



Annual Report 2013



GOING THE EXTRA MILE



# Mission

To provide the highest levels of service and quality products available, in striving to ensure the success of our customers

# Vision

To expand in new markets while maintaining a leadership position in established markets, while providing an energised and harmonious workplace for our employees

# Strategy

Through strong supplier relationships, we market and deliver great products to our customers with exceptional service; this drives our profitability and ensures our success

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# Motto

Where Service is just the Beginning



## Customer Service Motto

We measure our effectiveness as a company by our ability to meet and exceed the expectations of our customers. We strive to ensure our professional team of representatives reflect this commitment. By building strong customer relationships, we promote our continued growth.

## Core Strengths

- INTEGRITY • COMMITMENT
- GOING THE EXTRA MILE

## Notice of Annual General Meeting



NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Caribbean Producers (Jamaica) Limited will be held at 3 p.m. on Monday, 10 February 2014 at Sunset Beach Resort & Spa, Montego Freeport, St. James for shareholders to consider and, if thought fit, to pass the following resolutions:

### ORDINARY RESOLUTIONS

1. To receive the report of the directors and the audited accounts of the Company for the financial year ended 30th June 2013.
2. To declare the interim dividend paid on 28 March 2013 as final for the year under review.
3. To authorise the directors to re-appoint KPMG as the auditors of the Company, and to fix their remuneration.
4. The following Directors of the Board, having resigned by rotation in accordance with the Articles of Incorporation of the Company and, being eligible, hereby offer themselves for re-election by the shareholders:
  - a) To re-appoint Ronald Schrager as a Director of the Company.
  - b) To re-appoint Richard Mark Hall as a Director of the Company.
  - c) To re-appoint Jan Polack as a Director of the Company.
5. Anil Chatani, being a Director of the Board appointed on 28 October 2013 to fill a casual vacancy, has resigned prior to the start of the Annual General Meeting in accordance with the Articles of Incorporation of the Company and, being eligible, hereby offers himself for re-appointment by the shareholders.
6. Camille Shields, being a Director of the Board appointed on 28th October, 2013 has resigned prior to the start of the Annual General Meeting in accordance with the Articles of Incorporation of the Company and, being eligible, hereby offers herself for re-appointment by the shareholders.
7. To allow the Board to fix the remuneration of the Directors, other than the Executive Directors, for the financial year of the Company ending June 30, 2014.

Dated this 28th day of October 2013

By order of the Board

Theresa Chin  
Company Secretary

The following document accompanies the Notice of Annual General Meeting:

A form of proxy. A shareholder who is entitled to attend and vote at the Annual General Meeting of the Company may appoint one or more proxies to attend in his/her place. A proxy need not be a shareholder of the Company. All completed original proxy forms must be deposited together with the power of attorney or other document accompanying the proxy at the registered office of the Company at least 48 hours before the Annual General Meeting.

## Chairman's Message



**Mark Hart, JP**  
Chairman

In only our second year as a publicly listed company, the period has been characterised as a year of implementation and transition.

During the course of the year, the company added over one hundred employees, representing a forty percent increase of our work-force. This rapid growth of CPJ's human resource manning was necessary to support our Meat Processing Plant, CPJ Market Kingston, and CRU Bar and Kitchen. These new business units are beginning to show their potential, contributing to CPJ's strong performance in the last six month of the year under review.

At CPJ, we may be best known for our portfolio of fine wines and spirits, so we were elated to receive the opportunity to represent Treasury Wine Estates' prestigious portfolio including Beringer, Penfolds, Chateau St. Jean and Souverain brands. The addition of Treasury Wine Estates has certainly done what would have seemed impossible; it raised the bar of our wine offerings at CPJ.

*Treasury  
Wine  
Estates*

This year an area of great focus was our meat processing research and development that created several new products which kept our plant busy; processed items that we traditionally imported have been produced locally and more are under development. We have established our first export market for our processed meats in St. Maarten and we have also exported our CPJ BIB juices and frozen mixes to St. Lucia and Antigua. In the coming year, we will make important announcements about the company's strategic activities in the Eastern Caribbean.

We are very optimistic about the year ahead of us despite the serious challenges the country faces under an IMF programme. The company is well positioned to play a key role in supporting the Tourism Industry which by now must be recognised as Jamaica's most sustainable sector offering the greatest potential to grow our economy. The linkages offered by Tourism are unparalleled; this incredible Industry supports the local transportation, agriculture, entertainment, food and beverage sectors and several manufacturing and services entities. CPJ is resolute that in these challenging times we will support the success of our customers.



As we strive to improve our business, CPJ continues to actively support several education and health initiatives, community programmes and charities. Some of these include We Care for Cornwall Regional Hospital Foundation, Junior Achievement Jamaica Foundation, and The Good Shepherd Foundation. We will be the main sponsor of the JISA (Jamaica Independent Schools Association) western athletics meet to be held at the Catharine Hall multipurpose stadium next year. At CPJ we recognise by nurturing the leaders of tomorrow we are building a foundation for the future.

I take this opportunity to thank our customers and stakeholders for their continued support and our employees for their unwavering commitment to the company's motto "Where Service is just the Beginning". Wishing you all the best. ●



## CEO's Message



**Thomas Tyler**  
Chief Executive Officer

Despite a challenging economic environment, CPJ continues to perform.

Commendations are in order for our team, particularly those who take care of our Hospitality clients, whose effective marketing efforts enabled them to generate increased visits to their properties. Sales efforts remained effective in maintaining demand with our many local independent on and off premise businesses. If it were not for their proactive and innovative efforts, we would not have been able to grow and offer new services within our portfolio.

One of our hallmark developments over the year is our modern food processing plant located at our Head Office in Montego Bay, the birthplace of our business; it was clearly a natural part of our growth to seek options to serve our market and clients. We were also able to create a local manufacturing capacity that would be able to incorporate Jamaican agricultural products by building a value chain with our farmers where they can increase the equity of their production efforts. Simultaneously, we were able to diversify our business model from a "pure import and distribution" model to incorporate a manufacturing and "heritage brand building" capability, while also expanding offshore and selling brand Jamaica through CPJ processed food and beverages.

Another of our sterling achievements is the CPJ Market in Kingston which was the first addition to our CPJ House Retail concept since our original launch of CPJ Market Montego Bay. The primary objective of our CPJ Market concept is to showcase our product portfolio for consumers and business partners. In fact, with CPJ Market Kingston, the concept was enlarged to accommodate two additional business units; the Deli and CRU Bar + Kitchen which while separate, are complimentary in purpose. The CPJ Deli was introduced to facilitate the promotion and sampling of CPJ branded meat and pork products. On the other hand, the Cru Bar + Kitchen was introduced to promote and educate patrons about our portfolio of premium wines and spirits. The performance and progress to date has been rewarding and has fallen within our range of projections.

*The CPJ  
Market in  
Kingston*





As a premium wine distributor over time we have sought to distribute the best brands and varieties from all leading wine regions around the world. This has placed us in a position to service hospitality and retail markets while developing strong private sales.

What accounts for this success? Well, that is based on a number of factors. We have remained committed to the original guiding principles of service and building our team of professionals. Technology has also been an important platform to enable our supply chain, customer and inventory management, as well as analysing key performance areas on a real time basis. Finally, our dedicated staff has been instrumental in finding ways to increase customer satisfaction.

As part of our growth strategy, we have identified markets outside of Jamaica in which to expand. The heart of this export thrust will be to build alliances with a focus on CARICOM (St Lucia, Antigua) and Non-CARICOM (St Maarten, Bahamas, Turks & Caicos and Cayman Islands). The expectation is to exploit niche opportunities that we can service effectively and provide sustainable revenue streams.

The CPJ branded products have shown signs of strong market acceptance in all of the targeted countries and with ongoing market research, we feel we will be successful based on quality and value. Within Jamaica, we

will continue to review our portfolio of product offerings for greater penetration and provide value offerings.

Of course CPJ has had significant challenges maintaining its impressive growth trajectory over the last decade. This has

included overcoming global shocks including the 9/11 attacks in the US, and the global financial crisis in 2008, along with domestic economic shocks such as the recent speed of devaluation of the Jamaican dollar which impacts the local spending power of consumers. CPJ continues to be very focused on

ensuring that its business model is adequate to meet planned, and unplanned shocks by leveraging technology to manage costs, and improving our ability to pass on savings to our clients whenever they occur. We also continue to dedicate adequate resources for training our staff in order to execute our vision.

CPJ continues to be a proud Jamaican company demonstrating its commitment to building a better country by investing in additional productive capacity over the last year. During the past year, we have created employment opportunities for over one hundred Jamaicans by expanding our business model which incorporates CPJ Kingston and the construction of the meat processing facilities, which incidentally had a direct impact on over 400 Jamaican farmers nationwide.

We look forward to our continued role as a strong corporate citizen and serving our valued customers and clients at the highest standards. ●

## *New CPJ Branded Products*



## Board of Directors



Thomas (Tom) Tyler is currently the Chief Executive Officer of Caribbean Producers with oversight responsibility for its day to day operations. He cofounded the Company in 1994 together with Mark Hart. Mr. Tyler also serves as President of Hospitality Services Unlimited, a company registered in the U.S. that engages in business with the Company.

Mr. Tyler was educated at the University of South Florida. He also has a degree in gemmology from the Gemmological Institute of America (GIA). Mr. Tyler began his career in business in 1977 at Ballow's Jewellers in the United States and thereafter joined Caribbean Producers; a US based family company supplying furniture and equipment to the hospitality and hotel sectors across the Caribbean. While working there Mr. Tyler had the vision to create an integrated distribution company that led to his establishment of the Company with Mark Hart.

**Thomas Tyler**  
Chief Executive Officer

**Mark Hart**  
Executive Chairman



Mark Hart is currently the Executive Chairman of the Company. He brings to the Company his considerable experience of management, having previously served as its Chief Executive Officer from 2004 until early in 2011 and is also the founding and controlling shareholder of the Company. Mr. Hart began his career as the Managing Director of the Hart family's group of companies in 1982, eventually becoming Chairman and Chief Executive Officer in 1997. Mr. Hart has also served as Chairman of Montego Bay Ice Company Limited, a JSE Main Market listed company.

Mr. Hart is a graduate of the University of Miami where he gained a Bachelor of Science degree in History and Motion Picture Film Production. He has also completed a programme in Executive Education with focus on accounting and planning at Columbia University of New York.

