Salada

Salada Foods Jamaica Limited

ANNUAL REPORT 2013

Organization

DIRECTORS:

John Bell - Chairman
Michael Bernard
Jeffrey Cobham
Aubyn Hill
Kathryn Lewis
Keshia Nelson-Brown
Julian Rodney - Managing Director
Eric Stultz
Patrick Williams

SECRETARY:

M. Olivia Glover

ATTORNEYS-AT-LAW:

Livingston, Alexander & Levy
72 Harbour Street
Kingston

BANKERS:

National Commercial Bank Jamaica Limited
211 Hagley Park Road
Kingston 11

AUDITORS:

KPMG
The Victoria Mutual Building
6 Duke Street
Kingston

REGISTRAR & TRANSFER AGENTS:

Duke Corporation Limited
Sociatbank Centre, Duke Street
Kingston

REGISTERED OFFICE:

20 Bell Road, P.O. Box 71, Kingston 11
Tel: (876) 923-7114-6
Fax: (876) 923-5336
Website: http://www.saladafoodsja.com
Email: info@saladafoodsja.com

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Salada

Mission Statement

Salada is committed to
manufacturing products
of the **highest quality**
at the most competitive prices
for both local and export markets.
Salada, by its **commitment,**
endeavours to improve the
quality of life of its **employees,**
optimise the returns to its **shareholders**
and contribute to the
well being of the **communities**
we serve in **Jamaica**
and elsewhere.

Salada

Notice of Annual General Meeting

Notice is hereby given that the Forty-ninth Annual General Meeting of the above-named Company will be held on the 24th day of February, 2014 at 3:00 p.m. in the Negril Suite, Jamaica Pegasus Hotel, 85 Knutsford Boulevard, Kingston 5, for the following purposes:

1. Audited Accounts

   To consider and if thought fit pass the following ordinary resolution:

   "THAT the Audited Accounts for the year ended 30 September, 2013 and the report of the Directors and Auditors thereon, be and are hereby received and adopted".

2. To ratify dividend

   To consider and if thought fit pass the following ordinary resolution:

   "THAT the dividend of $0.40 cents per stock unit, of record date December 3, 2013; was paid on December 19, 2013 be and is hereby ratified".

3. Election of Directors

   Pursuant to Article 72 of the Company's Articles of Incorporation at every Annual General Meeting one-third of the Directors subject to retirement for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, shall retire from office. The Directors retiring under this Article are Mr. John Bell, Mr. Aubyn Hill and Miss Kathryn Lewis, and being eligible, offer themselves for re-election.

   To consider and if thought fit pass the following resolution:

   (a) "THAT retiring Director, Mr. John Bell, be and is hereby re-elected a Director of the Company."

   (b) "THAT retiring Director, Mr. Aubyn Hill, be and is hereby re-elected a Director of the Company."

   (c) "THAT retiring Director, Miss Kathryn Lewis, be and is hereby re-elected a Director of the Company."

4. To appoint auditors and authorize Directors to fix their remuneration.

   "THAT KPMG having signified their willingness to continue in office as Auditors of the Company until the conclusion of the next Annual General Meeting, at a remuneration to be agreed by the Directors."

NOTES

1. A member eligible to attend and vote at a General Meeting is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A proxy, so appointed, need not be a member of the Company.

