingdom corporation tax @ 25% | 2,705 | - |
| Netherlands corporation tax @ 25.5% | (12,567) | 39,334 |
| Other corporation tax | 429 | 531 |
| Tax on associated companies | 67,754 | - |
| | 58,321 | 39,865 |
| (ii) Deferred taxation (note 14): | | |
| Origination and reversal of temporary differences | 6,418 | 1,894 |
| Due to tax losses | ( - ) | ( 2,395) |
| Total taxation charge in group profit and loss account | 64,739 | 39,364 |

(b) The effective tax rate for 2012 was 23.8% (2011: 4.0%) of a pre-tax result of $272,449,000 (2011: pre-tax result of $995,131,000), compared to the statutory tax rate of 33⅓% (2011: 33⅓%). The actual charge differs from the "expected" tax charge for the year as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Profit before taxation | 272,449 | 995,131 |
| Computed "expected" tax charge at 33⅓% | 90,816 | 331,710 |
| Taxation difference between profit for financial statements and tax reporting purposes on: | | |
| Overseas taxation | ( 43,152) | ( 18,823) |
| Tax losses and tax relief utilised | ( 8,658) | 8,253 |
| Gain on disposal of property, plant and equipment and investments | ( 23,955) | (363,938) |
| Other related capital adjustments | 49,688 | 82,162 |
| Actual tax charge | 64,739 | 39,364 |

(c) As at December 31, 2011, the group has taxation losses, subject to agreement by the Commissioner of Taxpayer Audit and Assessment of approximately $1,505,223,000 (2011: $1,484,164,000) available for relief against future taxable profits. Of this amount, $448,866,000 (2011: $599,374,000) is available for offset against specific income such as farming profits.The taxation losses disclosed in the financial statements reflect those available under existing legislation. A deferred tax asset of $376,306,000 (2011: $494,721,000) in respect of taxation losses of certain companies has not been recognised by the group as management considers its realisation within the foreseeable future to be too uncertain. During its 2012/13 budget presentation, the Government announced that the corporate income tax rate for non-regulated entities would be reduced from 33⅓% to 25%, effective January 1, 2013.

23. Disclosure of expenses

Profit for the year is stated after charging:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Directors' emoluments: | | |
| Fees | 9,810 | 8,883 |
| For management | 36,553 | 68,296 |
| Auditors' remuneration | 26,874 | 21,387 |
| Depreciation and impairment losses | 163,111 | 136,190 |
| Staff costs | 1,132,768 | 1,030,821 |

24. Profit per ordinary stock unit

The profit per ordinary stock unit is calculated by dividing the profit for the year of $189,406,000 (2011: $962,907,000), attributable to the group, by a weighted average number of ordinary stock units held during the year, excluding those held by the ESOP.

Weighted average number of ordinary stock units:

| | 2012 | 2011 |
|---|---|---|
| Issued ordinary stock units at January 1 | 187,024,006 | 187,024,006 |
| Effect of own shares held by ESOP during the year | ( 17,283,598) | ( 17,809,512) |
| Weighted average number of ordinary stock units held during the year | 169,740,408 | 169,214,494 |
| Profit per ordinary stock unit in issue | 101.27¢ | 514.86¢ |
| Profit per ordinary stock unit excluding ESOP holdings | 111.59¢ | 569.05¢ |

25. Distributions to stockholders

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Ordinary dividends: | | |
| First interim payable in respect of 2012 - 20¢ (2011: 50¢) per stock unit - gross | 37,405 | 93,512 |
| Distributions to ESOP [note 17(i)] | ( 3,404) | ( 8,810) |
| | 34,001 | 84,702 |
| Unclaimed distributions written back to capital reserves [note 17(ii)] | ( 7,696) | ( 3,643) |
| | 26,305 | 81,059 |

26. Contingent liabilities

One of the group's bankers, The Bank of Nova Scotia Jamaica Limited, has issued guarantees on behalf of certain subsidiaries in favour of third parties totalling $928,000 (2011: $928,000). The parent company has also given a commitment to one of its subsidiaries of its intention to provide financial support as is necessary for its operations throughout 2012. That subsidiary has a net shareholders' deficit at December 31, 2012 of $311.4 million (2011: $139.2 million).

27. Operating lease arrangements

(a) Non-cancellable operating lease commitments

Annual commitments under non-cancellable operating leases expire as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Within one year | 37,326 | 22,370 |
| In the second to fifth year inclusive | 35,250 | 35,059 |
| | 72,576 | 57,429 |

(b) Non-cancellable operating lease receivables

Operating leases relate to the property owned by the group with lease terms of between 3 to 5 years, with options to extend for a further 1 to 5 years. The lessees do not have the option to purchase the property at the expiry of the lease period.

The group earned property rental income of $26,617,000 (2011: $27,581,000) under operating leases. Direct operating expenses arising on the property in the period was $6,000,000 (2011: $4,000,000). Commitments for income under non-cancellable operating leases at year-end are as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Within one year | 20,002 | 10,741 |
| In the second to fifth year inclusive | 40,750 | 10,382 |
| | 60,752 | 21,123 |

28. Commitments for expenditure

As at December 31, 2012, capital expenditure authorised but not committed amounted to approximately $156,137,000 (2011: $87,048,000). Capital expenditure authorised and committed amounted to approximately $3,686,000 (2011: $35,950,000).

29. Subsequent event

Subsequent to December 31, 2012 one of the group's subsidiaries took the decision to restructure its banana operations and as a consequence make the positions of 80 workers redundant following damage caused by Hurricane Sandy in October, 2012. This subsidiary will consider the possibility of producing additional acreages of banana in a parish in western Jamaica with a different profile and incidence of hurricane damage to satisfy the long-term growth market demand. The full financial impact of these plans have yet to be finalised.

30. Related parties

(a) Identity of related parties:

The group has a related party relationship with its directors and officers and senior executives of subsidiaries. The company's executive directors, officers and the senior executives of subsidiaries are collectively referred to as "key management personnel".

(b) Transactions with directors and other key management personnel:

Directors and officers of the company, their immediate relatives and entities over which they have significant influence control 27.3% (2011: 27.3%) of the voting shares of the company. Receivables from directors which are current at December 31, 2012 amounted to $1,579,026 (2011: $1,047,103) and are included in "accounts receivable" (note 6). No interest is payable by directors on these balances. In addition to their salaries, the group contributes to various post-employment benefit plans on behalf of key management personnel.

The compensation of key management personnel based in Jamaica and overseas is as follows:

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Short-term employment and other benefits | 185,055 | 169,278 |
| Post-employment benefits | 20,743 | 19,290 |
| Termination benefits | - | 4,095 |
| Total remuneration | 205,798 | 192,663 |

30. Related parties (continued)

(c) Transactions with other related parties, directors and key management personnel in other capacities:

Related party transactions:

| Category and nature of relationship | Nature of Transactions | Transactions in year 2012 $'000 | Transactions in year 2011 $'000 | (Payable)/receivable at end of year 2012 $'000 | (Payable)/receivable at end of year 2011 $'000 | Terms and conditions * | Provision end of year 2012 $'000 | Provision end of year 2011 $'000 | (Expense)/recovery during the year 2012 $'000 | (Expense)/recovery during the year 2011 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Transactions with joint ventures and associates:** | | | | | | | | | | |
| 50% joint venture | Purchases by group | 136,268 | 267,962 | (8,734) | (4,053) | 1, 4, 7 | - | - | - | - |
| 50% joint venture | Management services income to group | (20,000) | - | - | - | 1, 4, 7 | - | - | - | - |
| 50% joint venture | Interest income on loans from group | (18,834) | - | - | - | 4, 7 | - | - | - | - |
| **Transactions with key management personnel or entities under their control and/or significant influence:** | | | | | | | | | | |
| i) Company under their control | Insurance premiums charged to group | 15,595 | 16,004 | - | - | 1, 4, 7 | N/A | N/A | N/A | N/A |
| ii) Company under their control | Management services charged to group | 4,422 | 4,285 | - | (8,614) | 4, 7, 9 | N/A | N/A | N/A | N/A |
| iii) Company under their control | Shipping agency services charged to group | 6,494 | 4,692 | - | - | 1, 4, 7 | N/A | N/A | N/A | N/A |
| iv) Company under their control | Charges paid on behalf of the group | 1,498 | 2,086 | - | - | 1, 4, 7 | N/A | N/A | N/A | N/A |
| v) Company under their control | Collections from third parties on behalf of the group | (54,896) | (41,736) | 12,745 | 45,424 | 1, 4, 7 | N/A | N/A | N/A | N/A |

* The number in each row represents the terms and conditions that are applicable to the stated transactions and their meanings are as follows:

1. Credit of up to 30 days
2. Interest free
3. Secured
4. Unsecured
5. Guaranteed by related party
6. Guaranteed by entity
7. Settlement in cash
8. Settlement in kind
9. Credit over 30 days

31. Segment reporting

Segment information is presented in respect of the group's strategic business segments. The identification of business segments is based on the group's management and internal reporting structure. Segment results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The group is organised into three business segments. These are:

(a) JP Europe Division – This comprises businesses that are centred in Europe and include the production and marketing of natural food and drink, and the logistics business.

(b) JP Tropical Division – This comprises businesses that are centred in the Caribbean and Central America, and include the production and marketing of natural food and drink as well as management of land holdings.

(c) Corporate – This comprises interest and investment income, net of the cost of corporate functions not directly charged to business units.