Mr. Hart was formerly the Chairman of the Airports Authority of Jamaica as well as a member of the boards of the Tryall Club and the Montego Bay Yacht Club. In the past he has served as a Director of Dehning Bunting and Golding Limited (now Scotia Investments Limited), the American Chamber of Commerce of Jamaica, the Montego Bay Chamber of Commerce, amongst others. Mr. Hart recently produced a documentary film, "RiseUp". He is married to Dr. Candace Hart and together they have 3 children: Maya, Ethan and Cameron.

Theresa Chin is a graduate of York University, Toronto Canada where she gained a Bachelor of Science degree in Mathematics. Mrs. Chin has worked with the Hart family shareholders since 1993. She is currently the Managing Director of Montego Bay Ice Company Limited, as well as acting as Financial Manager for most of the other Hart group companies (not including this Company). Prior to joining the Hart group of companies, Mrs. Chin worked as a financial analyst for the Four Seasons Hotel, Toronto, Canada, as a tax consultant for the Borough of East York, Toronto, Canada and as an auditor at Deloitte & Touche.

As an Non – Executive member of the Board, Mrs. Chin also serves on the Audit and Compensation Committees of the Board and is also the Company Secretary.

For the past 25 years Mark Hall has been the CEO of Hall's Investment Limited, operating the IGL filling plant franchise and Boomerang Tyre Sales in Western Jamaica. Over the years he has held directorships with the Montego Bay Chamber of Commerce, Universal Access Fund, E Learning Company Limited, Factories Corporation of Jamaica and is currently on the management committee for the Montego Bay Yacht Club.

As an independent Non – Executive member of the Board, Mr. Hall also serves as the Chairman of the Compensation Committee and is a member of the Audit Committee of the Board.

**Antony Hart, C.D., J.P**  
Non-Executive Director

**Jan Polack**  
Chief Operating Officer



**Theresa Chin**  
Non-Executive Director and  
Company Secretary

Antony ("Tony") Hart is a prominent local businessman. A graduate of Munro College, Mr. Hart is also the recipient of an honorary doctorate from the University of Technology, Jamaica, and has been honoured as a Commander of Distinction (C.D.) by the Government of Jamaica.

**Mark Hall**  
Non-Executive Director

Jan Polack is the Chief Operating Officer of the Company, and her primary focus is to oversee its operations and continued expansion, in which she plays an integral role.

Mr. Hart founded Records Limited, the first record manufacturing company in Jamaica in 1951. He is the past Chairman of Air Jamaica Limited (1980 – 1988) and the past Chairman and Managing Director of the Montego Freeport (1967 – 1980). Mr. Hart is also a past director of the Jamaica Industrial Development Corporation, the Bank of Nova Scotia Jamaica Limited, Caymanas Track Limited, and Blue Power Group, amongst others. He is currently a director of the Coconut Industry Board, Port Handlers Limited, Seprod Limited, Good Hope Holdings Limited, Harmonisation Limited and Cargo Handlers Limited. The latter company was admitted to trading on the Junior Market of the JSE in December 2010.

Mr. Hart is married to Sheila Hart and together, they have 4 children including the Chairman of the Company A. Mark Hart, Blaise Hart, Bruce Hart, and Wendy Schragar (nee Hart).

Mr. Hart is the Chairman of the Corporate Governance Committee of the Board.

Ms. Polack joined the Company as its Chief Financial Officer in 2006 before she was promoted to her current role in June 2010. Her financial career in the tourism services industry began in 1990 at Hedonism II, where she served as Financial Controller for 5 years. Ms. Polack then joined the Grand Lido Sans Souci Hotel as the Financial Controller where she remained for 7 years before continuing in the same group as the Business Development Manager at Couples Resorts when it changed management. Prior to 1990, she worked for Dole Fresh Fruit and Coopers and Lybrand in Florida for over 8 years.

Ms. Polack was educated at St. Leo's University of Florida, graduating with a Bachelors of Arts Degree in Accounting. She qualified as a Certified Public Accountant in Florida. She is currently a member of the Hospitality & Technology Professionals Association and a Director of the Montego Bay Chamber of Commerce and Industry, and a director and company secretary for Caribbean Egg Processors Limited as an investee company of the Company which manufactures pasteurised liquid egg for the hospitality and hotel industries.

Robert (Bob) Hooker is President of Honey Industries Inc., a consultancy company. He has over 35 years food industry experience, having previously served as President/CEO of Purity Products Inc., and as founder and President/CEO of Emerald Diversified Inc., and Executive Vice President of Florida Shortening Company. He has also been a consultant to the Company since 2005.

Mr. Hooker was educated at Norwich University and Brookdale College. He started his career as a junior chemist, before moving into sales and then into management. He is an active member of charitable organizations including but not limited to Rotary International, and the Knights of Columbus.

Mr. Hooker is a member of the Corporate Governance Committee of the Board.

### Richard Hall

Non-Executive Director



Robert J. Hooker Jr.  
Non Executive Director



Mr. Richard Hall is a consultant with Islandwide Project Management Limited, a company he established. He has over 25 years experience in various management roles in both the hotel and hospitality industries. As a consultant to the Company, Mr. Hall also brings to the Board his understanding of the operations of those industries as well as his technical culinary knowledge.

Mr. Hall holds an Associate in Occupational Studies (A.O.S.) in Culinary Arts Degree from the Culinary Institute of America, Hyde Park, New York and has completed the General Managers Program at Cornell University, Ithaca, New York. He is also a Certified Hotel Administrator.

Mr. Hall is a member of the Corporate Governance Committee of the Board.



Ronald Schrager  
Non-Executive Director

Mr. Schrager is a principal and co-founder of Eightfold Real Estate Capital, LP a real estate investment and advisory firm. Prior to forming Eightfold, Mr. Schrager was the Chief Operating Officer of LNR Property LLC of the USA, from May 2003 until December 2010. Mr. Schrager came to Lennar from Chemical Bank (now JP Morgan Chase) in New York, where he served as Vice President. He has also worked as a consultant with the Boston Consulting Group in Boston and ICF Incorporated in Washington, D.C.

Mr. Schrager received a Masters Degree in Business Administration from Harvard Business School in 1988. He graduated in 1983 with a Bachelor of Arts from the University of Pennsylvania and was elected to Phi Beta Kappa. He also served for 7 years as a member of the Board of Governors of the Commercial Mortgage Securitization Association, the principal trade group for the commercial mortgage backed securities industry. He also has been an adjunct professor in the real estate LL.M program at the University of Miami School of Law since 2005, teaching courses in commercial real estate securitization and commercial real estate loan workouts.

Mr. Schrager is the Chairman of the Audit Committee and a member of the Compensation Committee of the Board. He is married to Wendy Hart, sister to Mark Hart. Together, they have 2 children and reside in Florida.

### Sandra A. C. Glasgow

Mentor to the Board



Sandra Glasgow is the Founder and Managing Director of Biz Tactics Limited a consulting company dedicated to nurturing growth-aspiring companies and promoting best-in-class corporate governance. She has been a member of the Board of Directors of the National Commercial Bank Jamaica Limited since 2002, chairing the Bank's Corporate Governance Committee and sitting as an independent director on the Executive Committee, the Audit Committee, the Risk Committee and the Compensation Committee. She is also a director and Deputy Chairman of eMedia Interactive Limited and a director of Dress for Success Jamaica.

She has been certified as a Director by the Commonwealth Association for Corporate Governance (CACG), a Trainer of Trainers in Corporate Governance Board Leadership by the International Finance Corporation (IFC) and the Global Corporate Governance Forum and a Trainer of Trainers in Business Ethics by the Inter-American Investment Corporation and the US Department of Commerce. Mrs. Glasgow was Jamaica's Eisenhower Fellow in 2000. Among her many accomplishments, she is a past Chief Executive Officer of The Private Sector Organisation of Jamaica, the Senior Vice President for Corporate Services at the University of Technology, Jamaica (UTech) and the Founder of the Technology Innovation Centre (TIC) at UTech. She holds a Bachelor of Science Degree in Applied Zoology and Applied Botany and a Master of Business Administration, both from the University of the West Indies, Mona.

Hugh Logan  
VP Hospitality  
Sales



Hugh Logan joined the Company in February 1997 as the Beverage Systems Manager before being promoted to Sales Manager, then Vice President Hospitality Sales.

Prior to joining the Company Mr. Logan worked in various management roles in the hotel sector. He graduated from Seneca College and Queen's University (both of Ontario Canada) where he received a Bachelor of Science degree in Psychology.

David Lowe  
VP Marketing &  
Retail Trade



Dr. David Lowe's career to date has been as a Corporate Strategy Consultant with a Doctorate in Business Administration (Corporate Finance) from the Manchester Business School, University of Manchester, United Kingdom.

He started his career as an investment banker in Jamaica and later, working as a senior executive for the Accenture group. In late 2007 he was appointed the Chairman of the Agricultural Development Corporation (ADC) with the Ministry of Agriculture and Fisheries. From then he was active on a number of governmental boards such as Bureau of Standards, International Finance Corporation (IFC) and the Jamaica Dairy Development Board. He also lectures in Corporate Strategy and Marketing at the University of the West Indies. Prior to joining CPJ he was the special advisor to the Minister of Industry, Investment and Commerce.

Radcliffe Murray  
Operations Manager



Radcliffe Murray joined the Company in 2001 as a member of the Sales and Marketing team. In 2002, he was promoted to Manager for the Systems Sales Division and he has subsequently moved up the ranks, resulting in his promotion to his current position of Operations Manager. Mr. Murray brings to the Company his experience in finance, sales and marketing.

Mr. Murray graduated from Florida International University with a Sales and Marketing Certification. In addition, Mr. Murray holds qualifications from the Business Resource Institute (BRI) International (Certified Food System Management Consultant) and Guelph University of Ontario Canada (Food Technology Centre). He is also a Certified HACCP consultant and is a director of the Jamaica Manufacturers Association board since 2009.

Petra-Ann  
Williamson  
Human Resources  
Manager



Mrs. Williamson joined the Company in February 2009 and brings to it 20 years of experience in the business sector, including, Sales, Logistics, Marketing, Administration, Event Planning and Human Resources. She is responsible for all human resource activities at CPJ inclusive of policy development and implementation, employee engagement, training and development of all personnel.

Mrs. Williamson holds a Masters Degree in Business Administration from the University of New Orleans and a Bachelors degree in Psychology from the University of the West Indies. She also holds various certifications in marketing, project management and human resources. Mrs. Williamson is a member of the Human Resource Management Association of Jamaica and the Jamaica Employer's Federation and she is also an executive board member of the Good Shepherd Foundation.

Sandrene  
Weichenberger  
Financial Controller



Mrs. Weichenberger joined the company in 2007 as the Financial Controller bringing 15 years of experience in Accounting primarily working in the Hospitality sector.

She has a Bachelors degree in Professional Management from Nova Southeastern University and is a member of the HFTP Association.