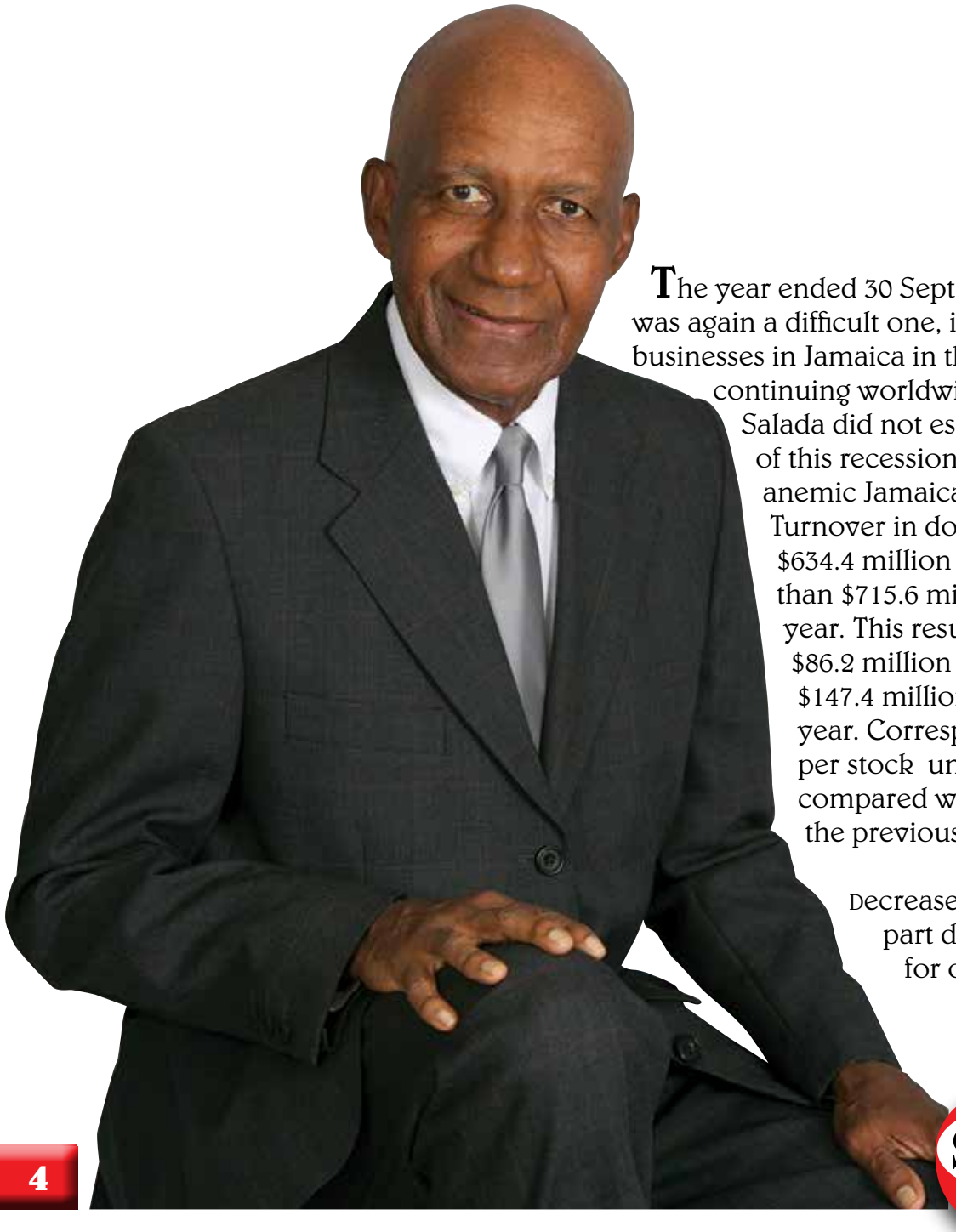
2. All members are entitled to attend and vote at the meeting.

3. Enclosed is a form of proxy which must be deposited with the Secretary, at the Registered Office of the Company not less than forty-eight hours before the time appointed for holding the meeting.

DATED this 28th day of November, 2013
BY ORDER OF THE BOARD

M. Olivia Glover
COMPANY SECRETARY

Chairman's Statement



The year ended 30 September, 2013, was again a difficult one, in general, for businesses in Jamaica in the face of a continuing worldwide recession. Salada did not escape the full force of this recession as well as the anemic Jamaican economy. Turnover in dollar value of $634.4 million was 11.3% less than $715.6 million in the previous year. This resulted in a net profit of $86.2 million compared with $147.4 million in the previous year. Correspondingly, earnings per stock unit were $0.87 cents compared with $1.43 cents in the previous year.

Decrease in sales was in large part due to weak demand for our products in the

domestic market because of the ever-increasing cost of living in the country concomitant with wage freezes in the public sector as well as continuing devaluations of the Jamaican dollar and the resulting erosion of purchasing power. This, however, was partially offset by increased export sales. Additionally, we commenced operation of our new subsidiary, Mountain Peak Food Processors Limited, during the year. Initially, sales have been slow in that area as products are introduced into the market. Our breakdown of sales was as follows:

Salada-local	-	500.3M
Salada-export	-	129.7M
Mountain Peak	-	4.4M
		$634.4M

As far as costs were concerned, in the manufacturing area, our gross profit percentage decreased from 46% in 2012 to 36% for the year ended 30 September, 2013. The factors that led to this included reduced local demand, which led to our factory overheads being spread over a lower number of unit sales, export sales which carry lower margins as well as sales of Mountain Peak products which have not yet reached break-even point. These were the main drivers behind our reduction in profits.

With respect to income from our investments, there was an increase of approximately 96%, resulting in our finance income increasing from $17.284 million in 2012 to $34.045 million in 2013. This was the result of continuing prompt payment from our distributor, which enabled us to have more funds on deposit from time to time as well as our holding of foreign exchange from exports, which resulted in considerable foreign exchange gains.

During the financial year we paid a dividend of $0.40 cents per stock unit which was approved on 20 November, 2012. This amounted to $41.552 million. A dividend of $0.40 cents per share ($41.552 million) was also approved on 19 November, 2013 for payment on 19 December, 2013 to stockholders on record as of 3 December, 2013.

I again take the opportunity to thank my fellow directors, employees and all our stakeholders for their invaluable support during the past year and look forward in anticipation to a productive and successful year ahead.