Segment information below represents the total for the group and the segment profit/(loss) refers to the total profit before taxation.

| | JP Europe | | JP Tropical | | Corporate | | Total | |
|---|---|---|---|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Gross revenue | 4,716,597 | 4,850,134 | 1,950,339 | 1,180,066 | 215,236 | 222,710 | 6,882,172 | 6,252,910 |
| Inter-segment revenue | - | - | - | - | ( 91,915) | ( 72,341) | ( 91,915) | ( 72,341) |
| Revenue from external customers | 4,716,597 | 4,850,134 | 1,950,339 | 1,180,066 | 123,321 | 150,369 | 6,790,257 | 6,180,569 |
| Interest income | 165 | 2,462 | 450 | 2,213 | 65,808 | 100,917 | 66,423 | 105,592 |
| Interest expense | ( 3,933) | ( 1,036) | ( 6,897) | ( 5,026) | ( 72,687) | ( 497) | ( 83,517) | ( 6,559) |
| Segment profit/(loss) | 78,885 | 14,543 | 24,057 | ( 74,117) | 169,507 | 1,054,705 | 272,449 | 995,131 |
| Taxation charge | | | | | | | ( 64,739) | ( 39,364) |
| Non-controlling interest | | | | | | | ( 18,304) | 7,140 |
| Profit attributable to equity holders of the parent | | | | | | | 189,406 | 962,907 |
| Segment assets | 2,247,796 | 2,288,920 | 1,963,787 | 862,404 | 3,293,809 | 2,918,538 | 7,505,392 | 6,069,862 |
| Segment liabilities | 667,149 | 883,501 | 434,931 | 234,898 | 1,128,050 | 177,326 | 2,230,130 | 1,295,725 |
| Capital expenditure | 47,370 | 440,593 | 153,780 | 68,712 | 15,688 | 5,203 | 216,838 | 514,508 |
| Depreciation and amortisation | 103,378 | 86,234 | 99,435 | 45,847 | 6,800 | 4,109 | 209,613 | 136,190 |

31. Segment reporting (continued)

Segment information below represents segment revenue based on the country receiving the benefit of our products/services and segment assets based on the country in which the owner is registered.

| | Revenues | | Non-current assets | |
|---|---|---|---|---|
| | 2012 $'000 | 2011 $'000 | 2012 $'000 | 2011 $'000 |
| Jamaica | 1,605,340 | 1,467,603 | 3,311,468 | 1,254,655 |
| The Netherlands | 3,777,187 | 3,997,018 | 1,366,111 | 1,315,235 |
| United Kingdom | 263,006 | 261,228 | 109,255 | 104,238 |
| United States of America | 490,729 | 38,117 | 3,624 | - |
| Other Caribbean countries | 401,213 | 213,234 | 1,053,608 | 167,664 |
| Other European countries | 219,360 | 164,423 | - | - |
| Other countries | 33,422 | 38,946 | - | - |
| | 6,790,257 | 6,180,569 | 5,844,066 | 2,841,792 |

Revenues from one customer of the JP Europe segment represents approximately $3,257 million (2011: $3,457 million) of the group's total revenues.

32. Financial instruments

A financial instrument is any contract that gives rise to a financial asset of an enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, short-term investments, securities purchased under resale agreements, accounts receivable and investments. Financial liabilities include bank overdrafts and short-term loans, accounts payable and long-term loans.

(a) Fair value of financial instruments:

Fair value amounts represent estimates of the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties who are under no compulsion to act. Fair value is best evidenced by a quoted market price, if one exists.

The fair value of cash and cash equivalents, short-term investments, securities purchased under resale agreements, accounts receivable, bank overdrafts and short-term loans and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature. The fair value of quoted investments is its market value. This method falls within the level 1 fair value hierarchy and is defined as quoted prices (unadjusted) in an active market for identical assets. The fair value of other investments, except for certain unquoted shares (note 11), are assumed to be cost, less provision for impairment.

The fair value for long-term loans is assumed to approximate carrying value as no discount on settlement is anticipated.

32. Financial instruments (continued)

(b) Financial instrument risks:

The group has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk, currency risk and price risk. Information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk is detailed below.

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

The risk management policies are established to identify and analyse the risks faced by the group, 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 group's activities. Management's standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from amounts due from customers, securities purchased under resale agreements, other investments and cash and cash equivalents.

The maximum exposure to credit risk at the reporting date is equal to its carrying value.

The group manages this risk as follows:

- Cash and cash equivalents and short-term investments

  The group maintains cash resources with reputable financial institutions. The credit risk is considered to be low.

  No allowance for impairment is deemed necessary.

- Securities purchased under resale agreements

  The group holds collateral for securities purchased under resale agreements. Assigned collateral, with a fair value of $192,205,000 (2011: $1,442,600,000) for the group, was held for securities purchased under resale agreements [note 3(e)].

  No allowance for impairment is deemed necessary.

32. Financial instruments (continued)

(b) Financial instrument risks (continued):

(i) Credit risk (continued)

The group manages this risk as follows (continued):

- Accounts receivable

  The group has a credit policy in place to minimize exposure to credit risk inherent in trade accounts receivable. Credit evaluations are performed on all customers requiring credit. Credit terms are negotiated based on a mix of terms acceptable to both parties. The group provides credit up to 60 days dependent on other pricing arrangements that may be beneficial to the relationship. A continuing relationship with customers is dependent upon adherence to the credit terms.

  The group has a policy in place to provide for impairment on all debts more than ninety (90) days past due except for specific balances that relate to special circumstances that provide evidence that recovery is not in doubt.

  Staff and other receivables are subject to credit terms consistent with staff guidelines and other factors, including Jamaican GCT, the Netherlands and U.K. VAT. These guidelines include the provision of collateral as security for credit extended.

  Impairment allowances are made on the basis of reviews of specific balances that are inconsistent with staff guidelines or the terms relating to other receivables.

- Non-current investments

  The credit risk on securities issued by the Government of Jamaica is considered to be minimal. The loan to the purchaser of former subsidiaries considered to be adequately secured.

  No allowance for impairment is deemed necessary.

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

(ii) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

32. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

The group manages this risk by conducting research and monitoring the price movement of securities on the local and international markets.

There were no changes in the group's approach to managing market risk during the year.

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 foreign currency risk on transactions that are denominated in currencies other than the Jamaican dollar. The main currencies giving rise to this risk are the Euro (€), United States dollar (US$) and Pound Sterling (£).

The group manages this risk by matching foreign currency assets with liabilities as far as possible. Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations in which the borrowings are invested. This provides an economic hedge and no derivatives are entered into. When necessary, the group uses forward exchange contracts to hedge a significant portion of its currency risk, most with a maturity of one year from the reporting date.

There were no changes in the group's approach to managing foreign currency risk during the year.

The net foreign currency assets/(liabilities) at year-end were as follows:

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | US$'000 | £'000 | €'000 | US$'000 | £'000 | €'000 |
| Financial assets | | | | | | |
| Cash and cash equivalents | 556 | 681 | 1,064 | 159 | 411 | 639 |
| Short term investments | 1,037 | - | - | 3,011 | - | - |
| Securities purchased under resale agreements | 1,729 | - | - | 6,206 | - | - |
| Accounts receivable | 1,475 | 586 | 2,109 | 760 | 784 | 3,885 |
| Investments | 2,100 | - | - | 3,314 | - | - |
| Total financial assets | 6,897 | 1,267 | 3,173 | 13,450 | 1,195 | 4,524 |

32. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Currency risk (continued)

The net foreign currency assets/(liabilities) at year-end (continued):

| | 2012 | | | 2011 | | |
|---|---|---|---|---|---|---|
| | US$'000 | £'000 | €'000 | US$'000 | £'000 | €'000 |
| Total financial assets | 6,897 | 1,267 | 3,173 | 13,450 | 1,195 | 4,524 |
| Financial liabilities | | | | | | |
| Short term borrowing | ( 334) | - | - | - | - | - |
| Accounts payable | ( 1,290) | ( 945) | ( 3,897) | ( 273) | ( 843) | ( 5,949) |
| Current maturities of long term loans | - | - | ( 110) | - | - | ( 110) |
| Long-term loans | - | - | ( 871) | - | - | ( 990) |
| Financial instruments position | 5,273 | 322 | ( 1,705) | 13,177 | 352 | ( 2,525) |
| Other assets | 10,004 | 306 | 13,118 | 1,164 | 358 | 12,031 |
| Other liabilities | - | ( 19) | - | - | ( 1) | ( 82) |
| Gross balance sheet position | 15,277 | 609 | 11,413 | 14,341 | 709 | 9,424 |

Other assets/liabilities represent balances denominated in other currencies that are expected to be realised or settled in those currencies.

Foreign currency sensitivity analysis

The following tables detail the group's sensitivity to a 10% strengthening or 2% weakening of the relevant currencies against the Jamaica dollar and the resultant net exchange gains/(losses) based on net foreign currency assets/(liabilities) at year-end. These percentages represent management's assessment of the reasonably possible change in foreign currency rates. This analysis assumes that all other variables, in particular interest rates, remain constant and is performed on the same basis as the previous year.