# Corporate Data

## HEADQUARTERS

Caribbean Producers (Jamaica) Limited  
1 Guinep Way, Montego Freeport  
P.O. Box 302, Montego Bay, St. James, Jamaica W.I.  
Tel: (876) 979-8134/8136  
Fax: (876) 953-6898  
Email: [info@caribbeanproducers.com](mailto:info@caribbeanproducers.com)  
Web: [www.caribbeanproducers.com](http://www.caribbeanproducers.com)

## REGISTERED OFFICE

Shop # 14, Montego Freeport Shopping Centre  
Montego Bay, St. James

## KINGSTON

CPJ Market & Cru Bar + Kitchen  
71 Lady Musgrave Road  
Kingston 10

## AUDITORS

KPMG, 6 Duke Street, Kingston

## INTERNAL AUDITORS

PricewaterhouseCoopers LLP  
Scotiabank Centre, Corner of Duke/Port Royal Street  
P.O. Box 372, Kingston

## BANKERS

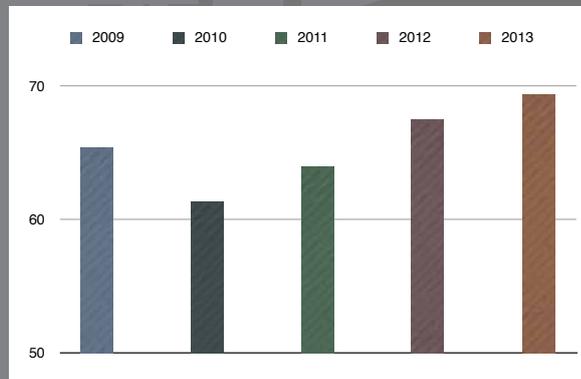
RBC, 25 Dominica Avenue, New Kingston

The Bank of Nova Scotia Jamaica Limited,  
Scotiabank Centre  
Duke & Port Royal Streets, Kingston

National Commercial Bank,  
Baywest Centre, Montego Bay



# 5 Year Financial Review

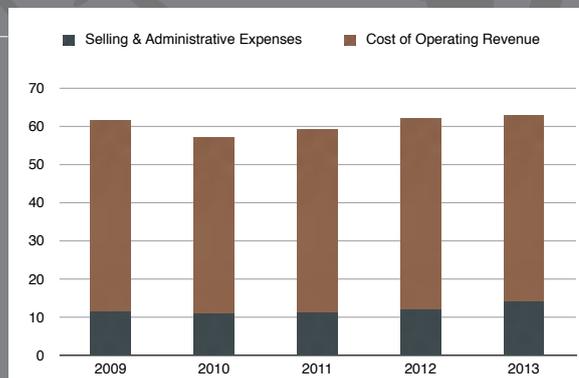


## Gross Operating Revenue

Gross operating revenue grew by 6% from US\$65.36M in 2009 to US\$69.37M in financial year 2013. The company recovered from its drop in revenue in 2010 by growing its sales in the Retail Trade and adding new categories and products to its overall portfolio. The gross operating revenue increased by 3% for the year which was less than the previous year's growth of 6%. The compound annual growth rate (CAGR) over the last five years is 1.2%.

## Operating Expenses

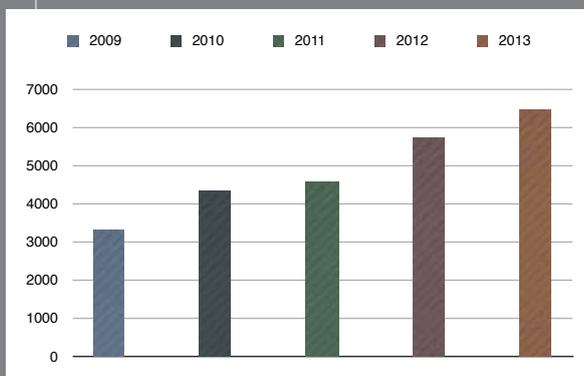
Operating Expenses have increased from US\$10.82 million to US\$13.47 million which represents 24% for the 5 year period. The new business divisions in manufacturing and retail were the main reason for the significant increase. The Cost of Operating Revenues decreased by a CAGR of 0.71%.



## Earnings before Interest, Taxes and Depreciation (EBIDTA)

Earnings before Interest, Taxes and Depreciation have moved upwards in the 5 year period. EBIDTA grew from US\$3.318 million in financial year 2009 to US\$6.461 million in financial year 2013 at a compound annual growth rate of (CAGR) of 14.26%. The year 2013 showed a net profit of US\$3.2M which reflected a 5% increase from the previous year of 2012 of US\$3.04 million. The company entered the Junior Stock Exchange on July 20th 2011 and as such will experience a tax benefit for the next 10 years as follows:

Years 1 - 5	100%
Years 6 - 10	50%



## Important Ratios

	2013	2012	2011
Debt to Equity	2.34	2.55	9.27
Return on Equity	24%	29%	36%
Profit Before Taxation / Sales	4.4%	4.6%	3.1%
Return on Assets	7.3%	8.3%	3.5%
Current Ratio	2.15	1.83	1.62
Earnings Per Stock Unit (US¢)	0.29	0.28	0.12

## Top 10 Stockholders

As at 30 June 2013

NAME	SHARES
1. Wave Trading Limited	440,000,000
2. Sportswear Producers Limited	440,000,000
3. JCSD Trustee Services Ltd. A/C#76579-02	13,679,900
4. ATL Group Pension Fund Trustees Nom. Ltd.	12,982,044
5. SJIML A/C 3119	11,076,188
6. Huixiong, Liao	9,971,710
7. Mayberry West Indies Limited	8,374,081
8. Mayberry Managed Clients Account	7,022,353
9. JCSD Trustee Services Ltd. - Sigma Venture	6,270,084
10. SJIML A/C 831	5,975,229

## Directors' & Senior Officers' Interests

The interests of the Directors and Senior Officers, holding office at the end of the quarter, along with their connected persons\*, in the ordinary stock units of the Company were as follows:

Mark Hart <sup>1,2</sup>	–
Antony Hart <sup>1</sup>	–
Ronald Schragger <sup>3</sup>	–
Sandra Glasgow	100,000
Theresa Chin	760,900
Jan Polack	2,790,185
Richard Mark Hall	234,986
Hugh Logan	545,743
Radcliffe Murray	567,098
Petra-Ann Williamson	285,467
Sandrene Weichenberger	148,763
<sup>1</sup> Interests in Sportswear Producers Limited	440,000,000
<sup>2</sup> Interests in Wave Trading Limited	440,000,000
<sup>3</sup> Interests in Alpine Endeavors Limited	2,636,324

\*Persons deemed to be connected with a director/senior manager are:

- i. The director' s/senior manager' s husband or wife.
- ii. The director' s/senior manager' s minor children (these include step-children) and dependants and their spouses.
- iii. The director' s/senior manager' s partners.
- iv. Bodies corporate of which the director/senior manager and or persons connected with him together

## Corporate Governance Statement



"The Board of Directors of Caribbean Producers Limited takes its responsibilities seriously. Our role is to ensure that the business is governed effectively in keeping with our Corporate Governance Charter, achieving robust growth with strong internal controls and risk management, with a focus on building value for our shareholders and ensuring the long-term success of the company. In recognition of the company's focus CPJ was pleased

to share the award for Overall Best Junior Market company at the Best Practices Banquet of the Jamaica Stock Exchange in December 2012.

As Chairman, I reiterate my commitment to ensuring that our board reflects the diversity of the company, engages in continuous learning and continually measures its own performance as well as monitoring the performance of the company. In

keeping with this philosophy, a number of initiatives are underway to broaden the diversity of the board and focus on areas such as risk management and leadership succession planning. This statement outlines how the company has fulfilled its corporate governance commitments over the past year."

**Mark Hart, Chairman**



## Corporate Governance Statement

### Compliance

As a demonstration of its commitment to good governance, the board of Caribbean Producers Jamaica Limited adopted, in August 2011, a Corporate Governance Charter that outlines the key governance principles of the company. The Charter is based on national and internationally-recognised standards of good governance. It aims to provide a system that is clear and transparent and that promotes the trust of investors, customers, employees and the general public in the management of the company.

The provisions of the Charter are in conformance with the requirements regarding the board and board members contained in the Companies Act 2004, regulations of the Jamaica Stock Exchange, the articles of incorporation of the company and the principles of the Code on Corporate Governance of The Private Sector Organisation of Jamaica (2009).

### Leadership

The Board is responsible to shareholders for good corporate governance, setting the Company's strategic objectives, values and standards and ensuring the necessary resources are in place to achieve the objectives.

As at June 30, 2012 the Board comprised nine (9) Directors, of whom five are Non-Executive Directors and three Executive Directors, led by the Company's Executive Chairman, Mr. A. Mark Hart. The Chief Executive Officer is Mr. Thomas (Tom) Tyler and the Chief Operations Officer is Ms. Jan Polack. The Audit Committee is chaired by Mr. Ronald Schragger, the Compensation Committee by Mr. Mark Hall, the Board's Non-Executive, Independent Director and the Corporate Governance and Nomination Committee by Mr. Antony Hart. Mrs. Sandra Glasgow is the Company's Mentor and attends all Board and Committee meetings.

The directors bring a wide range of skills and experience to the board. These are described in more detail on pages 11 & 12.

The matters specifically reserved to the Board for its decision or approval are, inter alia:

- *The company's strategy;*
- *Approval of financial statements and releases;*
- *Capital projects, acquisitions and disposals;*
- *Annual budgets;*
- *Directors' appointments, service agreements, remuneration and succession planning;*
- *Policies for financial statements, treasury, safety, health and environment, donations;*
- *Committees' terms of reference;*
- *Board and committee chairpersons and membership;*
- *Investments;*
- *Equity and bank financing;*
- *Internal control and risk management;*
- *Corporate governance;*
- *Key external and internal appointments; and*
- *Employee remuneration, incentive schemes and pension arrangements.*

At least five days ahead of each Board meeting, Directors are supplied with up-to-date information regarding the financial and operational performance of each division and sub-division, the company's overall financial position and its achievement against prior year, budgets and forecasts.