John L. M. Bell
Chairman

Ten Year Summary

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 30th September	2013	2012	2011	2010	2009	2008	2007	2006	2005	Restated 2004
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
TURNOVER	634,434	715,609	560,862	426,375	432,425	393,802	342,751	302,926	268,739	248,951
COST OF SALES	406,512	385,592	363,572	260,151	234,776	230,980	201,108	192,525	185,299	164,777
GROSS PROFIT	227,922	330,017	197,290	166,224	197,649	162,822	141,643	110,401	83,440	84,174
NET EXPENSES (Excluding Depreciation)	119,731	115,957	101,937	77,382	75,178	72,273	55,877	54,372	78,932	48,026
DEPRECIATION	19,161	6,778	4,171	3,852	3,473	6,352	8,881	9,309	9,121	8,300
PROFIT BEFORE TAX	124,453	224,252	110,563	123,086	161,838	114,034	102,834	56,093	5,568	36,161
TAXATION	38,238	76,875	38,643	41,678	53,643	38,706	34,668	19,168	2,823	12,060
PROFIT RETAINED	86,215	147,377	71,920	81,408	108,195	75,328	68,166	36,925	2,745	24,101
Parent Company	107,947	153,396	72,643	82,132	108,919	76,052	68,561	37,168	4,201	25,274
Subsidiary	(17,461)	(4,960)	(723)	(724)	(724)	(724)	(395)	(243)	(1,456)	(1,173)
Non-Controlling Interest	(4,271)	(1,059)	-	-	-	-	-	-	-	-

CONSOLIDATED BALANCE SHEET Year ended 30th September CAPITAL EMPLOYED										
Share Capital	73,216	73,216	73,216	73,216	73,216	73,216	73,216	73,216	73,216	73,216
Capital Reserve	16,275	16,275	16,275	16,275	16,275	16,275	16,275	16,275	16,275	16,275
Accumulated Surplus	614,485	565,551	453,473	417,911	367,647	259,452	184,124	115,958	79,033	76,288
Non-Controlling Interest	3,320	7,591	-	-	-	-	-	-	-	-
LONG TERM LIABILITIES										
Deferred Tax Liability	7,376	11,104	9,420	13,325	12,076	8,290	5,377	3,967	4,740	4,740
Long Term Loan	-	-	-	-	-	1,311	7,211	12,262	17,266	22,412
Employee Beneft Obligation	23,689	20,880	18,563	15,707	-	-	-	-	-	-
FUNDS EMPLOYED	738,361	694,617	570,947	536,434	469,214	358,544	286,203	221,678	190,530	192,931
REPRESENTED BY:										
Fixed Assets & Investments	274,784	155,726	91,228	83,056	62,996	63,580	60,687	64,523	70,267	80,186
Net Current Assets	463,577	538,891	479,719	453,378	406,218	294,964	225,516	157,155	120,263	112,745
NET WORTH	738,361	694,617	570,947	536,434	469,214	358,544	286,203	221,678	190,530	192,931
ORDINARY SHARES ISSUED (thousands)	103,883	103,883	103,883	103,883	103,883	103,880	103,880	103,880	103,880	103,880
ORDINARY SHARES AUTHORISED (thousands)	500,000	500,000	500,000	500,000	500,000	104,000	104,000	104,000	104,000	104,000
						Restated			Restated	
EARNINGS PER STOCK UNIT (dollars)	0.87	1.43	0.69	0.78	1.04	0.73	0.66	3.55	0.26	2.32

STATISTICS As at 30th September	2013	2012	2011	2010	2009	Restated 2008	2007	2006	Restated 2005	2004
SHAREHOLDERS FUNDS										
Per Ordinary Stock (dollars)	6.78	6.31	5.23	4.88	4.40	3.36	2.63	19.78	16.22	15.96
RETURN ON ASSETS										
Profit after Tax/Net Assets	11.68%	21.87%	13.02%	15.63%	23.06%	21.01%	23.82%	16.66%	1.44%	12.49%
GEARING										
Borrowing /Reserves	0.00%	0.00%	0.00%	0.00%	0.75%	2.05%	4.66%	8.65%	13.42%	16.25%
COST OF SALE TO SALES	64.07%	53.88%	64.82%	61.01%	54.29%	58.65%	58.67%	63.56%	68.95%	66.19%
NET PROFIT TO SALES	13.59%	20.59%	12.82%	19.09%	25.02%	19.13%	19.89%	12.19%	1.02%	9.68%
CHANGE IN TURNOVER	-11.34%	27.59%	31.54%	-1.40%	9.81%	14.89%	13.15%	12.72%	7.94%	15.41%
GROSS PROFIT CHANGE	-30.94%	67.28%	18.69%	-15.90%	21.39%	14.95%	28.30%	32.31%	(8.72)%	18.50%
COST OF SALES CHANGE	5.43%	6.06%	39.75%	10.81%	1.64%	14.85%	4.50%	3.90%	12.45%	13.55%

Board of Directors

John Bell

B.Sc. Hons (Econ and Accounting) from the Uiversity of the West Indies, Fellow of the Institute of Chartered Accountants of Jamaica Fellow of the Chartered Association of Certified Accountants of Great Britain, Chairman of Elite Diagnostic Limited Director of Proven Wealth Limited, Former director of NCB Capital Markets Limited and Advantage General Insurance Company Limited.