10% Devaluation of J$ - resultant exchange gain/(loss):

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Equity $'000 | Profit and loss $'000 | Equity $'000 | Profit and loss $'000 |
| US$ | 43,209 | 14,469 | 83,471 | 40,077 |
| £ | 8,818 | 208 | 9,602 | ( 147) |
| € | 142,218 | - | 105,402 | - |

32. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Foreign currency sensitivity analysis (continued)

2% Revaluation of J$ - resultant exchange gain/(loss):

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | Equity $'000 | Profit and loss $'000 | Equity $'000 | Profit and loss $'000 |
| US$ | ( 8,642) | (2,894) | (16,694) | (8,015) |
| £ | ( 1,764) | ( 421) | ( 1,920) | 29 |
| € | (28,444) | - | (21,080) | - |

Buying exchange rates used at year-end:

| | 2012 | 2011 |
|---|---|---|
| US$1 to J$ | 92.15 | 86.14 |
| £1 to J$ | 148.29 | 133.26 |
| €1 to J$ | 121.49 | 111.82 |

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 contracts material financial liabilities at fixed interest rates for the duration of the term. Credit facilities are subject to interest rates which may be varied with appropriate notice by the lender.

At the reporting date the interest rate profile of the group's interest-bearing financial instruments was:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Fixed rate instruments: | | |
| Financial assets | 475,857 | 1,788,701 |
| Financial liabilities | (1,082,197) | ( 87,197) |
| | ( 606,340) | 1,701,504 |
| Variable rate instruments: | | |
| Financial liabilities | ( 144,935) | ( 122,998) |

There were no changes in the group's approach to managing interest rate risk during the year.

32. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

An increase of 500 basis points (bps) or a decrease of 800 basis points (bps) in interest rates at the reporting date would have (decreased)/increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. This analysis is performed on the same basis for the previous year.

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | 500 bps increase | 800 bps decrease | 500 bps increase | 800 bps decrease |
| | $'000 | $'000 | $'000 | $'000 |
| Variable rate instruments | (7,247) | 11,594 | (6,149) | 9,839 |

Other market price risk

The group is exposed to equity price risk arising from available for sale quoted equity investments. Equity investments are held for strategic purposes and capital gains.

All of the group's quoted equity investments locally are listed on the Jamaica Stock Exchange. A twenty percent (20%) decline in the listed bid prices at the reporting date would have decreased equity by $66,809,000 (2011: $108,190,000) and profit or loss by $Nil (2011: $Nil). The impact on profit or loss would result from investments which were impaired at the reporting date as there were no investments designated as fair value through profit or loss.

(iii) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the group will not be able to meet its financial obligations as they fall due and/or 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.

Due to the dynamic nature of the underlying businesses, the management of the group aims at maintaining flexibility in funding by ensuring that sufficient cash resources are held or placed in short-term marketable instruments to meet financial obligations when they fall due.

32. Financial instruments (continued)

(b) Financial instrument risks (continued):

(iii) Liquidity risk

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

The following are the contractual maturities of non-derivative financial liabilities including interest payments. The tables show the undiscounted cash flows of non-derivative financial liabilities based on the earliest date on which the group can be required to pay. The analysis also assumes that all other variables, in particular interest and exchange rates, remain constant.

| | Weighted average interest rate | Carrying amount | Contractual cash flows | 0-1 year | 1-5 years | More than 5 years |
|---|---|---|---|---|---|---|
| | % | $'000 | $'000 | $'000 | $'000 | $'000 |
| | | | 2012 | | | |
| Secured syndicated loan | 8.90 | 995,000 | 995,000 | 50,000 | 945,000 | - |
| Secured bank loans | 3.45 | 144,936 | 144,936 | 17,236 | 127,700 | - |
| Credit facilities | 5.82 | 30,870 | 30,870 | 30,870 | - | - |
| Other related party loan | 5.00 | 87,197 | 87,197 | - | 87,197 | - |
| | | 1,258,003 | 1,258,003 | 98,106 | 1,159,897 | - |
| | | | 2011 | | | |
| Secured bank loans | 1.50 | 122,998 | 122,998 | 12,300 | 110,698 | - |
| Other related party loan | 5.00 | 87,197 | 87,197 | - | 87,197 | - |
| | | 210,195 | 210,195 | 12,300 | 197,895 | - |

(iv) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the group defines as total shareholders' equity, excluding non-controlling interest. The level of dividends to ordinary shareholders is also monitored in accordance with the group's stated dividend policy.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Neither the company nor any of its subsidiaries is subject to externally imposed capital requirements.

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

33. Subsidiary, associated and joint venture companies

The company has the following subsidiary, associated and joint venture companies. Subsidiaries are indented under their respective parent companies in the list below.

| | % equity held | | Place of |
|---|---|---|---|
| | 2012 | 2011 | incorporation |
| ***SUBSIDIARY COMPANIES**** | | | |
| JP Tropical Group Limited | 100 | 100 | Jamaica |
| Agualta Vale Limited | 100 | 100 | " |
| Agri Services Limited | 100 | 100 | " |
| Eastern Banana Estates Limited | 100 | 100 | " |
| St. Mary Banana Estates Limited | 100 | 100 | " |
| P.S.C. Limited | 100 | 100 | " |
| Jamaica Producers Shipping Company Limited | 60 | 60 | " |
| JP Tropical Foods Limited | 100 | 100 | " |
| JBFS Investments Limited | 100 | 100 | " |
| Crescent Developments Limited | 100 | 100 | " |
| Central American Banana (2005) Limited | 100 | 100 | Cayman Islands |
| JP Shipping Services Limited | 100 | 100 | England and Wales |
| Four Rivers Mining Company Limited | 51 | 51 | Jamaica |
| JP International Group Limited | 100 | 100 | Cayman Islands |
| Coöperatief JP Foods U.A. | 100 | 100 | The Netherlands |
| A.L.Hoogesteger Fresh Specialist B.V. | 100 | 100 | " |
| Tortuga International Holdings Company Limited | 62 | - | St. Lucia |
| Tortuga Imports, Inc. | 100 | - | U.S.A. |
| Bakers Choice Inc. | 100 | - | Barbados |
| Tortuga Caribbean Rum Cake Jamaica Limited | 100 | - | Jamaica |
| Tortuga International Limited | 100 | - | Cayman Islands |
| Cia. Bananera del Tropico JP, S.A. | 100 | 100 | Costa Rica |
| JP Tropical Snacks Limited | 100 | - | Cayman Islands |
| ***JOINT VENTURE COMPANIES*** | | | |
| Antillean Foods, Inc. | 50 | 50 | Cayman Islands |
| Mavis Bank Coffee Factory Limited | 50 | 50 | Jamaica |
| ASSOCIATED COMPANIES | | | |
| Kingston Wharves Limited | 30 | - | Jamaica |
| Tortuga Cayman Limited | 40 | - | Cayman Islands |

* The names of inactive subsidiary companies are omitted.

# CORPORATE DATA

## Directors
Mr. Charles H. Johnston, CD, BSc (Econ.) - Chairman
Mr. Jeffrey McG. Hall, BA, MPP, JD - Group Managing Director
The Hon. Oliver F. Clarke, OJ, JP, BSc (Econ.), FCA, LLD (Hon.)
The Hon. Emil C. George, OJ, QC, BCL, MA (Oxon.)
Dr. The Hon. Marshall McG. Hall, OJ, CD, PhD
Mrs. Dahlia Kelly, BSc
Mr. John O. Minott, CD, BCom, JP
Mrs. Kathleen A. J. Moss, BSc, MBA, CBV
Mr. Donovan H. Perkins, BA (Hons.), MBA
Prof. Alvin Wint, BSc, MBA, DBA

## Company Secretary
Mr. Paul St. E. Samuels, FCA, FCCA, MSc MIS

## Registered Office
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Tel: (876) 926-3503 to 7
Fax: (876) 929-3636
Email: headoffice@jpjamaica.com
Website: www.jpjamaica.com

## Registrar & Transfer Agent
KPMG Regulatory & Compliance Services
6 Duke Street
Kingston, Jamaica, W.I.

## Auditors
KPMG – Chartered Accountants
6 Duke Street
Kingston, Jamaica, W.I.

## Bankers
The Bank of Nova Scotia Jamaica Limited
Corner Duke & Port Royal Streets
Kingston, Jamaica, W.I.

National Commercial Bank Jamaica Limited
The Atrium
32 Trafalgar Road
Kingston 10, Jamaica, W.I.

Citibank, N.A.
19 Hillcrest Avenue
Kingston 6, Jamaica, W.I.