### Commitment

The Board had four regularly scheduled meetings as well as a retreat at which the company's sales strategy was presented by management for approval. Attendance of Directors at the scheduled meetings of the Board and its Committees is shown in the table overleaf:

Director	Full Board		Audit Committee		Compensation Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Mark Hart	5	5	0	0	0	0
Theresa Chin	5	5	4	4	1	1
Mark Hall	5	5	4	4	1	1
Richard Hall	5	5	0	0	0	0
Antony Hart	5	3	0	0	0	0
Robert Hooker	5	4	0	0	0	0
Jan Polack	5	5	0	0	0	0
Thomas Tyler	5	4	0	0	0	0
Ronald Schragar	5	3	4	3	1	1

### Committees of the Board

The Board has established an Audit, Corporate Governance and Nomination Committee and a Compensation Committee. Each Committee has written terms of reference which have been approved by the Board, and are available on the Company's website [www.caribbeanproducers.com](http://www.caribbeanproducers.com). The Corporate Governance and Nomination Committee did not meet during the year. A summary of the membership of the other two Committees and their work during the year are set out below.

### Audit Committee

The Audit Committee met on four (4) occasions during the year. Members of the Committee are:

*Ronald Schragar – Chairman*

*Theresa Chin – Non-Executive Director*

*Mark Hall – Non-Executive, Independent Director*

Executive and Non-Executive Directors were invited to be in attendance at all meetings of the Audit Committee during the year.

### Role

The Audit Committee oversees the integrity of the company's financial reporting and the effectiveness of financial and regulatory compliance, internal controls and risk management.

It also manages the Board's relationship with the company's external auditor, KPMG. This includes agreeing on the audit fee, assessing the auditor's independence and effectiveness, discussing the nature and scope of the audit and reviewing the external auditor's quality control procedures and steps taken to respond to changes in regulatory and other requirements. The work of the committee supports key events in the company's financial calendar and financial reporting cycle. In addition, given that the company does not as yet have an internal audit department, this function is outsourced to PricewaterhouseCoopers. The Audit Committee therefore reviews PwC's material findings at its quarterly meetings.

### Key activities during the year

The Board, through the Audit Committee, affirmed its confidence in the independence, competence and integrity of the external auditor, KPMG, which has been engaged in this capacity for the past 11 years and does not undertake internal audit work.

The Committee also considered the following matters:

- *Review and recommendation to the Board for approval of the quarterly unaudited and annual audited financial statements;*
- *Recommendation for the payment of a dividend to shareholders in accordance with the company's dividend policy;*

## Corporate Governance Statement

- *Review and recommendation to the Board for the approval of quarterly releases to the Jamaica Stock Exchange and to Shareholders;*
- *Review and comments on the Annual Report for 2012;*
- *Review and discussion on the quarterly internal audit reports prepared by PwC, including follow-up reports on the findings of operational, financial, compliance and fraud audits;*
- *Compliance with the filing of regulatory disclosures and payments of statutory deductions.*

### Compensation Committee

The Compensation Committee met once during the year. The members of the Compensation Committee, all Non-Executive Directors are:

*Mark Hall – Chairman*  
*Theresa Chin*  
*Ron Schrager*

### Role

The Compensation Committee assists the Board in fulfilling its fiduciary responsibilities relating to the fair and competitive compensation of the non-executive directors, executives and other key employees of the Company, and with the administration of the general employee welfare plans of the Company. The remuneration of the Executive Directors and the Chairman is determined by the Compensation Committee. The remuneration of the Non-Executive Directors is determined by the Chairman and the Executive Directors. The remuneration of the members of the Senior Management Group, other than the Executive Directors, is determined by the Chief Executive Officer following discussion with the Compensation Committee.

### Key activities during the year

The Committee, chaired by Director Mark Hall, considered recommendations from the management regarding a wage increase for managers, clerical and line staff as well as an increase for senior executives. The Committee also deliberated on management's recommendations for a year-end performance bonus for managers and staff. The Committee recommended to the Board the approval of management's recommendations for these increases.

The Committee also considered management's recommendation for a policy on vacation leave addressing the issue of mandatory taking of the annual leave allowance and the granting of stock awards to key employees.

### Non-Executive Directors' Remuneration

The Non-Executive Directors are not eligible to join the Company's pension scheme, nor do they participate in any of the Company's share schemes or other employee benefit schemes. The fees paid to the Non-Executive Directors are not performance-related.

Fees are determined by the Executive Directors and the Chairman and are benchmarked against fees of comparable companies. Each Non-Executive Director is paid a fee for serving as a Non-Executive Director, additional fees for membership or chairmanship of the Audit, Corporate Governance and Nomination and Compensation Committees. The Company pays the cost of travel and accommodation for Directors who are based overseas.

### Executive Director Remuneration

The Company's remuneration policy is designed to attract, retain and motivate talented executives of the high caliber required to ensure that the Company is managed successfully to the long-term benefit of shareholders. To achieve this, a competitive package linked to the Company's strategy and performance is provided to the Executive Directors. The Compensation Committee takes a responsible approach to benchmarking for the Executive Directors and reviews remuneration relative to Company and individual performance and to the practice of other comparable companies in Jamaica.

The Board is satisfied that the composition and structure of the remuneration package is appropriate and does not incentivise undue risk taking.

### Remuneration paid to the Board of Directors

#### Board of Directors

	Current year	Prior year
Executive Directors	420,876	281,503
Non-Executive Directors	8,467	10,000
<b>Total</b>	<b>429,343</b>	<b>291,503</b>

### Senior Management Group

The Board has delegated the day-to-day management of the Company to the Senior Management Group, which operates within clear and formal guidelines. The Senior Management Group reports to and seeks guidance from the Board on a regular basis and normally meets once a month to deliberate on major business issues. It also refers to the Board those matters that are of a size and significance that require the Board's consideration and decision.

During the year the Senior Management Group met with the Chairman as an Executive Committee nine (9) times in scheduled meetings. In addition to the Chairman, Mark Hart, the Executive Committee currently comprises Thomas Tyler (Chief Executive Officer), Jan Polack (Chief Operating Officer), Sandrene Weichenberger (Financial Controller), Hugh Logan (Vice President of Sales – Hospitality), Dr. David Lowe (Vice President of Marketing and Retail Trade), Radcliffe Murray (Operations Manager) and Petra-Ann Williamson (Human Resources Manager).

### Conflicts of interest

All transactions in which there are conflicts of interest with board members are agreed on terms that are customary for arm's-length transactions in the company's business. Decisions to enter into transactions in which there are conflicts of interest with directors require the approval of the board.

Each of the directors has disclosed to the board any situations which may represent a conflict of interest or potential conflict of interest. Based on the company's corporate governance charter, where a conflict of interest or potential conflict exists, the concerned board members do not vote when their own positions are being considered.

### Board performance review

In September 2012, the performance of the board and its committees was evaluated using a questionnaire-based self-assessment process facilitated by the Mentor. The report generated by this process was presented to the full board.

The evaluation process identified a number of areas that Directors felt are being handled very effectively. These include:

- *Discussions and decisions reflect Directors' understanding of the company's vision, strategies and plans, as well as the key performance issues;*
- *The Board spends an appropriate amount of time and is balanced in terms of its reviews of the past, addressing urgent issues and planning for the future and in in-depth discussions of strategic and competitiveness issues;*
- *Monitoring and reviews of the income statement, balance sheet, cash flows and business and financial risk factors; and*
- *The management of risk and review of control systems by the Audit Committee;*

Arising from the report, Directors agreed on a set of primary actions and these were included in the Board's work plan for the year. Among these actions are:

- *Improving timeliness of delivery of meeting papers in keeping with best practice standards;*
- *Initiating a policy gap analysis and develop policies and procedures to fill the existing gaps, including succession planning for the senior executive team;*
- *Undertaking a skills and experience gap analysis to determine the desired profile of new directors to be recruited to the Board;*
- *Providing corporate governance training for Board members as part of a continuing education programme supported by the company; and*
- *Developing a Company Code of Ethics that covers both directors and employees.*

### Chairman Corporate Governance Committee



# Management Discussion and Analysis

For year ending June 30, 2013



## The Company Overall

The company was founded over 19 years ago in April 1994 by Mark Hart and Thomas Tyler as an institutional food service distributor selling consumable products to the hospitality industry. Over the past years it became a leading food, non-food, wine & spirits distributor for major, world renowned brands and this year for its own private "heritage" brands. The Company listed on the Jamaica Stock Exchange (JSE) on July 20th, 2011. We are a customer focused, service oriented organisation that matches our portfolio of products and services to meet and exceed our customers' needs in both the Hospitality and Retail Trades.





The company is located in the Montego Freeport, St. James in over 100,000 sq. ft. of space housing offices, manufacturing plants and refrigerated and dry warehouse space. We are one of the largest local distributors of wines and spirits and we distribute globally recognised brands, namely Bacardi, Grey Goose, Dewar's, Remy Cointreau, Yellow Tail, Concha y Toro and from Treasury Wine Estates the newest group to our portfolio, Beringer, Rosemount, Penfolds, Stags Leap & Lindemans. In December 2012, CPJ opened its retail store CPJ Market with The Deli and CRU Bar and Kitchen in Kingston at Courtyard 71 located at 71 Lady Musgrave Road adjacent to New Kingston.





## Management Discussion & Analysis



### Market conditions

During the financial year the Jamaican currency experienced a 14.3% devaluation which impacted our consumers negatively.

### Financial performance

The Company's financial performance in 2012/2013 was encouraging as Revenues of US\$69.4 Million were achieved, representing a 2.7% increase compared to US\$67.5 Million earned in fiscal year 2012. The overall increase in revenue for the total portfolio was mainly in the retail trade due to the introduction of new product offerings from our food processing plant and the launch of CPJ Market Kingston & CRU Bar + Kitchen.

There was an increase in our gross profit margin moving from 25.7% in 2012 to 28.7% in 2013. Gross profit was \$19.9 million, a 14.4% growth over the prior year. Improvement in supplier relationships, focused marketing and key business partners, contributed to the positive impact on margins.

### Operating Expenses

Selling and Administrative Expenses increased by US\$1.9 million or 16% (2013: US\$13.5 Million; 2012 US\$11.6 Million) primarily due to employment of over additional 100 staff, further expansion of the food processing plant as well as the addition of the new business units which began operating at the end of December,

namely CPJ Market Kingston, The Deli and the award winning Cru Bar facility. Other increases which impacted were utility costs which increased by 45% over that of the prior year, relating primarily to the production facility and Kingston operation.

Depreciation increased significantly from US\$1.09 million to US\$1.56 million or 42.7% as a result of capital expenditure for the manufacturing and operational assets set up during the year. Consequently, operating profit increased by only 5.5% over the prior year. Finance costs increased by 16.7% relating to short term debt used primarily to complete the capital projects to which the company had committed.

The share of loss in our joint venture (Caribbean Egg Processors) increased from the previous year by US\$28 thousand as the plant struggled to compete with the table egg market. In the financial year 2013/14, the plant expects to participate in the Government's School Feeding Programme which will give its sales an additional boost and the directors remain hopeful that the operation is on a pathway to sustainable profits.