Michael Bernard

MBA, B.Sc. (summa cum laude), B.A. (summa cum laude), Fellow Jamaica Institute of Management (FJIM) Business Executive, Director on the Board of other companies.

Jeffrey Cobham

B.A. (Hons.) Dip. Mgmt. Studies. Business Consultant, Director of Sagicor Life Jamaica Ltd. and Director of the Development Bank of Jamaica and several other companies.

Aubyn Hill

MBA from Harvard Business School, CEO of Corporate Strategies Limited, Chairman of National Growth Micro Finance Limited, Chairman of Innovative Renewable Energy & Electronics Limited (IREE Solar), Chairman of BCW Holdings Ltd., Director of Jamaica Broilers Group Limited, Member of the Council of the University of the West Indies.

Kathryn Lewis

Bachelor of Laws, LLB (Hons.) Bachelor of Arts, Political Science (Hons.) Attorney, at Kathryn A. Lewis & Co. Director of Ideal Group of Companies.

Keshia Nelson-Brown

FCCA, MBA. Group Compliance Manager, Ideal Group of Companies.

Julian Rodney

Managing Director M.B.A.,- University of the West Indies BSc. Commerce & Engineering Science - Drexel University.

Eric George Stultz

Graduate of St. Georges College, General Manager of Baking Enterprises Ltd.

Patrick Williams

B.Sc. Anthropology and Zoology - University of Toronto; MBA in Finance - Baruch College, CUNY; Senior Executive of the ICWI Group and Managing Director of ICWI (Bahamas) Limited.

Directors' Report

The Directors take pleasure in submitting their report for the year ended 30, September 2013. A brief highlight of the financial results are set out below.

FINANCIAL RESULTS	$'000
Profit before taxation	124,453
Taxation	(38,238)
Net Profit	86,215
Accumulated Surplus at beginning of year	662,633
Dividend	(41,552)
Accumulated Surplus at end of year	707,296
Earnings per Ordinary Stock Unit	0.87

Details of the results for the year were approved by the Board on November 25, 2013 and a comparison with the previous year is set out in the Group Statement of Comprehensive Income on page 28.

DIVIDENDS

The Directors did not recommend that a final dividend be paid to Shareholders in respect of the year 2013.

In the first quarter of 2014 the Directors declared dividend of $0.40 cents per stock unit which was paid to all Shareholders on December 19, 2013.

DIRECTORS

Pursuant to Article 72 of the Articles of Incorporation, one-third of the Directors shall retire. The Directors retiring under this article are Mr. John Bell, Mr. Aubyn Hill and Miss Kathryn Lewis being eligible offer themselves for re-election.

The names of the Directors and their profile are set out in the Board of Directors' on pages 8 and 9.

DATED this 28th day of November, 2013
BY ORDER OF THE BOARD

.....
M. Olivia Glover
SECRETARY

Corporate Governance

Corporate Governance Statement

The Board of Directors of Salada Foods Jamaica Limited has established principles and guidelines on Corporate Governance which are based on the PSOJ's Code of Corporate Governance 2nd Edition published in 2009 and the combined Code on Corporate Governance 2008 of the UK. The Directors are aware of legislations that will affect the company and will act within the laws, regulations and rules balanced by good governance practices to ensure that the management of the company operates effectively and strategically within this framework, as they remain transparent and are accountable to the company's shareholders.

Board of Directors

The composition of the Board is nine (9); one executive, one non-executive and seven Independent- independent meaning- that these Directors have met the criteria if he or she:

- does not represent a substantial shareholding;
- is not a close relative of a significant shareholder;
- does not have an employment relationship with the company.

The number of board meetings held in 2013 was six (6). The table below highlights directors attendance at these meetings.

Names of Director	Number of Meetings For the year six (6)	Apologies
John Bell	6	
Michael Bernard	6	
Jeffrey Cobham	6	
Aubyn Hill	6	
Eric Stultz	6	
Julian Rodney	3	
Patrick Williams	5	1
Keshia Nelson-Brown	5	1
Kathryn Lewis	6	

The Managing Director, Mr Julian Rodney, was appointed to the Board of Directors on March 19, 2013.

The Board, in the execution of its responsibilities, has to ensure that compliance is maintained at the highest standard in order to achieve the company's goals and objectives, meet its obligations to shareholders, increase shareholder's value, acts as advisor to the management, giving oversight and setting goals, policies and strategies.

In order to execute these strategies, the Board has delegated specific duties to Board Committees. Each Committee has set roles and responsibilities which have been approved by the Board.

Audit Committee

The members of the Audit Committee are appointed by the Board. The composition of this committee is Messrs. Jeffrey Cobham, Chairman, John Bell, Michael Bernard and Miss Kathryn Lewis. Two members of the Committee form a quorum. The committee meets on a quartely basis or where it is deemed necessary to do so.
Messrs. Julian Rodney, Managing Director and Kevin Price, Financial Controller, attend this meeting for the purpose of reporting. Miss M. Olivia Glover, Company Secretary, is also present.