## Main Operating Entities
A.L. Hoogesteger Fresh Specialist B.V.
Domineeslaan 93
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The Netherlands
Tel: (31) 20-4073000
Fax: (31) 20-4073002

Four Rivers Mining Company Limited
Agualta Vale
St. Mary, Jamaica, W.I.
Tel: (876) 996-2356
Fax: (876) 996-2354

JP Shipping Services Limited
Main ABP Building, South Entrance
Alexandra Dock
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United Kingdom
Tel: (44) 1633-842062
Fax: (44) 1633-251783

JP Tropical Foods Limited
14 Retirement Road
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Tortuga International Holdings Limited
1st Floor, Bourbon House, Bourbon Street
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Tel: (345) 943-7663
Email: corporateaffairs@tortugaimports.com
- Cayman office
Tel: (345) 943-7663
Email: customerservice@tortugaimports.com
- Jamaica office
Tel: (876) 979-9381
Fax: (876) 971-0560
Email: tortuga@cwjamaica.com
- Barbados office
Tel: (246) 228-2253
- Miami office
Tel: (305) 378-6668
Fax: (305) 378-0990

## Joint Venture & Associated Companies
Antillean Foods, Inc.
Carretera Mao-Guayubin, Km. 23
Cana Chapeton, Montecristi
Dominican Republic
Tel: (809) 247-2248
Fax: (809) 247-2523

Mavis Bank Coffee Factory Limited
Mavis Bank
St. Andrew, Jamaica, W.I.
Tel: (876) 977-8005
Fax: (876) 977-8014

Kingston Wharves Limited
Kingport Building
Third Street, Newport West
Kingston 11, Jamaica, W.I.
Tel: (876) 923-9211
Fax: (876) 923-5361

Tortuga Cayman Limited
P.O. Box 10395
Grand Cayman
Cayman Is KY1-1004, B.W.I.
Tel: (345) 943-7663

# COMPANY ONLY

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## Auditors' Report and Financial Statements

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

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To the Members of
JAMAICA PRODUCERS GROUP LIMITED

**Report on the Financial Statements**

We have audited the separate financial statements of Jamaica Producers Group Limited ("the company") set out on pages 4 to 34 , which comprise the unconsolidated statement of financial position as at December 31, 2012, the unconsolidated 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 of financial statements that give a true and fair view 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 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 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 control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity'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
JAMAICA PRODUCERS GROUP LIMITED

**Report on the Financial Statements, (continued)**

*Opinion*

In our opinion, the separate financial statements give a true and fair view of the unconsolidated financial position of Jamaica Producers Group Limited as at December 31, 2012, and of its unconsolidated 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. In our opinion, proper accounting records have been maintained, so far as appears from our examination of those records, and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act, in the manner required.

KPMG

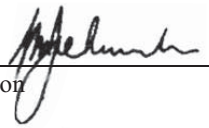
Chartered Accountants
Kingston, Jamaica

February 22, 2013

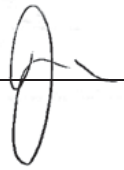
# COMPANY BALANCE SHEET
## December 31, 2012

| | Notes | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 3(b), 4 | 21,414 | 15,830 |
| Short-term investments | 3(c), 5 | 37,483 | 2,204 |
| Securities purchased under resale agreements | 3(d) | 141,663 | 977,031 |
| Accounts receivable | 6 | 31,433 | 437,053 |
| Taxation recoverable | | 30,045 | 66,839 |
| Total current assets | | 262,038 | 1,498,957 |
| CURRENT LIABILITIES | | | |
| Accounts payable | 7 | 132,893 | 179,922 |
| Current portion of long-term loan | 14 | 50,000 | - |
| Total current liabilities | | 182,893 | 179,922 |
| WORKING CAPITAL | | 79,145 | 1,319,035 |
| NON-CURRENT ASSETS | | | |
| Interests in subsidiary and associated companies | 8 | 4,714,056 | 2,439,992 |
| Investments | 9 | 342,459 | 598,060 |
| Deferred tax asset | 10 | - | - |
| Property, plant and equipment | 11 | 80,991 | 72,103 |
| Total non-current assets | | 5,137,506 | 3,110,155 |
| Total assets less current liabilities | | 5,216,651 | 4,429,190 |
| EQUITY | | | |
| Share capital | 12 | 18,702 | 18,702 |
| Reserves | 13 | 4,247,949 | 4,410,488 |
| Total equity attributable to stockholders | | 4,266,651 | 4,429,190 |
| NON-CURRENT LIABILITIES | | | |
| Long-term loan, being total non-current liabilities | 14 | 950,000 | - |
| Total equity and non-current liabilities | | 5,216,651 | 4,429,190 |

The financial statements on pages 4 to 34 were approved by the Board of Directors on February 22, 2013 and signed on its behalf by:



_____ Chairman
C. H. Johnston



_____ Managing Director
J. Hall

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

# COMPANY PROFIT AND LOSS ACCOUNT
## Year ended December 31, 2012

| | Notes | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| Gross operating revenue: | | | |
| Management fees - subsidiaries | | 91,917 | 71,932 |
| - other | | 20,000 | - |
| Interest - subsidiaries | | 31,077 | 6,376 |
| - other | | 29,224 | 75,641 |
| Dividends and capital distributions | 16 | 57,495 | 21,185 |
| Rent - other | | 26,617 | 27,581 |
| Royalties earned - subsidiary | | - | 23,852 |
| | | 256,330 | 226,567 |
| Administration and other operating expenses | | (268,139) | ( 244,862) |
| Loss from operations | | ( 11,809) | ( 18,295) |
| Net gain from fluctuation in exchange rates | | 97,034 | 6,167 |
| Gain on disposal of property, plant and equipment and investments | | 67,530 | 1,083,488 |
| Increase in impairment loss provision on loans and receivables - subsidiaries | 8 | (108,905) | ( 15,265) |
| Sundry income | | 46,419 | 80 |
| Profit before finance cost and taxation | | 90,269 | 1,056,175 |
| Finance cost - interest | 16 | ( 72,687) | ( 497) |
| Profit before taxation | 15 | 17,582 | 1,055,678 |
| Taxation charge | 17 | - | ( 6,745) |
| Profit for the year | | 17,582 | 1,048,933 |
| Earnings per ordinary stock unit | 18 | 9.40¢ | 560.85¢ |

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

# COMPANY STATEMENT OF COMPHENSIVE INCOME
## Year ended December 31, 2012

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Profit for the year | 17,582 | 1,048,933 |
| Other comprehensive income | | |
| Available-for-sale investments | | |
| Net change in fair value of available-for-sale investments | ( 88,895) | 148,350 |
| Realised revaluation gains on available-for-sale investments transferred to profit and loss account | ( 61,517) | (1,101,951) |
| | (150,412) | ( 953,601) |
| Total comprehensive (loss)/income for the year | (132,830) | 95,332 |

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

# COMPANY STATEMENT OF CHANGES IN EQUITY
## Year ended December 31, 2012

| | Share capital (note 12) $'000 | Share premium $'000 | Capital reserves $'000 | Fair value reserve $'000 | Retained profits $'000 | Total equity $'000 |
|---|---|---|---|---|---|---|
| Balances at December 31, 2010 | 18,702 | 135,087 | 1,577,786 | 1,329,279 | 1,362,873 | 4,423,727 |
| **Profit for the year** | - | - | - | - | 1,048,933 | 1,048,933 |
| **Other comprehensive income** | | | | | | |
| Change in fair value of available-for-sale investments | - | - | - | 148,350 | - | 148,350 |
| Realised revaluation gains on available-for-sale investments transferred to profit and loss account | - | - | - | (1,101,951) | - | (1,101,951) |
| Total other comprehensive income | - | - | - | ( 953,601) | - | ( 953,601) |
| Total comprehensive income for the year | - | - | - | ( 953,601) | 1,048,933 | 95,332 |
| **Transactions with owners of the company** | | | | | | |
| Unclaimed distributions to stockholders written back (note 19) | - | - | 3,643 | - | - | 3,643 |
| Distributions to stockholders (note 19) | - | - | - | - | ( 93,512) | ( 93,512) |
| Balances at December 31, 2011 | 18,702 | 135,087 | 1,581,429 | 375,678 | 2,318,294 | 4,429,190 |
| **Profit for the year** | - | - | - | - | 17,582 | 17,582 |
| **Other comprehensive income** | | | | | | |
| Change in fair value of available-for-sale investments | - | - | - | ( 88,895) | - | ( 88,895) |
| Realised revaluation gains on available-for-sale investments transferred to profit and loss account | - | - | - | ( 61,517) | - | ( 61,517) |
| Total other comprehensive income | - | - | - | ( 150,412) | - | ( 150,412) |
| Total comprehensive income for the year | - | - | - | ( 150,412) | 17,582 | ( 132,830) |
| **Transactions with owners of the company** | | | | | | |
| Unclaimed distributions to stockholders written back (note 19) | - | - | 7,696 | - | - | 7,696 |
| Distributions to stockholders (note 19) | - | - | - | - | ( 37,405) | ( 37,405) |
| | - | - | 7,696 | - | ( 37,405) | ( 26,708) |
| Balances at December 31, 2012 | 18,702 | 135,087 | 1,589,125 | 225,266 | 2,298,471 | 4,266,651 |

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

# COMPANY STATEMENT OF CASH FLOWS
## Year ended December 31, 2012

| | Notes | 2012 $'000 | 2011 $'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit for the year | | 17,582 | 1,048,933 |
| Adjustments to reconcile profit for the year to net cash used by operating activities: | | | |
| Depreciation and impairment losses | 11 | 6,800 | 4,109 |
| Net unrealised exchange gains | | ( 100,218) | ( 6,162) |
| Gain on disposal of property, plant and equipment and investments | | ( 67,530) | (1,083,488) |
| Provision for diminution in value of interest in subsidiaries | | 108,905 | 15,265 |
| Interest earned | | ( 60,301) | ( 82,017) |
| Interest expense | | 72,687 | 497 |
| Deferred taxation, net | 10 | - | 6,178 |
| | | ( 22,075) | ( 96,685) |
| (Increase)/decrease in current assets: | | | |
| Accounts receivable | | 387,359 | ( 412,306) |
| Taxation recoverable | | 36,793 | 37,267 |
| Increase/(decrease) in current liabilities: | | | |
| Accounts payable | | ( 23,474) | 28,928 |
| Unclaimed dividends | | 16,881 | 7,653 |
| Net cash provided/(used) by operating activities | | 395,484 | ( 435,143) |
| CASH FLOWS FROM INVESTMENT ACTIVITIES | | | |
| Short-term investments | | ( 23,478) | 537 |
| Securities purchased under resale agreements | | 832,495 | ( 584,571) |
| Additions to property, plant and equipment | 11 | ( 15,688) | ( 5,203) |
| Additions to investments | | ( 17,673) | ( 4,544) |
| Interest received | | 69,539 | 78,739 |
| Interests in subsidiary and associated companies | | (2,254,866) | ( 222,535) |
| Proceeds from disposal of property, plant and equipment and investments | | 163,049 | 1,296,243 |
| Net cash (used)/provided by investment activities | | (1,246,622) | 558,666 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Distribution to stockholders | 19 | ( 93,512) | ( 46,756) |
| Interest paid | | ( 49,766) | ( 497) |
| Long-term loan | | 1,000,000 | ( 68,462) |
| Net cash provided/(used) by financing activities | | 856,722 | ( 115,715) |
| Net increase in cash and cash equivalents | | 5,584 | 7,808 |
| Cash and cash equivalents at beginning of year | | 15,830 | 8,022 |
| Cash and cash equivalents at end of year | | 21,414 | 15,830 |

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

1. The company

Jamaica Producers Group Limited (company) is incorporated and domiciled in Jamaica. The company's registered office is located at 6A Oxford Road, Kingston 5.