The net profit attributable to shareholders for the year June 30, 2013 increased by 5% to 3.2 million compared to US\$3.04 million as at June 30, 2012. Earnings per stock unit moved to USD 0.29c from USD 0.28c.



### Balance Sheet

Current assets rose by US\$4.3 million or 15% over the same period last year. Cash and cash equivalents increased by US\$2.4 million. Trade Receivables decreased by US\$407 thousand while our inventory increased by US\$2.2 million or 14%. Current Liabilities decreased slightly by 1.7%. Long term borrowings increased by US\$2.7 million relating to the J\$500 million bond offer placed at the end of June by BCW Capital Limited, of which J\$335 million was taken up at June 30, 2013. Management intends to retire higher cost debt in the first quarter.

On March 8th, 2013 the Board of Directors met and declared an interim dividend of JA\$.045 per share, which was subsequently paid on March 28th, 2013 to its shareholders on record. This represented the final dividend for the financial year ended June 30, 2013.

### Outlook

The investment in our meat processing plant will continue to contribute to overall sales by servicing the demand of the hospitality market with beef and pork products. During the year, the company began distributing its CPJ branded food products in the major supermarket and hyper market chains. An advertising campaign was designed to generate customer interest and through print and sampling events our CPJ Bacon, Beef & Bacon Burgers, Breakfast Sausages, Chorizo, Italian and Jerk Sausages have been well received in the local trade.

## Management Discussion & Analysis



The successful opening of CPJ Market Kingston, The Deli and CRU bar in December 2012 provided the company with new opportunities to highlight our extensive wines and spirits portfolio, gourmet foods, fine cheeses, specialty items as well as our heritage and house brands.

The company will begin operations in St. Lucia in the first quarter of 2013 with a well-established partner in the Eastern Caribbean. The new company, called CPJ St. Lucia, will primarily focus on setting up beverage system programmes for the hotel sector on the island.

As Jamaica's 50 year celebration ends we are proud of our accomplishments and we remain passionate about developing superior products, maintaining our service levels and continuing to provide value to our customers.

### **Board of Directors**





Above photo shows Mrs. Marlene Street-Forrest, General Manager of the Jamaica Stock Exchange presenting the trophies to Jan Polack, Chief Operating Officer and Dr. David Lowe, VP Marketing and Retail Trade at the JSE premises in Kingston.

In December at the Jamaica Stock Exchange Best Practices Awards Banquet for 2012 Caribbean Producers Jamaica was the winner of the Best Overall company on the Junior Market Stock exchange. (This award was shared with Honey Bun.) Other awards included the Best Website award, as well as 1st runner up on Investor Relations & Corporate Disclosure. The company feels very gratified by the awards bestowed based on our first year on the Junior Stock Exchange.

## Human Resource Initiatives 2012-2013

The success of financial year ending June 30, 2012 was an excellent catalyst to continue with the challenges of 2013. The HR department was kept rigorously challenged with the rapid expansion of the Company by way of the opening of the CPJ Market Kingston store and CRU Bar in Kingston, yet we were also able to achieve the targets set for staff development and employee engagement.

Staff development was accomplished through continuous training across various departments and included the Food Handler Permit renewals, GMP certification for all manufacturing and key warehouse personnel, supervisory training, attending conventions and in-house product training such as Spirits 101 and Wine 101. All training was well received and was seen to positively impact departmental performance. In addition to training, the HR department in conjunction with the Management team began reviewing and updating all employment policies and standard operating procedures as part of our continuous improvement plan. This is in line with our operational goal in the new financial year 2013-14 to become HACCP certified.

The first project relating to employee engagement was the opening in October 2012 of our Staff Wellness Centre which boasts a 700 square foot gym with state-of-the-art equipment and an employee staff canteen. The building was blessed by Deacon Powell of the Blessed Sacrament Cathedral, and the dedication was a fitting culmination to our week of wellness activities. During the Wellness Week, CPJ hosted over 50 suppliers of health services, educational opportunities, housing solutions and financial services. The health services included everything from general check-ups, to eye care, heart checks and cancer screening. Over 200 staff accessed and benefited from the services provided.



*Staff Wellness Week*

In April 2013, we hosted our Staff awards at an elegant beach party at Cornwall Beach in Montego Bay. The sumptuous affair was enjoyed by all employees who watched as their colleagues were recognised for their hard work and commitment over the year to making CPJ a success. The guest speaker, Dr. Blossom O'Meally-Nelson first challenged everyone to continuously improve themselves. Then the night's festivities featured entertainment by Lady Rennae from Fame FM and in house talents who surprised and delighted the group with their acting and dancing skills. It was a memorable evening where some 30 persons were recognised for outstanding performance in all departments. Twelve persons celebrated 10 years with the Company and three celebrated 15 years of long service. Everyone considered the event a tremendous success. ●

## Corporate Social Responsibility 2012-2013



*JISA Sport Championships – Sponsorship*

Caribbean Producers Jamaica Limited is known throughout western Jamaica as the company with a heart. “Charity begins at home” and we kick off our community support every financial year with a scholarship programme which rewards children of CPJ Employees who are at school. This financial year we awarded over J\$1,600,000 in scholarships and bursaries to 29 students from the primary up to the tertiary education level.

This value of sharing extended beyond the doors of CPJ to the wider community despite the tremendous demands of day to day operations. Regardless of time constraints, we were able to support over a hundred community-based, educational, health and sporting initiatives throughout the year in a variety of ways.

Primarily, many community based associations such as police youth clubs, church groups, homes, Kiwanis and Rotary all solicited CPJ’s support in the form of cash or kind for their events and represented 29% of our corporate social responsibility budget.

We supported educational initiatives and this represented 16% of our contributions. For 2013-2014, we have committed to partner

with the Junior Achievement Jamaica team and actively help with the expansion of their initiatives within Montego Bay and the western region.

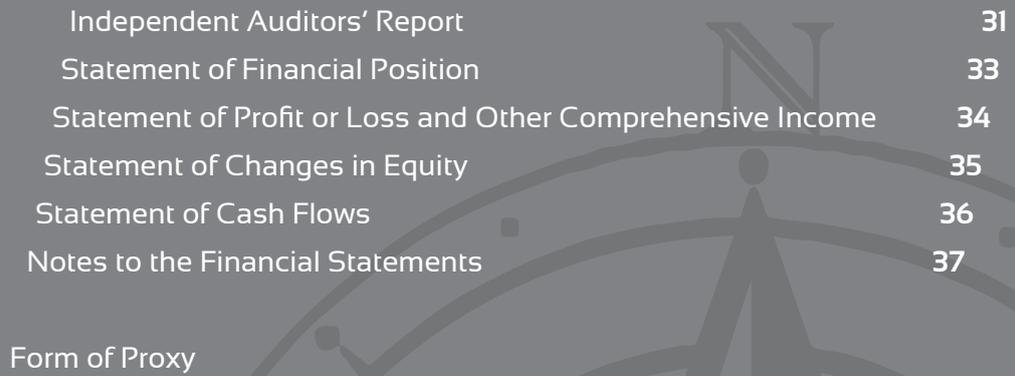
CPJ’s commitment to improved health care for Western Jamaica by way of the We Care for Cornwall Regional, a group dedicated to the upgrade and improvement of the Cornwall Regional Hospital and the Community for the Upliftment of the Mentally Ill (CUMI) represented 48% of our corporate contribution. For both associations, we gave time and talent by having over 45 staff participate in the annual CUMI walkathon and hosting wine dinners where all proceeds went to the We Care Fund.

The remaining 7% of corporate donations supported sporting activities, an area where CPJ plans to do more. CPJ has already committed to being the Corporate Sponsor of the Jamaica Independent Schools Association (JISA) sport championships in 2014 and beyond. This sporting event promotes character development, an attitude of teamwork and genuine care of others as pre-requisite to participation.

CPJ’s employees are excited about the role we play in the community and our participation in community-based activities often helps us to identify future needs for the Company to address, through the Human Resources Department or the CPJ Sports & Social Club. ●

# Audited Accounts

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Form of Proxy	





**KPMG**  
**Chartered Accountants**  
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## INDEPENDENT AUDITORS' REPORT

To the Members of  
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

### **Report on the financial statements**

We have audited the financial statements of Caribbean Producers (Jamaica) Limited, set out on pages 33 to 59, which comprise the statement of financial position as at June 30, 2013, the statements of profit or loss and other 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 of 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 of 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 controls 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.

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Elisabeth A. Jones  
Rt. Tarun Hendo  
Patrick A. Chan  
Patricia O. Dooly-Smith  
Linroy J. Marshall

Cynthia L. Lawrence  
Rajeev Trehan  
Norman O. Bainford  
Nigel R. Chambers



INDEPENDENT AUDITORS' REPORT

To the Members of  
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

**Report on the Financial Statements, continued**

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Caribbean Producers (Jamaica) Limited as at June 30, 2013, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

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

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. 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.

A handwritten signature in blue ink that reads 'KPMG'.

Chartered Accountants  
Montego Bay, Jamaica

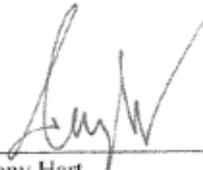
August 28, 2013

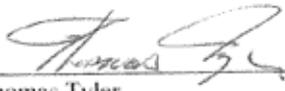
CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Financial Position  
June 30, 2013  
(Presented in United States dollars)

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	3	3,127,306	673,473
Accounts receivable	4	11,092,195	11,499,917
Inventories	5	<u>17,956,774</u>	<u>15,722,412</u>
		<u>32,176,275</u>	<u>27,895,802</u>
<b>CURRENT LIABILITIES</b>			
Short-term loans	6	5,100,000	6,000,000
Accounts payable	7	5,481,644	4,571,929
Short-term promissory notes	8	3,746,667	3,916,667
Current portion of long-term borrowings	14	451,268	516,813
Taxation payable		<u>177,560</u>	<u>218,381</u>
		<u>14,957,139</u>	<u>15,223,790</u>
<b>NET CURRENT ASSETS</b>		17,219,136	12,672,012
<b>NON-CURRENT ASSETS</b>			
Interest in joint venture	9	221,931	268,643
Deferred tax asset	10	88,453	-
Property, plant and equipment	11	<u>11,008,541</u>	<u>8,576,076</u>
		<u>11,318,925</u>	<u>8,844,719</u>
		<u>\$28,538,061</u>	<u>21,516,731</u>
<b>EQUITY</b>			
Share capital	12	4,898,430	4,898,430
Accumulated surplus		<u>8,141,904</u>	<u>5,457,709</u>
		<u>13,040,334</u>	<u>10,356,139</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liability	10	-	17,599
Long-term promissory notes	13	10,213,266	8,614,493
Long-term borrowings	14	<u>5,284,461</u>	<u>2,528,500</u>
		<u>15,497,727</u>	<u>11,160,592</u>
		<u>\$28,538,061</u>	<u>21,516,731</u>