The key responsibilities of this committee are:

- To assist the Board by giving oversight to the financial report and the auditing process of the company's financial affairs.
- To review the unaudited quarterly financials and the Audited financials.
- To monitor and ensure that the integrity of the financials is maintained.
- To ensure that proper accounting standards are complied with.
- That internal controls and systems are in place to identify and contain business risks.

During the year four (4) meetings were held. The following matters were considered:

- To review/revise the risk management policy;
- review the audited financials and recommend for Board approval;
- reviewing and approving the scope of work and fees to be paid for audit services by the external auditors.

Corporate Governance Committee

The Corporate Governance committee consists of three (3) members: Messrs. John Bell, Chairman, Jeffrey Cobham and Mrs. Keshia Nelson-Brown. Two members of the Committee form a quorum. The Managing Director, Mr. Julian Rodney, and the Company Secretary, Miss M. Olivia Glover attend this meeting. The Committee meets on a quarterly basis.

The key responsibilities of this Committee are to:

- Carry out periodic review of the principles of good Corporate Governance;
- make timely disclosure to its Stockholders/Stakeholders and other regulatory bodies;
- ensure a formal and transparent compensation/remuneration policy for Executives, Directors and Senior Management;
- monitor, as appropriate, directors' orientation to update the skills and knowledge required to fulfill their roles both on the Board and Committees;
- review strategies, performances and to resolve disputes speedily.

During the year 2013 the Committee held four (4) meetings. The following matters were considered:

- Periodic review of the Corporate Governance Charter
- Review of the Corporate Social responsibility policy and to make proposal to the Board for its adoption.
- consider the establishment of the Salada Homework Literacy Centre.

Corporate Social Responsibility

SALADA FOODS JAMAICA LIMITED seeks to be a good corporate citizen in all aspects of its operation and activities. To this end we have brought together a series of operating principles under the broad heading of Corporate Social Responsibility (CSR) to serve as a guide to employees in all aspects of their work for the company.

The principles cover all areas of the Company's operations and have been developed with reference to the relevant codes of Corporate Governance and best practices, taken together, these principles, form our CSR policy. The policy can be divided into six main areas:

1. Ethical Business Conduct
2. Policies Specific to Employees
3. Policies Specific to the Company
4. Workplace Health and Safety
5. Environmental Policy and
6. Community outreach development

You may visit our website at www.saladafoodsja.com for more information on our CSR.

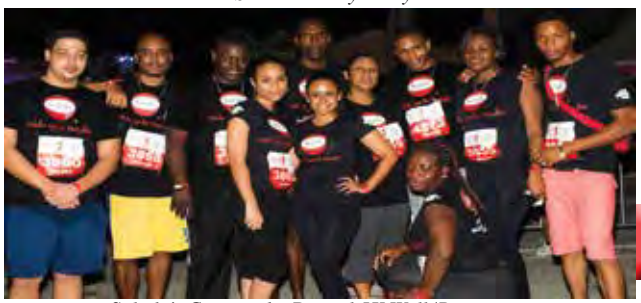
Teachers' Day at Jebb Memorial Basic School

Julian Rodney, Managing Director, Participating in Boys' Day at the Dupont Primary School.

Graduants of 2013-Jebb Memorial Basic School.

Zayous Hamilton, Cost Accountant, and the boys at Dupont Primary School on Boys' Day.

Certificates awarded to outstanding achievers.



Salada's Crew at the Digicel 5K Walk/Run

Management Team

Julian Rodney
Managing Director
M.B.A., University of the West Indies
BSc. Commerce & Engineering
Science - Drexel University

Lorry-Ann Cushnie
Quality Assurance
Manager
MBA., BSc.
Microbiology., (Hons.)

M. Olivia Glover
Company Secretary LLB. (Hons.),

Zayous A. Hamilton
Cost Accountant
ACCA, AAT

Dave Lemard
Plant Engineer
M.B.A Nova Southeastern
University B. Eng (Hons) -
University of Technology

Lorna Lewis
Production Manager
M.B.A., BSc. Chem., (Hons.)
Dip. Mgnt. Studies

Kevin Price
Financial Controller
M.B.A., Banking & Finance,
BSc. Accounting & Management
Studies

Garnett Williams
Plant Manager
Mountain Peak Food Processors Ltd.
BSc (Hons) Industrial Engineering
UWI, M.B.A. - UWI