Its principal activities are the provision of administration services to its subsidiaries (note 24) and the holding of investments.

The company and its subsidiaries are collectively referred to as the "group".

During the year, the company acquired ordinary shares in Kingston Wharves Limited (KW) resulting in an associated company holding of 30% (note 24) at year-end.

2. Statement of compliance and basis of preparation

(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 (IASB) and comply with the provisions of the Jamaican Companies Act.

Certain new, revised and amended standards and interpretations came into effect during the current financial year. The company has adopted those which are relevant to its operations, none of which resulted in any changes in accounting policies or material changes to the content or presentation of amounts or disclosures in these financial statements.

New standards, and interpretations of and amendments to existing standards that are not yet effective:

At the date of authorisation of the financial statements, certain new standards, and amendments to and interpretations of existing standards, have been issued which are not yet effective and which the company has not early-adopted. The company has assessed the relevance of all such new standards, amendments and interpretations with respect to its operations and has determined that the following may be relevant to its operations and has concluded as follows:

- *IFRS 9, Financial Instruments (2010).* The revised IFRS supersedes the previous version of IFRS 9 issued in 2009 and is effective for accounting periods beginning on or after January 1, 2015 (previously 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. The revised standard now 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 the 2015 financial statements.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

- IFRS 10, *Consolidated Financial Statements*, which is effective for annual reporting periods beginning on or after 1 January 2013, introduces a new approach to determining which investees should be consolidated. It was issued as part of a suite of consolidation and related standards, also replacing existing requirements for joint ventures (now joint arrangements) and making limited amendments in relation to associates. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements,* and SIC-12, *Consolidation – Special Purpose Entities,* and provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. An investor controls an investee when (i) it is exposed, or has rights, to variable returns from its involvement with the investee, (ii) has the ability to affect those returns through its power over the investee and (iii) there is a link between power and returns. The company does not expect this standard to have a significant impact on its 2013 financial statements.

- IFRS 11, *Joint Arrangements,* which is effective for annual reporting periods beginning on or after January 1, 2013, does two things. Firstly, it carves out from IAS 31, J*ointly Controlled Entities*, those cases in which, although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, for the remaining arrangements under IAS 31, *Jointly Controlled Entities*, now called *Joint Ventures*, an entity is no longer allowed to choose between the equity method and proportionate consolidation; they are now required to use the equity method. The application of the equity method is subject to two exemptions, carried forward from IAS 28 (2008) and IAS 31. The company does not expect this standard to have a significant impact on its 2013 financial statements.

- IFRS 12, *Disclosure of Interest in Other Entities,* which is effective for annual reporting periods beginning on or after from January 1, 2013, contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. The disclosure requirements encompass risk exposures for the sponsor of such an entity even if it no longer has any contractual involvement. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The company does not consider that the amendments to this standard will have a significant impact on its 2013 financial statements.

- IFRS 13, *Fair Value Measurement,* which is effective for annual reporting periods beginning on or after January 1, 2013, defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value, or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The company does not expect this standard to have a significant impact on its 2013 financial statements.

2. Statement of compliance and basis of preparation (continued)

(a) Statement of compliance (continued):

- *IAS 1 Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* effective for annual reporting periods beginning on or after 1 July 2012. It requires an entity to present separately the items of OCI that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. It does not change the existing option to present the profit or loss and other comprehensive income in two statements. It changes the title of the Statement of Comprehensive Income to Statement of Profit or Loss and Other Comprehensive Income. The company does not expect these changes to have a significant impact on its 2013 financial statements.

  *Improvements to IFRS 2009-2011* cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments applicable to the company are as follows:

  - *IAS 1 Presentation of Financial Statements* is amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

  - *IAS 16 Property, Plant and Equipment* – The standard is amended to clarify that the definition of 'property, plant and equipment' in IAS 16 is now considered in determining whether spare parts, standby equipment and servicing equipment should be accounted for under the standard. If these items do not meet the definition, then they are accounted for using *IAS 2 Inventories*.

  - *IAS 32 Financial Instruments: Presentation* – The standard is amended to clarify that *IAS 12 Income Taxes* applies to the accounting for income taxes relating to distributions to holders of an equity instrument and transaction costs of an equity transaction.

  - *IAS 34 Interim Financial Reporting* is amended to require the disclosure of a measure of total assets and liabilities for a particular reporting segment. In addition, such disclosure is only required when the amount is regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

  The company does not expect these amendments to have a significant impact on its 2013 financial statements.

2. Statement of compliance and basis of preparation (continued)

(b) Basis of preparation:

These non-consolidated financial statements are intended to show the affairs of the company as a stand-alone business. They are not intended to, and do not, show the consolidated financial position, results of operations, changes in equity and cash flows of the group. The company's interests in the non-consolidated subsidiaries (note 24) are shown at cost, less provision for diminution in value [note 3(q)]. Unless otherwise indicated, references to financial statements herein are to the non-consolidated financial statements.

The financial statements are prepared on the historical cost basis, except for available-for-sale investments which are stated at fair value. The financial statements are presented in Jamaica dollars (J$), which is the functional currency of the company.

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of, and disclosures relating to assets, liabilities, contingent assets and contingent liabilities at the balance sheet 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 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 a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Impairment assessments - Impairment provisions for diminution in value of interest in subsidiaries and associated companies (note 8) are determined from a comparison between cost and an estimate of the net present value of future cash flows. That estimate is based on forecasts and an assessment of risk and uncertainty by management. Those estimates could be subject to significant variation from year to year.

(ii) Depreciation methods, useful lives and residual values - Depreciation methods, useful lives and residual values rely on judgment and estimates by management, one of which is that the relevant assets will continue to be used for their current purpose within the company. In addition, useful lives and residual values vary between individual assets and are dependent upon continuation of the current level of maintenance. Should there be a change in the present use or level of maintenance this could change the charge for depreciation and net book value of property, plant and equipment (note 11) within the next financial year.

3. Significant accounting policies

The significant accounting policies below conform in all material respects to IFRS.

(a) Foreign currencies:

Except for investments in foreign subsidiaries, foreign currency balances at balance sheet date are translated at the buying rates of exchange ruling at that date [note 23(b)(ii)]. Investments in foreign subsidiaries are valued at historical rates of exchange.

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(b) Cash and cash equivalents:

Cash comprises cash in hand and demand and call deposits with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

(c) Short-term investments:

Short-term investments comprise fixed deposits with banks, money market securities and loans and receivables recoverable within one year. They are acquired for their earnings potential and for balancing the company's risks on its investment portfolio. Their nature, liquidity and risk are similar to those of cash and cash equivalents.

(d) Securities purchased under resale agreements:

Securities purchased under resale agreements ('reverse repos') are short-term transactions in which the company makes funds available to other parties and in turn receives securities which it agrees to resell on a specified date at a specified price. Reverse repos are accounted for as short-term collateralised lending.

The difference between the sale and repurchase consideration is recognised on the accrual basis over the period of the transaction and is included in interest income.

(e) Trade and other receivables:

Trade and other receivables are stated at amortised cost, less impairment losses [note 3(i)].

(f) Trade and other payables:

Trade and other payables, including provisions, are stated at their amortised cost. A provision is recognised in the balance sheet 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 risks specific to the liability.

3. Significant accounting policies (continued)

(g) Investments:

Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are stated at amortised cost, less impairment losses. Where the company has the positive intent and ability to hold securities to maturity, they are classified as held-to-maturity and recognised initially at cost and subsequently measured at amortised cost, less impairment losses. Other investments held by the company are classified as available-for-sale and are stated at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses, and, in the case of monetary items such as debt securities, foreign exchange gains and losses. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in profit or loss. Where fair value cannot be reliably measured, these investments are stated at cost. Available-for-sale investments include certain equity securities.

The fair value of quoted available-for-sale investments is their bid price.

Available-for-sale investments are recognised/derecognised by the company on the date it commits to purchase or sell the investments. Other investments are recognised/derecognised on the day they are transferred to/by the company.

(h) Property, plant and equipment:

(i) Owned assets

Items of property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses [note 3(i)]. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment. Borrowing costs related to the acquisition or construction of qualifying assets, are recognised as part of the cost of those qualifying assets.

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 company and it can be measured reliably. The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss, as it is incurred.