The financial statements on pages 33 to 59 were approved for issue by the Board of Directors on August 28, 2013 and signed on its behalf by:

  
\_\_\_\_\_  
Antony Hart Director

  
\_\_\_\_\_  
Thomas Tyler Director

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITEDStatement of Profit or Loss and Other Comprehensive Income  
Year ended June 30, 2013*(Presented in United States dollars)*

	<u>Notes</u>	<u>2013</u>	<u>2012</u>
Gross operating revenue	15	69,368,052	67,490,871
Cost of operating revenue		<u>(49,463,171)</u>	<u>(50,090,456)</u>
Gross profit		19,904,881	17,400,415
Selling and administration expenses		<u>(13,473,558)</u>	<u>(11,595,487)</u>
Depreciation	11	<u>( 1,566,113)</u>	<u>( 1,097,669)</u>
Other operating income/(expenses), net	16(a)	<u> 82,884</u>	<u>( 18,526)</u>
Operating profit		4,948,094	4,688,733
Finance income	16(b)	1,134	1,761
Finance costs	16(c)	<u>( 1,810,144)</u>	<u>( 1,550,669)</u>
Share of loss in joint venture	9	<u>( 52,289)</u>	<u>( 23,753)</u>
Profit before taxation	16(d)	3,086,795	3,116,072
Taxation	17	<u> 106,052</u>	<u>( 74,017)</u>
Profit for the year, being total comprehensive income		<u>\$ 3,192,847</u>	<u> 3,042,055</u>
Earnings per stock unit	18	<u> 0.29¢</u>	<u> 0.28¢</u>

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Statement of Changes in Equity  
Year ended June 30, 2013  
*(Presented in United States dollars)*

	Share <u>capital</u> (note 12)	<u>Accumulated surplus</u>	<u>Total</u>
Balances at June 30, 2011	5,874	3,044,500	3,050,374
Profit for the year, being total comprehensive income	-	3,042,055	3,042,055
Transactions recorded directly in equity:			
Issue of shares (note 12)	4,892,556	-	4,892,556
Dividends (note 22)	<u>-</u>	<u>( 628,846)</u>	<u>( 628,846)</u>
Balances at June 30, 2012	4,898,430	5,457,709	10,356,139
Profit for the year, being total comprehensive income	-	3,192,847	3,192,847
Transaction recorded directly in equity:			
Dividends (note 22)	<u>-</u>	<u>( 508,652)</u>	<u>( 508,652)</u>
Balances at June 30, 2013	<u>\$4,898,430</u>	<u>8,141,904</u>	<u>13,040,334</u>

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

## Statement of Cash Flows

Year ended June 30, 2013*(Presented in United States dollars)*

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit for the year	3,192,847	3,042,055
Adjustments for:		
Depreciation	1,566,113	1,097,669
Share of loss in joint venture	52,289	23,753
Impairment of investment	-	49,452
Gain on disposal of property, plant and equipment	( 16,420)	( 12,447)
Interest income	( 1,134)	( 1,761)
Interest expense	1,810,144	1,550,669
Taxation	( 106,052)	74,017
	<u>6,497,787</u>	<u>5,823,407</u>
Decrease/(increase) in current assets:		
Accounts receivable	407,722	( 2,232,080)
Inventories	( 2,234,362)	68,865
Increase in current liability:		
Accounts payable	<u>854,586</u>	<u>29,660</u>
Cash generated from operations	5,525,733	3,689,852
Interest paid	( 1,755,015)	( 1,563,494)
Tax paid	( 40,821)	( 653,168)
Net cash provided by operating activities	<u>3,729,897</u>	<u>1,473,190</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest in joint venture	( 5,577)	( 8,773)
Additions to property, plant and equipment	( 4,010,231)	( 4,655,651)
Proceeds from disposal of property, plant and equipment	28,073	69,237
Interest received	<u>1,134</u>	<u>1,761</u>
Net cash used by investing activities	<u>( 3,986,601)</u>	<u>( 4,593,426)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Shares issued, net of expenses	-	4,892,556
Dividends paid	( 508,652)	( 628,846)
Promissory notes received	4,048,773	921,555
Promissory notes repaid	( 2,620,000)	( 1,180,400)
Long-term/short-term borrowings received	11,407,229	12,135,000
Long-term/short-term borrowings repaid	( 9,616,813)	(13,217,407)
Net cash provided by financing activities	<u>2,710,537</u>	<u>2,922,458</u>
Net increase/(decrease) in cash and cash equivalents	2,453,833	( 197,778)
Cash and cash equivalents at beginning of the year	<u>673,473</u>	<u>871,251</u>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b><u>\$ 3,127,306</u></b>	<b><u>673,473</u></b>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

## Notes to the Financial Statements

June 30, 2013*(Presented in United States dollars)*1. The company

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

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

The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on July 20, 2011.

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

## (a) Statement of compliance:

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

**New, revised and amended standards and interpretations that became effective during the year:**

During the year, the revision to IAS 1 *Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income* became effective. Aside from the change on page 4 from statement of comprehensive income to Statement of Profit or Loss and Other Comprehensive Income, the standard did not have any significant impact on these financial statements.

**New, revised and amended standards and interpretations issued but not yet effective:**

At the date of authorisation of the financial statements, certain new, revised and amended standards and interpretations have been issued but were not yet effective and which the company has not early-adopted. Those which management considered relevant to the company and their effective dates are as follows:

- IFRS 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after January 1, 2013. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation of Special Purpose Entities* and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when (1) it is exposed or has rights to variable returns from its involvement with that investee; (2) has the ability to affect those returns through its power over that investee; and (3) there is a link between power and returns. The exposure to risks and rewards of an investee does not, on its own, determine that the investor has control over an investee. It is one of the factors of the control analysis. IFRS 10 clarifies that the investor always considers purpose and design of the investee when assessing control.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

**New, revised and amended standards and interpretations issued but not yet effective (cont'd):**

- IFRS 11 *Joint Arrangements* and IAS 28 (2011) *Investments in Associates and Joint Ventures* are effective for annual reporting periods beginning on or after January 1, 2013. The new IFRS carves out from IAS 31 *Jointly Controlled Entities*, those cases in which there is a separate vehicle but separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets and are now called “joint operations”. IFRS 11 also removes the option of proportionate consolidation and mandates the use of equity accounting for jointly controlled entities where separation is considered effective, now called “joint ventures”.
- IFRS 12 *Disclosure of Interests in Other Entities* is effective for annual reporting periods beginning on or after January 1, 2013. It contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order 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.

Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

- IFRS 13 *Fair Value Measurement* is effective for annual reporting periods beginning on or after January 1, 2013. It replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains ‘how’ to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. It defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

**New, revised and amended standards and interpretations but not yet effective (cont'd):**

- IAS 27 (2011) *Separate Financial Statements* is effective for annual reporting periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27.
- Improvements to IFRS 2009-2011 cycle contains amendments to certain standards and interpretations and are effective for annual reporting 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 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 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* 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* 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.
- Amendments to IAS 32 *Financial Instruments: Presentation* is effective for annual reporting periods beginning on or after January 1, 2014. The standard clarifies that an entity currently has a legally enforceable right to offset if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all the counterparties. In addition, it clarifies that gross settlement is only equivalent to net settlement if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

**New, revised and amended standards and interpretations but not yet effective (cont'd):**

- IFRS 9 *Financial Instruments* is effective for annual reporting periods beginning on or after January 1, 2015. 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 “at 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.

Management is evaluating the impact that the foregoing standards and amendments to standards will have on its financial statements when they are adopted.

## (b) Basis of preparation:

These financial statements represent the individual financial statements of the company, with its joint venture investment accounted for using the equity method.

The financial statements are prepared under the historical cost convention, modified for the inclusion of the company's interest in joint venture using the equity method, and are presented in United States dollars (US\$), which is the company's functional currency.

## (c) Use of estimates and judgements:

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

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

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)  
June 30, 2013  
*(Presented in United States dollars)*

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

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

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

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that there may be a measurable decrease in the estimated future cash flows from receivables, caused for example, by default or adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are observable on significant receivables with similar characteristics, such as credit risks.

## (ii) Net realisable value of inventories:

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

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

## (iii) Judgement in evaluation of contingencies:

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

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

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

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

## (d) Cash and cash equivalents:

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (e) Accounts receivable:

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

## (f) Inventories:

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

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

## (g) Property, plant and equipment:

## (i) Owned assets:

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

## (ii) Depreciation:

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

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

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

## (h) Accounts payable:

Trade and other payables are stated at amortised cost.

## (i) Provisions:

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (j) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the “reporting entity”).

(a) A person or a close member of that person’s family is related to a reporting entity if that person:

- (i) has control or joint control over the reporting entity;
- (ii) has significant influence over the reporting entity; or
- (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (vi) The entity is controlled, or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

## (k) Revenue recognition:

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (l) Expense/income:

## (i) Finance income and costs:

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

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

## (ii) Operating lease payments:

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

## (m) Taxation:

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

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

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

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

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

## (n) Impairment:

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

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

## (i) Calculation of recoverable amount:

The recoverable amount of the company's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

## (ii) Reversals of impairment:

An impairment loss in respect of receivables is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

## (o) Interest-bearing borrowings:

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

## (p) Foreign currencies:

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

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

## (q) Financial instruments:

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*2. Statement of compliance, basis of preparation and significant accounting policies (cont'd)

## (r) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

## (s) Interest in joint venture:

This represents entities or operations over which the company, by virtue of a joint venture agreement, exercises joint control with one or more entities. Interest in joint venture is accounted for using the equity method in accordance with IAS 31 *Interest in Joint Ventures*, whereby the investment is recognised initially at cost and thereafter the carrying amount is increased or reduced by the company's share of profits or losses after the acquisition date.

## (t) Operating segments:

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

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

## (u) Transaction costs:

## (i) Transaction costs of share issue:

Transaction costs on the issue of shares are deducted from the proceeds of the issue of share capital to the extent the costs are directly attributable to the issue of the shares.

## (ii) Debt issuance costs:

Debt issuance costs represent financing and certain related fees associated with securing long-term borrowings. Amortisation is charged to profit or loss on the effective interest basis over the life of the related borrowings.