Bernadette Wong
Sales & Marketing Director
B.A. (Bus. Admin.), Dip. Marketing

Shareholdings

As at 30 September 2013

10 LARGEST SHAREHOLDERS

SHAREHOLDERS	SHAREHOLDING
RESOURCE IN MOTION LIMITED	59,999,860
AIC (JAMAICA) LIMITED	8,988,120
DONWIS LIMITED	7,504,280
JAMAICAN TEAS LIMITED BUYING ACCOUNT	2,960,000
IDEAL PORTFOLIO SERVICES COMPANY LIMITED	2,877,342
IDEAL BETTING COMPANY LIMITED	2,755,310
IDEAL GROUP CORPORATION LIMITED	2,726,000
IDEAL FINANCE CORPORATION LIMITED	2,620,000
DONOVAN A. LEWIS	1,677,400
CARIBBEAN TRUST & MERCHANT BANK	1,030,760

SHAREHOLDINGS OF DIRECTORS' & CONNECTED PARTIES

DIRECTORS	TOTAL SHAREHOLDING	DIRECT	CONNECTED
Bell, John	0	0	0
Bernard, Michael	0	0	0
Cobham, Jeffrey	0	0	0
Hill, Aubyn	0	0	0
Lewis, Kathryn	80,019,824	1,000	80,018,824
Nelson-Brown, Keshia	0	0	0
Rodney, Julian	0	0	0
Stultz, Eric	0	0	0
Williams, Patrick	0	0	0

SHAREHOLDINGS OF SENIOR MANAGEMENT

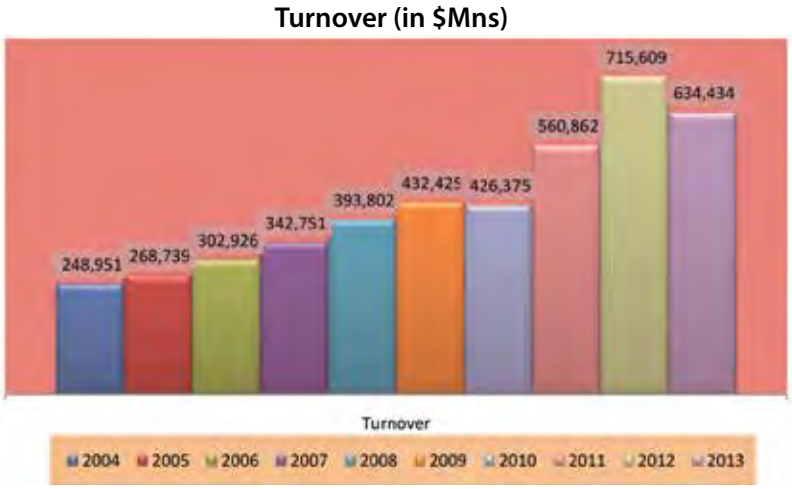
SENIOR MANAGERS	SHAREHOLDING
Rodney, Julian	0
Cushnie, Lorry-Ann	0
Glover, M. Olivia	0
Hamilton, Zayous	0
Lemard, Dave	0
Lewis, Lorna	0
Price, Kevin	10,000
Williams, Garnett	0
Wong, Bernadette	0

Management Discussion & Analysis

Net Sales

For fiscal year 2013, turnover declined by 11.3% moving to $634.4 million (2011-2012: $715.6 million). This was a result of low consumer spending in the domestic market and was further impacted by an 18% decline in contract packaging.

Sales of our ginger teas continue to demonstrate good growth potential with sales growing by over 200% year over year largely driven by export sales. Sales of ginger teas now represent over 3% of total sales up from 1% in the prior year. As we continue to expand the distribution of this product line, we anticipate strong growth in our export markets.

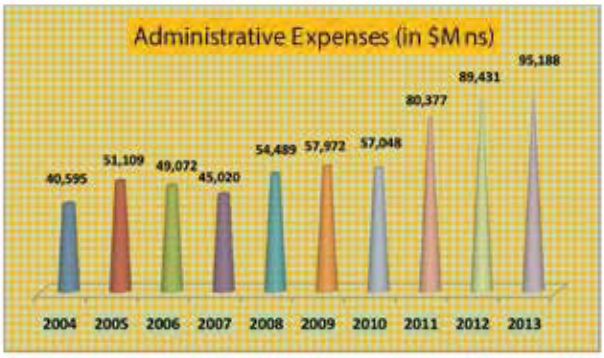


Cost of Sales

Cost of sales increased marginally to $406.5 million (2011-2012: $385.6 million) representing an increase of 5%. The introduction of a culture of continuous improvement has led to process gains and cost reductions in the use of water, electricity consumption and improved output from the plant per day.

Marketing Costs

Marketing and Promotion expenses showed an increase of $10 million (30%) over the previous year moving from $33.3 million in 2011-2012 to $43.7 million in 2012-2013. This increase over the same period last year reflected the company's Advertising and Promotion strategy both in the local and export markets.



Administrative Expenses

Administrative Expenses increased by 6 % from $89.4 million in 2011/2012 to $95.1 million in 2012-2013 inclusive of the additional administrative costs incurred by Mountain Peak Food Processors. That company started production in June 2013 and begun selling activities in August 2013.