(ii) Depreciation

Property, plant and equipment, with the exception of freehold land on which no depreciation is provided, are depreciated on the straight-line basis at annual rates estimated to write off the assets over their expected useful lives. Depreciation methods, useful lives and residual values are reassessed at each reporting date. The depreciation rates are as follows:

| | |
|---|---|
| Leasehold land and buildings | 5% |
| Freehold buildings | 5% |
| Furniture and equipment | 10% |
| Motor vehicles | 20% |
| Computer software and equipment | 33⅓% or 100% |

3. Significant accounting policies (continued)

(i) Impairment:

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

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows on the asset that can be estimated. Objective evidence that financial assets are impaired can include default or delinquency by a customer or counterparty or indicators that the customer or counterparty will enter bankruptcy.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. When a decline in the fair value of an available-for-sale investment has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in profit or loss even though the investment has not been derecognised.

The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss.

[i] Calculation of recoverable amount

The recoverable amount of the company's investments in held-to-maturity securities, loans and 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 fair value less costs to sell 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 a held-to-maturity security, loan or receivable is reversed, if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

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 asset's 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.

3. Significant accounting policies (continued)

(j) Employee benefits:

Employee benefits are all forms of consideration given by the company in exchange for service rendered by employees. These include current or short-term benefits such as salaries, bonuses, NIS contributions, annual leave, and non-monetary benefits such as medical care and housing; post-employment benefits such as pensions; and other long-term employee benefits such as termination benefits.

Employee benefits that are earned as a result of past or current service are recognised in the following manner:

- short-term employee benefits are recognised as a liability, net of payments made, and charged as expense.
- the expected cost of vacation leave that accumulates is recognised when the employee becomes entitled to the leave.
- post-employment benefits are pensions provided by a defined-contribution pension plan in which the company participates. The company's contributions to the plan are charged to profit or loss in the period in which they are due.

(k) Revenue:

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the balance sheet date.

(l) Finance costs:

Finance costs represent interest payable on borrowings is recognized in profit or loss using the effective interest rate method.

(m) Interest income:

Interest income is recognised in profit or loss as it accrues, taking into account the effective yield on the asset.

(n) Dividend income:

Dividend income is recognised on the date that the company's right to receive payment is established.

(o) Taxation:

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

3. Significant accounting policies (continued)

(o) Taxation (continued):

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax 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.

(p) Loan payable:

Loans payable is recognised when originated and is measured at amortised cost using the effective interest method.

(q) Subsidiary and associated companies:

Interests in subsidiary and associated companies are stated at cost, less provision for impairment [note 3(i)].

4. Cash and cash equivalents

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Cash and bank balances | 21,414 | 15,830 |
| Balance at beginning of the year | 15,830 | 8,022 |
| Net cash (outflows)/inflows | ( 94,633) | 1,646 |
| Unrealised exchange gain | 100,217 | 6,162 |
| Balance at end of the year | 21,414 | 15,830 |

5. Short-term investments

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Loans and receivables | | |
| Loan receivable | 1,728 | 2,204 |
| Fixed deposit | 35,755 | - |
| | 37,483 | 2,204 |

6. Accounts receivable

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Staff receivables | 7,519 | 5,641 |
| Other receivables and prepayments | 29,585 | 434,688 |
| | 37,104 | 440,329 |
| Less: Provision for doubtful debts | ( 5,671) | ( 3,276) |
| | 31,433 | 437,053 |

The prior year balance for other receivables and prepayments includes an amount of US$4.8m in respect of a deposit on the acquisition of Tortuga International Holdings Limited which is now a subsidiary of JP International Group Limited (note 24).

Amounts due from directors in the ordinary course of business, which are current, include $1,579,026 (2011: $1,047,103) in other receivables. These amounts were subsequently settled.

The movement in the provision for doubtful debts in respect of accounts receivable during the year is as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Balance at January 1 | 3,276 | 2,734 |
| Impairment losses recognised | 2,911 | 642 |
| Impairment losses reversed | ( 516) | - |
| Write-offs | - | ( 100) |
| | 5,671 | 3,276 |

The provision for doubtful debts account in respect of accounts receivable is used to record impairment losses, unless the company is satisfied that no recovery of the amount owing is possible, at which point the amount considered irrecoverable is written off against the receivable directly.

7. Accounts payable

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Trade payables | 2,090 | 1,312 |
| Dividend payable | 37,405 | 93,512 |
| Unclaimed dividends | 16,838 | 7,653 |
| Accrued expenses | 69,351 | 70,023 |
| Other | 7,209 | 7,422 |
| | 132,893 | 179,922 |

8. Interests in subsidiary and associated companies

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Subsidiary companies: | | |
| Shares, at cost | 859,710 | 859,710 |
| Less: Impairment provision | ( 510) | ( 510) |
| | 859,200 | 859,200 |
| Loan accounts receivable | 287,597 | 339,505 |
| Current accounts receivable | 1,972,166 | 1,589,099 |
| Less: Impairment provision | ( 154,116) | ( 42,260) |
| Loan accounts payable | ( 341,121) | ( 239,012) |
| Current accounts payable | ( 85,369) | ( 66,540) |
| Subsidiary companies | 2,538,357 | 2,439,992 |
| Associated company: | | |
| Shares, at cost | 2,171,469 | - |
| Loan accounts receivable | 4,230 | - |
| | 2,175,699 | - |
| Interest in subsidiary and associated companies | 4,714,056 | 2,439,992 |

The recoverable amount of the company's investment in each subsidiary is reviewed annually for impairment. The impairment review at the end of the year resulted in an increase in the impairment loss provision by $108,905,000 (2011: $15,265,000).

9. Investments

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Available-for-sale securities: | | |
| Quoted | 324,841 | 478,341 |
| Loans and receivables: | | |
| Government of Jamaica bonds | - | 86,135 |
| JPG Senior Secured Note 2017 | 5,000 | - |
| Loan to Employee Share Ownership Plan (ESOP) | 12,618 | 33,584 |
| | 17,618 | 119,719 |
| | 342,459 | 598,060 |

The number of ordinary stock units (note 12) held by the ESOP at December 31, 2012 was 17,022,147 (2011: 17,620,200).

10. Deferred tax asset

The deferred tax asset is attributable to the following:

| | Deferred tax | | | | | |
|---|---|---|---|---|---|---|
| | Asset | | Liability | | Net | |
| | 2012 | 2011 | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Property, plant and equipment | 4,458 | 1,768 | - | - | 4,458 | 1,768 |
| Other liabilities | 2,147 | 1,458 | - | - | 2,147 | 1,458 |
| Other assets | - | - | 6,605 | 3,226 | (6,605) | (3,226) |
| | 6,605 | 3,226 | 6,605 | 3,226 | - | - |

Movement on net deferred tax asset during the year:

| | 2012 | 2011 |
|---|---|---|
| | $'000 | $'000 |
| Net deferred tax asset at beginning of year | - | 6,178 |
| Recognised in taxation charge [note 17(a)] | - | (6,178) |

11. Property, plant and equipment

| | Work –in-progress | Freehold land and buildings | Leasehold land and buildings | Equipment, vehicles and furniture | Total |
|---|---|---|---|---|---|
| | | $'000 | $'000 | $'000 | $'000 |
| At cost: | | | | | |
| December 31, 2010 | - | 55,337 | 34,464 | 103,131 | 192,932 |
| Additions | - | - | - | 5,203 | 5,203 |
| December 31, 2011 | - | 55,337 | 34,464 | 108,334 | 198,135 |
| Additions | 472 | - | - | 15,216 | 15,688 |
| December 31, 2012 | 472 | 55,337 | 34,464 | 123,550 | 213,823 |
| Depreciation: | | | | | |
| December 31, 2010 | - | 14,283 | 19,472 | 88,168 | 121,923 |
| Charge for the year | - | - | 1,158 | 2,951 | 4,109 |
| December 31, 2011 | - | 14,283 | 20,630 | 91,119 | 126,032 |
| Charge for the year | - | - | 1,158 | 5,642 | 6,800 |
| December 31, 2012 | - | 14,283 | 21,788 | 96,761 | 132,832 |
| Net book values: | | | | | |
| December 31, 2012 | 472 | 41,054 | 12,676 | 26,789 | 80,991 |
| December 31, 2011 | - | 41,054 | 13,834 | 17,215 | 72,103 |
| December 31, 2010 | - | 41,054 | 14,992 | 14,963 | 71,009 |

11. Property, plant and equipment (continued)

Freehold land and buildings includes land as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| At cost | 21,659 | 21,659 |
| Directors' allocation of cost | 4,507 | 4,507 |
| Total land | 26,166 | 26,166 |

The company has given an undertaking to one of its bankers not to encumber the property held at 4 Belmont Road while the company has credit arrangements.

12. Share capital

Authorised:
500,000,000 ordinary shares at no par value

| Stated capital: | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Issued and fully paid - 187,024,006 ordinary stock units | 18,702 | 18,702 |

The company's stated capital does not include share premium which is retained in capital reserves (note 13) in accordance with Section 39 (7) of the Act.

13. Reserves

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Capital: | | |
| Share premium (note 12) | 135,087 | 135,087 |
| Fair value reserves | 225,266 | 375,678 |
| Other | 1,589,125 | 1,581,429 |
| Total capital | 1,949,478 | 2,092,194 |
| Revenue: | | |
| Retained profits | 2,298,471 | 2,318,294 |
| | 4,247,949 | 4,410,488 |

Other capital reserves comprise gains on disposal of property, plant and equipment and investments until December 31, 2001, unrealised exchange gains and unclaimed dividends to stockholders (note 19).