## (v) Share-based payment transactions:

The grant-date fair value of share-based payment awards granted to employees or other parties is recognised as an expense, with a corresponding increase in share capital.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)  
June 30, 2013  
*(Presented in United States dollars)*

3. <u>Cash and cash equivalents</u>		
	<u>2013</u>	<u>2012</u>
Cash	13,376	6,747
Bank balances	<u>3,113,930</u>	<u>666,726</u>
	<u>\$3,127,306</u>	<u>673,473</u>
4. <u>Accounts receivable</u>		
	<u>2013</u>	<u>2012</u>
Trade receivables	8,702,630	9,049,722
Other receivables	<u>2,460,565</u>	<u>2,524,591</u>
	11,163,195	11,574,313
Less: Allowance for doubtful debts	( 71,000)	( 74,396)
	<u>\$11,092,195</u>	<u>11,499,917</u>

Trade receivables include \$61,371 (2012: \$42,223) due from directors and \$17,710 (2012: \$81,844) due from related companies.

Other receivables include \$6,160 (2012: \$5,073) due from directors and \$740,441 (2012: \$740,860) due from related companies.

The aging of trade receivables at the reporting date was:

	<u>2013</u>		<u>2012</u>	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Not past due	6,194,565	-	6,088,537	-
Past due 31- 45 days	1,090,216	-	916,229	-
More than 45 days	<u>1,417,849</u>	<u>71,000</u>	<u>2,044,956</u>	<u>74,396</u>
Trade accounts receivable	<u>\$8,702,630</u>	<u>71,000</u>	<u>9,049,722</u>	<u>74,396</u>

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

	<u>2013</u>	<u>2012</u>
Balance at beginning of year	74,396	69,017
Amounts written off	(39,181)	(32,759)
Amount provided during the year	<u>35,785</u>	<u>38,138</u>
Balance at end of year	<u>\$71,000</u>	<u>74,396</u>

During the year bad debt expenses aggregating \$32,789 (2012: \$36,965) were recognised.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*5. Inventories

	<u>2013</u>	<u>2012</u>
Goods held for resale – duty paid	14,078,353	12,202,081
Goods held in bonded warehouse	631,827	992,456
Goods in transit	2,331,715	2,151,175
Raw materials	737,224	272,914
Others	<u>177,655</u>	<u>103,786</u>
	<u>\$17,956,774</u>	<u>15,722,412</u>

During the year, expenses relating to inventory write-offs amounted to \$521,756 (2012: \$461,800).

6. Short-term loans

These commercial bank loans bear interest at 6.50% (2012: 6.50%) per annum and are repayable on demand. These loans are secured as detailed in note 14.

7. Accounts payable

	<u>2013</u>	<u>2012</u>
Trade payables	4,529,969	3,391,973
Other payables	<u>951,675</u>	<u>1,179,956</u>
	<u>\$5,481,644</u>	<u>4,571,929</u>

Trade payables include \$2,076 (2012: \$3,437) due to directors and \$87,146 (2012: \$49,646) due to related companies.

Other payables include \$110,367 (2012: \$105,665) due to related companies.

8. Short-term promissory notes

These promissory notes are repayable with three months notice to the company, are unsecured and bear interest at 7% to 8% per annum (2012: 6% to 8%). This includes \$500,000 payable to a related company, which is controlled by key management.

9. Interest in joint venture

	<u>2013</u>	<u>2012</u>
Shares, at cost	77	77
Additional cost of acquisition	406,977	406,977
Advances	<u>68,321</u>	<u>62,744</u>
	475,375	469,798
Less: Share of accumulated losses	<u>(253,444)</u>	<u>(201,155)</u>
	<u>\$221,931</u>	<u>268,643</u>

The company holds a 50% interest in Caribbean Egg Processors Limited (CEP), a company incorporated to purchase, process and sell eggs, related products and services.

The company has recognised its interest in joint venture using the equity method and based on information available from the unaudited financial statements of CEP whose reporting date is June 30.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)  
June 30, 2013  
*(Presented in United States dollars)*

9. Interest in joint venture (cont'd)

Summary of financial information for CEP is as follows:

	<u>2013</u>	<u>2012</u>
Current assets	131,977	165,194
Non-current assets	177,949	254,540
Current liabilities	149,003	122,356
Non-current liabilities	<u>655,631</u>	<u>714,443</u>
Income	523,101	514,189
Expenses	<u>(627,679)</u>	<u>(561,695)</u>
Loss for the year	<u>(104,578)</u>	<u>( 47,506)</u>
Company's share of loss	<u>\$( 52,289)</u>	<u>( 23,753)</u>

10. Deferred tax (liability)/asset

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

	<u>2011</u>	<u>Recognised in income [note 17(a)]</u>	<u>2012</u>	<u>Recognised in income [note 17(a)]</u>	<u>2013</u>
Property, plant and equipment	<u>\$2,940</u>	<u>(20,539)</u>	<u>(17,599)</u>	<u>106,052</u>	<u>88,453</u>

11. Property, plant and equipment

	<u>Leasehold improvements</u>	<u>Furniture, fixtures and equipment</u>	<u>Computer equipment</u>	<u>Aircraft and motor vehicles</u>	<u>Construction in progress</u>	<u>Total</u>
Cost:						
June 30, 2011	3,593,746	3,963,241	858,954	1,183,908	-	9,599,849
Additions	1,400,366	2,267,492	132,373	180,984	674,436	4,655,651
Disposals	<u>-</u>	<u>( 103,664)</u>	<u>-</u>	<u>( 44,827)</u>	<u>-</u>	<u>( 148,491)</u>
June 30, 2012	4,994,112	6,127,069	991,327	1,320,065	674,436	14,107,009
Additions	1,591,575	1,949,266	348,947	120,443	-	4,010,231
Transfers	626,916	-	47,520	-	(674,436)	-
Disposals	<u>( 174,630)</u>	<u>( 14,767)</u>	<u>( 104,467)</u>	<u>( 84,814)</u>	<u>-</u>	<u>( 378,678)</u>
June 30, 2013	<u>7,037,973</u>	<u>8,061,568</u>	<u>1,283,327</u>	<u>1,355,694</u>	<u>-</u>	<u>17,738,562</u>
Depreciation:						
June 30, 2011	1,346,093	1,660,454	692,036	826,382	-	4,524,965
Charge for the year	369,959	455,707	114,782	157,221	-	1,097,669
Disposals	<u>-</u>	<u>( 47,834)</u>	<u>-</u>	<u>( 43,867)</u>	<u>-</u>	<u>( 91,701)</u>
June 30, 2012	1,716,052	2,068,327	806,818	939,736	-	5,530,933
Charge for the year	555,919	679,889	156,754	173,551	-	1,566,113
Disposals	<u>( 174,630)</u>	<u>( 5,782)</u>	<u>( 101,839)</u>	<u>( 84,774)</u>	<u>-</u>	<u>( 367,025)</u>
June 30, 2013	<u>2,097,341</u>	<u>2,742,434</u>	<u>861,733</u>	<u>1,028,513</u>	<u>-</u>	<u>6,730,021</u>
Net book values:						
June 30, 2013	<u>\$4,940,632</u>	<u>5,319,134</u>	<u>421,594</u>	<u>327,181</u>	<u>-</u>	<u>11,008,541</u>
June 30, 2012	<u>\$3,278,060</u>	<u>4,058,742</u>	<u>184,509</u>	<u>380,329</u>	<u>674,436</u>	<u>8,576,076</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*12. Share capital

Authorised:

176,000,000,000  
ordinary shares of no par value

Stated capital, issued and fully paid:

1,100,000,000 ordinary shares  
of no par value

Less: Transaction costs of share issue

	<u>2013</u>	<u>2012</u>
	5,117,611	5,117,611
	( 219,181)	( 219,181)
	<u>\$4,898,430</u>	<u>4,898,430</u>

On February 15, 2011, the company unanimously passed a resolution that the authorised share capital of the company be increased from 1,000 to 100,000,000 ordinary shares of no par value.

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

- to capitalise the sum of \$5,844 (J\$499,000) standing to the credit of the company's revenue reserves and to apply such sum in paying up in full at par on behalf of the current shareholders 499,000 ordinary shares and that such shares be allotted, distributed and credited as fully paid, in accordance with their existing holdings in the company;
- That the authorised share capital of the company be increased from 100,000,000 to 176,000,000,000 shares;
- That each of the existing issued and unissued ordinary shares in the capital of the company be divided into 1,760 ordinary shares.

In July 2011, the company issued 220,000,000 new shares to the public and its shares were listed on the Junior Stock Market of the Jamaica Stock Exchange on July 20, 2011 (note 1).

The public issue included shares offered to employees and other parties at a price which was less than the offer price of J\$2 per share at cost. The difference between the price offered to employees or other parties and the offer price of J\$2 per share amounted to \$139,395. This was recognised as an expense with a corresponding increase in share capital.

13. Long-term promissory notes

	<u>2013</u>	<u>2012</u>
Due to related companies (controlled by key management) [note (a)]	9,500,000	8,056,000
Due to related company (controlled by key management) [note (b)]	650,000	500,000
Due to other party [note (a)]	<u>63,266</u>	<u>58,493</u>
	<u>\$10,213,266</u>	<u>8,614,493</u>

(a) These loans attract interest at 6% to 9% (2012: 8% to 9%) per annum, are unsecured and not repayable before June 30, 2014 (see note 14).

(b) These loans are unsecured, interest-free, and are not repayable before June 30, 2014.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)  
June 30, 2013  
*(Presented in United States dollars)*

14. Long-term borrowings

		<u>2013</u>	<u>2012</u>
9% Bonds	(a)	3,304,556	-
7% RBC Royal Bank (Jamaica) Limited	(b)	109,808	287,956
7% RBC Royal Bank (Jamaica) Limited	(c)	105,376	144,041
7% RBC Royal Bank (Jamaica) Limited	(d)	800,000	900,000
7% RBC Royal Bank (Jamaica) Limited	(e)	<u>1,600,000</u>	<u>1,800,000</u>
		5,919,740	3,131,997
Less: Current portion		<u>( 451,268)</u>	<u>( 516,813)</u>
		<u>5,468,472</u>	<u>2,615,184</u>
Debt issuance costs :			
At beginning of the year	(f)	( 86,684)	-
Costs incurred during the year		( 107,238)	( 95,432)
Debt costs amortised during the year		<u>9,911</u>	<u>8,748</u>
At the end of the year		<u>( 184,011)</u>	<u>( 86,684)</u>
		<u>\$5,284,461</u>	<u>2,528,500</u>

- (a) On April 29, 2013, the company authorised the private placement by way of an exempt distribution under the Guidelines for Exempt Distributions (Guidelines SR-GUID-08/05-0016) of a series of 5-year promissory Bonds (“the Bonds”) denominated in Jamaican dollars (“J\$”) for an aggregate principal amount of up to J\$500,000,000. At June 30, 2013, bonds totaling J\$335,000,000 were subscribed.