Assets and Liabilities Performance

Total assets increased by $23.1 million or 3% moving from $790.7 million for the financial year ended September 30, 2012 to $813.8 million as at September 30, 2013 whilst our liabilities decreased by $21.7 million to $106.4 million or 17% below the $128 million as at September 30, 2012.

Development of New Products

We approached the year with the mind set of continuing to increase our consumer offering whilst taking advantage of available manufacturing capacity and utilising indigenous raw material. As such, we launched a number of new products under both the Salada and Roberts brand's including:

Mountain Peak Ginger Seasoning and Roberts ketchup, baked beans, fruit punch, pine cherry, carrot juice and cane vinegar.

Capital Expenditure

During the year, the groups' capital expenditure was $140.5 Million. Most of this amount ($76.5 Million) was spent on the recently acquired Roberts brand and to refurbish and upgrade the factory, under the new name, Mountain Peak Food Processors Limited to HACCP standards in preparation for export.

The group is committed to continue improvement of its manufacturing operation, so as to improve efficiency, reduce cost, increase reliability, improve quality and position the group for further growth opportunities. During the period the Group invested in the operations by:

- The installation and commissioning of 100 Kva UPS and upgrade of electrical systems for the processing plant which has reduced product losses and downtime due to electrical outages.
- The installation and commissioning of a water recycling system for process water which has reduced overall water consumption by some 12% year over year.
- Installation and commissioning of a new Chill water system.
- The installation and commissioning of a new filling line at Mountain Peak Food Processors.
- The installation of a water treatment and UV filtration system at Mountain Peak Food Processors.

Export

Export sales for the year were $129.7 Million compared with $80.9 Million in the prior year. The growth in this area was across all markets driven by an expansion in both instant coffee and ginger tea lines.

This year our company was recognised by the Jamaica Exporter's Association for its strong export achievement over the prior year. It awarded the Champion Manufacturers' Category II Trophy and was also inducted into the JEA's Million Dollar Awards Club.

Work-place Culture & Talent Development

We worked tirelessly to ensure a safe environment for all our employees by adopting good workplace health and safety practices. The company aims to maintain our no-loss-time due to injury record, through the continuous review and modification of our internal guidelines and processes. We continue to make every effort to ensure that our staff adhere to the highest standards of health and safety practices in work environment.

We have also invested in our workforce through various training and development initiatives designed to improve our operations, both in terms of the groups' capacity as well as its

productivity. To this end, members of our team continuously participate in both operational support and area specific training using both internal and external resources as we seek to enhance our collective skill set to enhance business activities.

During the year, the group upgraded its accounting package to Sage ERP 300 and will also implement a new AutoSimply Manufacturing Costing system in the next financial year which has been in the testing and training phase during the financial year ended 2012-2013. The combined implementation of this improved platform will assist management to optimize its decision making process.

Socially Responsible Business Practices

We view Corporate Social Responsibility as integral to our success. During the year we established a Homework Literacy Centre at the Jebb Memorial Basic School. The unit provides support in the form remedial teaching and homework assistance to students up to the primary level partnering with educators to deliver this much needed resource to students from surrounding areas. Additionally, we typically contribute direct and/or indirect financial support, donation of products or equipment, and employee volunteer efforts to these projects during the course of each year.

Special Projects

In keeping with Salada's thrust to diversify its product line and produce authentic Jamaican products to meet demand for both local and export markets, the company embarked on development of a new business line to complement its Ginger Tea business. Hence, the establishment of a One (1) acre shade house to cultivate Jamaican yellow ginger rhizome and also an open field farm of the same product. This new business will not only be to the benefit of the company but also ginger farmers who will now have greater access to clean planting material.

Future Outlook

We believe we can continue to grow sales by increasing consumer awareness in existing markets, expanding into new geographic regions, expanding consumer choice of coffee, tea and other beverages through our existing lines and the introduction of new brewing platforms, expanding sales in the beverage industry segments and/or selectively pursuing other synergistic opportunities.

We wish to thank all our shareholders, board members, dedicated staff, customers, distributors and suppliers for their support and commitment throughout the year.

Julian Rodney
Managing Director

Products manufactured by our subsidiary, Mountain Peak Food Processors Limited

Highlights (Continued)