14. Long-term loan

| | Current portion | | Non-current portion | |
|---|---|---|---|---|
| | 2012 | 2011 | 2012 | 2011 |
| | $'000 | $'000 | $'000 | $'000 |
| Bank loan | 50,000 | - | 950,000 | - |

This represents a $1,000,000,000 loan, secured by certain shares in Kingston Wharves Limited, an associate, and is repayable by annual instalments of $50,000,000 in the first four years starting March 31, 2013 with a final payment of $800,000,000 in year five. The interest rate on the loan is fixed at 8.9% for the first three years then increases to 9.5% for the remaining two years.

15. Disclosure of expenses

Profit before taxation is stated after charging:

| | 2012 | 2011 |
|---|---|---|
| | $'000 | $'000 |
| Directors' emoluments | | |
| - Fees | 8,060 | 8,883 |
| - For management | 32,131 | 68,296 |
| Auditors' remuneration | 6,980 | 6,682 |
| Depreciation and impairment losses | 6,800 | 4,109 |
| Staff costs | 137,455 | 113,458 |

16. Financial income and expenses

| | 2012 | 2011 |
|---|---|---|
| | $'000 | $'000 |
| Recognised in profit and loss account: | | |
| Financial income: | | |
| Interest income on bank deposits, loans and receivables | 58,726 | 80,574 |
| Interest income on available-for-sale financial assets | 1,575 | 1,444 |
| Dividend income on available-for-sale financial assets | 57,495 | 21,185 |
| Net foreign exchange gain | 100,217 | 6,167 |
| | 218,013 | 109,370 |
| Financial expenses | | |
| Interest expense on financial liabilities measured at amortised cost | ( 72,687) | ( 497) |
| Net foreign exchange loss | ( 3,184) | - |
| | ( 75,871) | ( 497) |
| Net financial income | 142,142 | 108,873 |

17. Taxation

(a) The taxation charge is based on the company's results for the year, as adjusted for tax purposes, and is made up as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| (i) Current tax charge: | | |
| Under-provision in previous years | - | 567 |
| (ii) Deferred taxation (note 10) | | |
| Origination and reversal of temporary differences | - | 6,178 |
| | - | 6,745 |

(b) The effective tax rate for 2012 was nil% (2011: 0.6%) compared to a statutory rate of 33⅓ % (2011: 33⅓%). The actual tax charge differs from the "expected" tax charge for the year as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Profit before taxation | 17,582 | 1,055,678 |
| Computed "expected" tax charge at 33⅓% | 5,860 | 351,893 |
| Taxation difference between profit for financial statements and tax reporting purposes on: | | |
| Gain on sale of investment and property, plant and equipment | (22,510) | ( 361,163) |
| Disallowed income and expenses, depreciation and other related capital adjustments | 16,650 | 16,015 |
| Actual tax charge recognised in the profit and loss account | - | 6,745 |

(c) At December 31, 2012 taxation losses, subject to agreement by the Tax Administration Jamaica, available for relief against future taxable profits amounted to approximately $277,498,000 (2011: $163,351,000). The taxation losses disclosed in the financial statements reflect those available under existing legislation. A deferred tax asset of $69,374,000 (2011: $54,437,000) has not been recognized as management considers its realization within the foreseeable future to be too uncertain.

18. Earnings per ordinary stock unit

The earnings per ordinary stock unit is calculated by dividing the profit for the year of $17,582,000 (2011: $1,048,933,000) by 187,024,006 ordinary stock units.

19. Distributions to stockholders

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Ordinary dividends: | | |
| First interim paid in respect of 2012 - 20¢ (2011: 50¢) per stock unit - gross | 37,405 | 93,512 |
| Unclaimed dividends written back to capital reserves (note 13) | ( 7,696) | ( 3,643) |
| | 29,709 | 89,869 |

20. Contingent liabilities

One of the company's bankers has issued guarantees on behalf of certain subsidiaries in favour of third parties for $928,000 (2011: $928,000). The company has also given a commitment to one of its subsidiaries of its intention to provide financial support as is necessary for its operations throughout 2012. That subsidiary has a net shareholders' deficit at December 31, 2012 of $311.4 million (2011: $139.2 million).

21. Operating lease arrangements

Non-cancellable operating lease receivables

Operating leases relate to property owned by the company or property leased from its subsidiaries with lease or sub-lease terms of between 3 to 5 years, with options to extend for a further 1 to 5 years. The lessees do not have the option to purchase the property at the expiry of the lease period.

The company earned property rental income of $26,617,000 (2011: $27,581,000) under operating leases. Direct operating expenses arising on the property in the period was $6,000,000 (2011: $4,000,000). Commitments for income under non-cancellable operating leases at year-end are as follows:

| | 2012 $'000 | 2011 $'000 |
|---|---|---|
| Within one year | 20,002 | 10,741 |
| In the second to fifth year inclusive | 40,750 | 10,382 |
| | 60,752 | 21,123 |

22. Related parties

(a) Identity of related parties:

The company has a related party relationship with its directors and officers. The company's executive directors and officers are collectively referred to as "key management personnel".

22. Related parties (continued)

(b) Transactions with directors and other key management personnel:

Directors and officers of the company, their immediate relatives and entities over which they have significant influence control 27.3% (2011: 27.3%) of the voting shares of the company. Receivables from directors at December 31, 2012 amounted to $1,579,026 (2011: $1,047,103) included in "Other receivables" (see note 6). These balances are current and were subsequently settled. No interest is payable by directors on these balances. In addition to their salaries, the company contributes to various post-employment benefit plans on behalf of key management personnel.

Compensation of key management personnel is as follows:

| | 2012<br>$'000 | 2011<br>$'000 |
|---|---|---|
| Short-term employment and other benefits | 60,221 | 79,682 |
| Post-employment benefits | 5,623 | 2,478 |
| Total remuneration, included in directors' emoluments and staff costs, where applicable (see note 15) | 65,844 | 82,160 |

# NOTES TO THE FINANCIAL STATEMENTS (Cont'd)
## December 31, 2012

22. Related parties (continued)

(c) Transactions with other related parties, directors and key management personnel in other capacities:

| Category and nature of relationship | Nature of transactions | Transactions in year 2012 $'000 | Transactions in year 2011 $'000 | (Payable)/receivable at end of year 2012 $'000 | (Payable)/receivable at end of year 2011 $'000 | Terms and conditions * | Provision end of year 2012 $'000 | Provision end of year 2011 $'000 | (Expense)/recovery during the year 2012 $'000 | (Expense)/recovery during the year 2011 $'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Transactions with joint venture and associates:** | | | | | | | | | | |
| 50% joint venture | Management services charged by company | 20,000 | - | - | - | 3,4,5 | N/A | N/A | N/A | N/A |
| **Transactions with directors and key management personnel or entities under their control and/or significant influence:** | | | | | | | | | | |
| i) Company under their control | Insurance premiums charged to company by broker | 3,896 | 3,859 | - | - | 1,3,4 | N/A | N/A | N/A | N/A |
| ii) Company under their control | Management services charged to company | - | 4,307 | - | 8,614 | 3,4,5 | N/A | N/A | N/A | N/A |

* The number in each row represents the terms and conditions that are applicable to the stated transactions and their meanings are as follows:

1. Credit of up to 30 days
2. Interest free
3. Unsecured
4. Settlement in cash
5. Credit over 30 days

23. 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. For the purpose of the financial statements, financial assets have been determined to include cash and cash equivalents, short-term investments, securities purchased under resale agreements, accounts receivable and investments. Financial liabilities include long-term loans and accounts payable.

(a) Fair value of financial instruments:

Fair value amounts represent estimates of the arm's length consideration for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties who are under no compulsion to act. Fair value is best evidenced by a quoted market price, if one exists.

The fair value of cash and cash equivalents, short-term investments, securities purchased under resale agreements, accounts receivable and accounts payable are assumed to approximate their carrying values due to their relatively short-term nature. The fair value of long-term loans is assumed to approximate the carrying value as the interest rate reflects the market rate. The fair value of quoted investments is at market value. This method falls within the level 1 fair value hierarchy and is defined as quoted prices (unadjusted) in an active market for identical assets. The fair values of other investments are assumed to be cost, less provision for impairment.

(b) Financial instrument risks:

The company has exposure to the following risks from its use of financial instruments: credit risk, liquidity risk and market risk including interest rate risk, currency risk and price risk. Information about the company's exposure to each of the above risks, the company's objectives, policies and processes for measuring and managing risk is detailed below.

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. Management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(i) Credit risk

Credit risk is the risk of financial loss to the company if counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from amounts due from customers, securities purchased under resale agreements, other investments and cash and cash equivalents.

23. Financial instruments (continued)

(b) Financial instrument risks (continued):

(i) Credit risk (continued)

The maximum exposure to credit risk at the reporting date is equal to its carrying value:

The company manages this risk as follows:

- Cash and cash equivalents and short-term investments

  The company maintains cash resources and short-term deposits with reputable financial institutions. The credit risk is considered to be low.

  No provision for impairment is deemed necessary.

- Securities purchased under resale agreements

  Assigned collateral, with a fair value of $154,835,000 (2011: $1,115,245,000) for the company, was held for securities purchased under resale agreements [note 3(d)].

  No provision for impairment is deemed necessary.