The bonds are secured by 5 year demand debentures over fixed and floating assets of the company.

- (b) This represents the balance due on an initial loan of \$800,000. The loan is repayable in sixty equal monthly instalments of principal and interest of \$16,055, the final instalment being due in January 2014.
- (c) This represents the balance due on an initial loan of \$200,000. The loan is repayable in sixty monthly instalments of principal and interest of \$3,960, the final instalment being due on November 2015.
- (d) This represents the balance due on an initial loan of \$1,000,000. The loan is repayable in one hundred and twenty monthly instalments of principal of \$8,333, the final instalment being due in June 2021.
- (e) This represents the balance of an initial loan at \$2,000,000. The loan is repayable in one hundred and twenty monthly instalments of principal of \$16,667, the final instalment being due on June 2021.
- (f) This represents costs incurred in obtaining certain long-term borrowings. The costs are being written off over the period of the borrowings on the effective interest basis.

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*14. Long-term borrowings (cont'd)

The borrowings at (b) to (e) are secured by:

- Personal guarantee of a director limited to \$10,000,000.
- Demand debentures over fixed and floating assets amounting to \$11,112,000 and J\$50,000,000.
- First demand mortgage over commercial property located at Montego Bay Freeport for \$1,000,000.
- Subordination agreement in the amount of \$6,000,000 in respect of an inter-company loan (see note 13).
- Corporate guarantee of Hull Investments Limited (related party) to cover \$2,000,000.
- Acknowledged assignment of insurance policies in the amount of \$20,368,802 over commercial properties and other assets.

15. Gross operating revenue

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

16. Disclosure of income/(expenses)

	<u>2013</u>	<u>2012</u>
(a) Other operating income/(expenses), net:		
Foreign exchange gains	19,595	4,698
Gain on disposal of property, plant and equipment	16,420	12,447
Others	<u>46,869</u>	<u>(35,671)</u>
	<u>\$82,884</u>	<u>(18,526)</u>
(b) Finance income:		
Interest income - third party	<u>\$ 1,134</u>	<u>1,761</u>
(c) Finance costs:		
Interest on promissory notes	1,228,320	1,012,762
Interest on long-term and short term borrowings	531,290	535,691
Overdraft interest	<u>50,534</u>	<u>2,216</u>
	<u>\$1,810,144</u>	<u>1,550,669</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)  
June 30, 2013  
(Presented in United States dollars)

16. Disclosure of income/(expenses) (cont'd)

(d) Statutory disclosures:

Profit before taxation is stated after charging:

	<u>2013</u>	<u>2012</u>
	\$	\$
Staff costs	6,493,687	5,089,692
Impairment allowance on investment	-	49,452
Directors' emoluments	429,343	291,503
Auditors' remuneration	<u>27,620</u>	<u>28,750</u>

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

17. Taxation

	<u>2013</u>	<u>2012</u>
(a) Income tax charge:		
Current year tax at 30% (2012: 33 $\frac{1}{3}$ %)	-	53,478
Deferred tax:		
Origination and reversal of temporary differences (note 10)	(106,052)	20,539
Tax (credit)/charge recognised in profit for the year	\$(106,052)	74,017
(b) Reconciliation of actual taxation (credit)/charge:		
Profit before taxation	\$3,086,795	3,116,072
Computed "expected" tax charge at 30% (2012: 33 $\frac{1}{3}$ %)	926,039	1,038,691
Tax effect of differences between treatment for financial statement and taxation purposes:		
Depreciation and capital allowances	( 1,192)	11,666
Other items, net	55,879	329
Effect of change in tax rate	( 9,828)	-
Tax remission [note (c)]	(1,076,950)	( 976,669)
	\$(106,052)	74,017

(c) The company's shares were listed on the Junior Market of the Jamaica Stock Exchange on July 20, 2011. Consequently, the company is entitled to a remission of taxes for 10 years in the proportions set out below, provided the shares remain listed for at least 15 years:

- Years 2012 to 2016 - 100%
- Years 2017 to 2021 - 50%

18. Earnings per stock unit

Earnings per stock unit is calculated by dividing the profit for the year by the weighted average number of ordinary shares in issue for the year as follows:

	<u>2013</u>	<u>2012</u>
Issued ordinary shares at beginning of year	1,100,000,000	880,000,000
Effect of shares issued during the year	<u>-</u>	<u>208,579,235</u>
Weighted average number of ordinary shares held during the year	<u>1,100,000,000</u>	<u>1,088,579,235</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*19. Related party transactions

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

	<u>2013</u>	<u>2012</u>
	\$	\$
Sales to related companies/directors	(189,437)	(146,191)
Interest expense paid to a related companies	971,822	772,604
Rent paid to a related company	50,900	50,400
Agency fee paid to a related company	780,000	930,000
Compensation for key management:		
Short-term benefits	<u>420,876</u>	<u>357,812</u>

Note - related companies represent companies controlled by key management.

20. Lease commitments

At June 30, 2013, there were unexpired operating lease commitments in relation to leasehold property, payable as follows:

	<u>2013</u>	<u>2012</u>
Within one year	439,985	473,685
Between one and five years	<u>1,004,282</u>	<u>1,763,956</u>
	<u>\$1,444,267</u>	<u>2,237,641</u>

During the year, the total operating lease expenses recognised amounted to \$571,508 (2012: \$437,727).

21. Contingent liabilities

- (a) In 2007, the Valuation Audit Unit of the Jamaica Customs Department conducted an audit relating to 2004 and submitted a claim for Special Consumption Tax (SCT) and General Consumption Tax (GCT) amounting to approximately \$260,775 (J\$26,436,145) to which the company has objected. The directors are of the opinion that it is unlikely that the Revenue Protection Division will prove any significant portion of this claim. Therefore, no provision has been made in the financial statements.
- (b) The company has issued counter-indemnities in support of contingent liabilities held with RBC Royal Bank (Jamaica) Limited for amounts totaling \$251,600 and \$109,073 (J\$11,057,345).

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*22. Dividends

On March 8, 2013, the directors declared a dividend of J\$0.045 (2012: J\$0.05) per share amounting to \$508,652 (J\$49,500,000) [2012: \$628,846 (J\$55,000,000)].

23. Financial instruments

## (a) Financial risk management:

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

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

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

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

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

## (i) Credit risk:

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

The maximum exposure to credit risk at the reporting date was represented by the carrying value of financial assets in the statement of financial position.

*Cash and cash equivalents*

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

*Accounts receivable*

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

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*23. Financial instruments (cont'd)

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

## (i) Credit risk (cont'd):

*Accounts receivable (cont'd)*

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

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

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

## (ii) Liquidity risk:

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

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

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

	2013			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Short-term loans	5,100,000	5,431,500	5,431,500	-
Accounts payable	5,481,644	5,481,644	5,481,644	-
Short-term promissory notes	3,746,667	4,030,766	4,030,766	-
Long-term promissory notes	10,213,266	11,863,389	-	11,863,389
Long-term borrowings	<u>5,735,729</u>	<u>8,508,226</u>	<u>618,292</u>	<u>7,889,934</u>
Total financial liabilities	<u>\$30,277,306</u>	<u>35,315,525</u>	<u>15,562,202</u>	<u>19,753,323</u>

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)  
June 30, 2013  
(Presented in United States dollars)

23. Financial instruments (cont'd)

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

(ii) Liquidity risk (cont'd):

	2012			
	Carrying amount	Contractual cash flows	1 year or less	2-9 years
Short-term loans	6,000,000	6,390,000	6,390,000	-
Accounts payable	4,571,729	4,571,729	4,571,729	-
Short-term promissory notes	3,916,667	4,227,166	4,227,166	-
Long-term promissory notes	8,614,493	10,073,932	-	10,073,932
Long-term borrowings	<u>3,045,313</u>	<u>4,167,405</u>	<u>640,180</u>	<u>3,527,225</u>
Total financial liabilities	<u>\$26,148,202</u>	<u>29,430,232</u>	<u>15,829,075</u>	<u>13,601,157</u>

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

(iii) Market risk:

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

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

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

*Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company materially contracts financial liabilities at fixed interest rates. These primarily relate to bank overdrafts and loans which are subject to interest rates fixed in advance, but which may be varied with appropriate notice by the lenders. At the reporting date, financial liabilities subject to interest, aggregated \$24,329,673 (2012: \$21,163,157).

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)

June 30, 2013*(Presented in United States dollars)*23. Financial instruments (cont'd)

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

## (iii) Market risk (cont'd):

*Interest rate risk (cont'd)*

Interest-bearing financial assets are primarily represented by cash and cash equivalents, which are contracted at various interest rates. At the reporting date, financial assets subject to third party interest is \$54,890 (2012: \$594,039).

*Sensitivity analysis*

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

*Foreign currency risk*

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The company incurs foreign currency risk primarily on receivables, purchases and borrowings that are denominated in a currency other than the United States dollar. The principal foreign currency risks of the company are denominated in Jamaica dollar (JMD).

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

At the reporting date, net foreign currency (liabilities)/assets of the company are as follows:

	<u>2013</u> <u>JMD</u>	<u>2012</u> <u>JMD</u>
Cash and cash equivalents	47,732,509	6,283,743
Accounts receivable	53,993,308	169,257,119
Accounts payable	(153,106,247)	(153,597,551)
Long term borrowings	<u>(335,000,000)</u>	<u>-</u>
Net foreign currency (liabilities)/assets	<u>(386,380,430)</u>	<u>21,943,311</u>

Exchange rates for the JMD, in comparison to the United States dollar, were:

	<u>JMD</u>
June 30, 2013:	\$101.38
June 30, 2012:	\$ 88.20

CARIBBEAN PRODUCERS (JAMAICA) LIMITED

Notes to the Financial Statements (Continued)  
June 30, 2013  
*(Presented in United States dollars)*

23. Financial instruments (cont'd)

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

(iii) Market risk (cont'd):

*Foreign currency risk (cont'd)*

*Sensitivity analysis*

Changes in exchanges rates would have the effect described below:

	<u>Increase/(decrease) in</u> <u>profit for the year</u>	
	<u>2013</u>	<u>2012</u>
	US\$	US\$
1% (2012: 1%) strengthening against the US\$	\$ <u>(38,112)</u>	<u>2,488</u>
10% (2012: 1%) weakening against the US\$	\$ <u>381,121</u>	<u>(2,488)</u>

The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is done on the same basis as for 2012.

(b) Capital risk management:

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

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

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

(c) Fair value disclosures:

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





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