- Accounts receivable

  The company has a credit policy in place to minimize exposure to credit risk inherent in trade accounts receivable. Credit terms are negotiated based on a mix of terms acceptable to both parties.

  The company has a policy in place to provide for impairment on all such debts more than ninety (90) days past due except for specific balances that relate to special circumstances that provide fresh evidence that recovery is not in doubt.

  Staff and other receivables are subject to credit terms consistent with staff guidelines and other factors, including Jamaican GCT. These guidelines include the provision of collateral as security for credit extended.

  Impairment provisions are made on the basis of reviews of specific balances that are inconsistent with staff guidelines or the terms relating to other receivables.

23. Financial instruments (continued)

(b) Financial instrument risks (continued):

(i) Credit risk (continued)

The company manages this risk as follows (continued):

- Non-current investments

  This includes the loan to the ESOP and securities issued by the Government of Jamaica, the credit risk of which is considered to be minimal.

  No provision for impairment is deemed necessary.

  The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

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

(ii) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

The company manages this risk by conducting research and monitoring the price movement of securities on the local and international markets.

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

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 is exposed to foreign currency risk on transactions that are denominated in currencies other than the Jamaican dollar. The main currencies giving rise to this risk are the Pound Sterling (£) and United States dollar (US$).

The company manages this risk by matching foreign currency assets with liabilities as far as possible. Interest on borrowings is denominated in currencies that match the cash flows generated by the underlying operations in which the borrowings are invested. This provides an economic hedge and no derivatives are entered into.

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

23. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Currency risk (continued)

The net foreign currency financial assets/(liabilities) at year-end were as follows:

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | US$'000 | £'000 | US$'000 | £'000 |
| Cash and cash equivalents | 62 | 14 | 162 | 15 |
| Short-term investments | 19 | - | 26 | - |
| Securities purchased under resale agreements | 1,361 | - | 2,766 | - |
| Accounts receivable | 3 | - | 29 | - |
| Accounts payable | ( 6) | ( 5) | ( 106) | ( 26) |
| Non-current investments | 267 | - | 1,367 | - |
| Loans and advances to subsidiary companies | 15,265 | (666) | 12,916 | 342 |
| Gross balance sheet exposure | 16,971 | (657) | 17,160 | 331 |

Foreign currency sensitivity analysis

The following table details the company's sensitivity to a 10% strengthening or 2% weakening of the relevant currencies against the Jamaica dollar and the resultant net exchange gains/(losses) based on the net foreign currency assets/(liabilities) at year-end. These percentages represent management's assessment of the reasonably possible change in foreign currency rates. This analysis assumes that all other variables, in particular interest rates, remain constant. This analysis is performed on the same basis as in the previous year.

10% Devaluation of J$

| | 2012 | 2011 |
|---|---|---|
| | $'000 | $'000 |
| US dollar (US$) | 156,391 | 147,800 |
| Pound Sterling (£) | ( 9,739) | 4,420 |

2% Revaluation of J$

| | 2012 | 2011 |
|---|---|---|
| | $'000 | $'000 |
| US dollar (US$) | (31,278) | (29,560) |
| Pound Sterling (£) | 1,947 | ( 884) |

23. Financial instruments (continued)

(b) Financial instrument risks (continued):

(ii) Market risk (continued)

Currency risk (continued)

Buying exchange rates at:

| | December 31 | |
|---|---|---|
| | 2012 | 2011 |
| US$1 to J$ | 92.15 | 86.14 |
| UK£1 to J$ | 148.29 | 133.26 |
| €1 to J$ | 121.49 | 111.82 |

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.

Bank loans and overdrafts are subject to interest rates which may be varied by appropriate notice by the lender.

At the reporting date the interest rate profile of the company's interest-bearing financial instruments was:

| | 2012 | 2011 |
|---|---|---|
| | $'000 | $'000 |
| Fixed rate instrument | | |
| Financial assets | 177,418 | 1,065,370 |
| Financial liabilities | 1,000,000 | - |

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

Other market price risk

The company is exposed to equity price risks arising from available for sale equity investments. Equity investments are held for strategic purposes and capital gains.

The company's equity securities are all listed on the Jamaica Stock Exchange. An increase or decrease of 20% (2011: 20%) in share prices would result in an increase or an equal decrease, respectively, in equity of $64,966,000 (2011: $95,666,000).

There would be no impact on profit or loss at the reporting date (2011: $Nil) as there were no impaired investments or investments designated as fair value through profit or loss.

23. Financial instruments (continued)

(b) Financial instrument risks (continued):

(iii) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the company will not be able to meet its financial obligations as they fall due and/or 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 company aims at maintaining flexibility in funding by ensuring that sufficient cash resources are held or placed in short-term marketable instruments to meet financial obligations when they fall due.

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

The following are the contractual maturities of non-derivative financial liabilities except for accounts payable, whose contractual maturities equals its carrying value and is repayable within one year. 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. All other financial liabilities are due within one year of the balance sheet date. The analysis also assumes that all other variables, in particular interest and exchange rates, remain constant.

| | Weighted average interest rate % | Carrying amount $'000 | Contractual cash flows $'000 | 0-1 year $'000 | 1-5 years $'000 |
|---|---|---|---|---|---|
| December 31, 2012 | | | | | |
| Secured bank loan | 8.9 | 1,000,000 | 1,366,070 | 136,735 | 1,229,335 |
| December 31, 2011 | | | | | |
| Secured bank loan | - | - | - | - | - |

(iv) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as total shareholders' equity, excluding minority interest. The level of dividends to ordinary shareholders is also monitored in accordance with the company's stated dividend policy.

23. Financial instruments (continued)

(b) Financial instrument risks (continued):

(iv) Capital management (cont'd)

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

24. Subsidiary, joint venture and associated companies

The company has the following subsidiary, joint venture and associated companies. The results of these companies are not included in these financial statements [see note 2 (b)]. Subsidiaries of subsidiaries are indented under their respective parent in the list below.

| | % equity held | | Place of |
|---|---|---|---|
| | 2012 | 2011 | incorporation |
| SUBSIDIARY COMPANIES* | | | |
| JP Tropical Group Limited | 100 | 100 | Jamaica |
| Agualta Vale Limited | 100 | 100 | " |
| Agri Services Limited | 100 | 100 | " |
| Eastern Banana Estates Limited | 100 | 100 | " |
| St. Mary Banana Estates Limited | 100 | 100 | " |
| P.S.C. Limited | 100 | 100 | " |
| Jamaica Producers Shipping Company Limited | 60 | 60 | " |
| JP Tropical Foods Limited | 100 | 100 | " |
| JBFS Investments Limited | 100 | 100 | " |
| Crescent Developments Limited | 100 | 100 | " |
| Central American Banana (2005) Limited | 100 | 100 | Cayman Islands |
| JP Shipping Services Limited | 100 | 100 | England and Wales |
| Four Rivers Mining Company Limited | 51 | 51 | Jamaica |
| JP International Group Limited | 100 | 100 | Cayman Islands |
| Coöperatief JP Foods U.A. | 100 | 100 | The Netherlands |
| A.L.Hoogesteger Fresh Specialist B.V. | 100 | 100 | " |
| Tortuga International Holdings Limited | 62 | - | St. Lucia |
| Tortuga Imports, Inc. | 100 | - | U.S.A. |
| Bakers Choice Inc. | 100 | - | Barbados |
| Tortuga Caribbean Rum Cake Jamaica Limited | 100 | - | Jamaica |
| Tortuga International Limited | 100 | - | Cayman Islands |
| Cia. Bananera del Tropico JP, S.A. | 100 | 100 | Costa Rica |
| JP Tropical Snacks Limited | 100 | - | Cayman Islands |

24. Subsidiary, joint venture and associated companies (continued)

JOINT VENTURE COMPANIES

| | | | |
|---|---|---|---|
| Antillean Foods, Inc. | 50 | 50 | Cayman Islands |
| Mavis Bank Coffee Factory Limited | 50 | 50 | Jamaica |

ASSOCIATED COMPANIES

| | | | |
|---|---|---|---|
| Kingston Wharves Limited | 30 | - | Jamaica |
| Tortuga Cayman Limited | 40 | - | Cayman Islands |

* The names of inactive subsidiary companies are omitted.

# FORM OF PROXY

## JAMAICA PRODUCERS GROUP LIMITED

I/We……
(Block Capitals)
of……..

being a member/members of the above-mentioned Company HEREBY APPOINT ……..

……. or failing him/her

……
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Thursday June 27, 2013 at 10:00 a.m. and at any adjournment thereof.

DATED this …….. day of ……. 2013

Signed …….

If you wish your proxy to vote in a particular manner, please indicate.

| | FOR | AGAINST |
|---|---|---|
| RESOLUTION 1: | | |
| RESOLUTION 2: | | |
| RESOLUTION 3: | | |
| RESOLUTION 4: | | |
| RESOLUTION 5: | | |
| RESOLUTION 6: | | |
| RESOLUTION 7 | | |
| RESOLUTION 8 | | |

**Notes**

1. This Form of Proxy must be lodged at the Registered Office of the Company not later than forty-eight hours before the meeting.
2. Any alterations in this Form of Proxy should be initialed.
3. In the case of joint holders, the signature of one holder will be sufficient but the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, seniority being determined by the order in which the names stand on the Register.
4. If the appointer is a Corporation this Form of Proxy must be executed under its Common Seal.
5. An adhesive stamp for $100.00 must be affixed to this Form of Proxy.

Place $100 adhesive stamp here