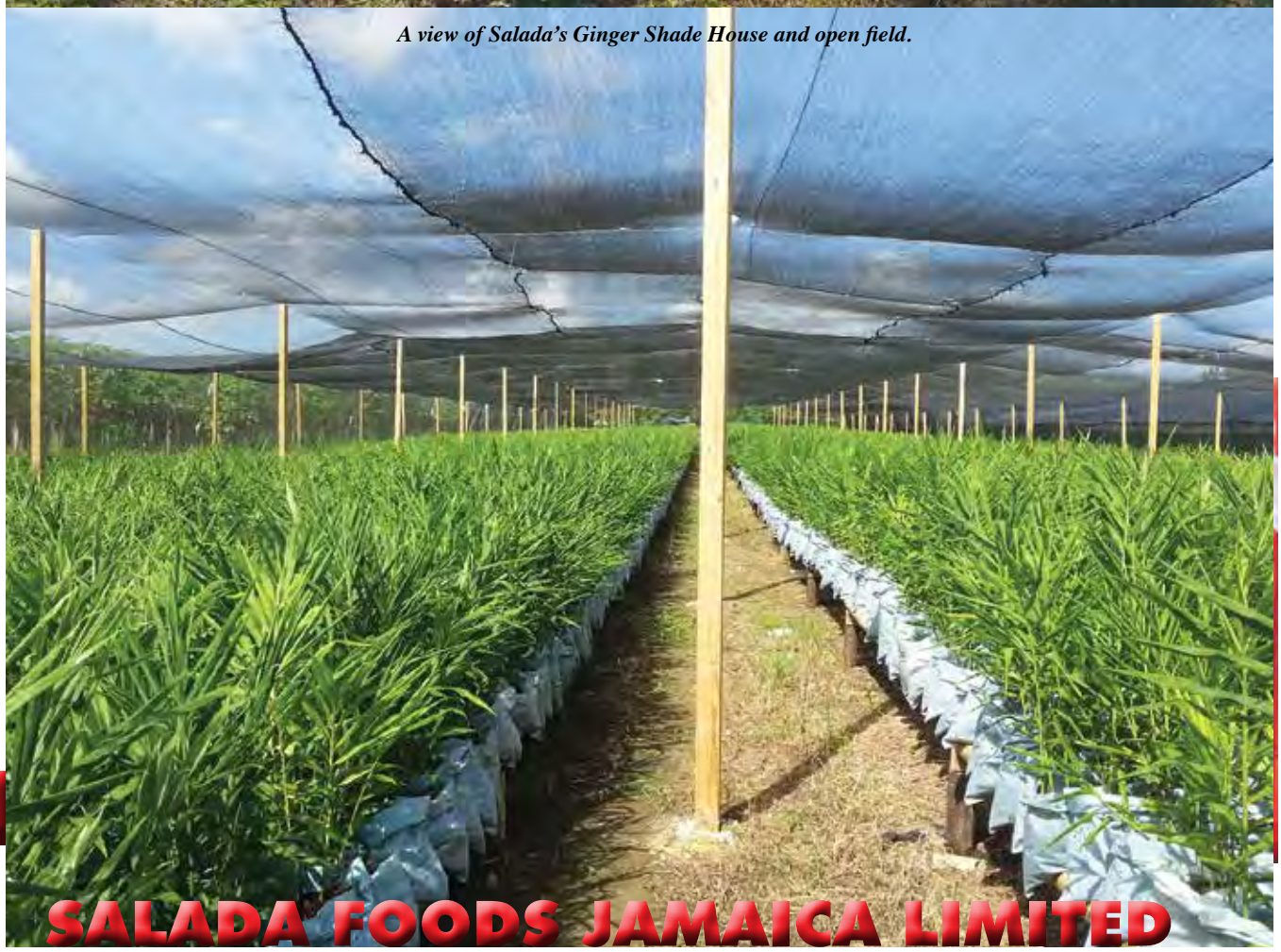
Welcome Salada! *To The JEA U. S. Million Dollar Award's Club.*

Champion Manufacturer , *Category 2 Award*

Salada *being represented by Eve Sales at the Fancy Food Show in New York.*

Highlights (Continued)

A view of Salada's Ginger Shade House and open field.



Highlights (Continued)

Kingston & St. Andrew Primary and Junior High Football Tournament, sponsored bySalada Foods & Facey Commodity

Runner-up in the Women's Singles of the NCB Capital Market Tennis Tournament receiving trophy and prize. Sponsored by Salada Foods.

Highlights (Continued)

Salada Island wide Road show

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INDEPENDENT AUDITORS' REPORT

To the Members of
SALADA FOODS JAMAICA LIMITED

Report on the financial statements

We have audited the financial statements of Salada Foods Jamaica Limited ("the company") and the consolidated financial statements of the company and its subsidiaries ("the group"), set out on pages 27 to 62, which comprise the group's and company's statement of financial position as at September 30, 2013, the group's and company's statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of
SALADA FOODS JAMAICA LIMITED

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group and company as at September 30, 2013, and of the group's and company's financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Report on additional matters as required by the Jamaican Companies Act

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

KPMG

Chartered Accountants
Kingston, Jamaica

November 25, 2013

Statement of Financial Position
September 30, 2013

	Notes	The Group 2013 $'000	The Group 2012 $'000	The Company 2013 $'000	The Company 2012 $'000
NON-CURRENT ASSETS					
Property, plant & equipment	3	208,414	87,241	87,005	36,707
Investment in subsidiary companies	4	-	-	35,481	35,481
Employee benefit asset	5(a)(i)	51,370	53,485	51,370	53,485
Investment	7	15,000	15,000	15,000	15,000
		274,784	155,726	188,856	140,673
CURRENT ASSETS					
Cash and cash equivalents	6	196,372	267,234	196,372	267,234
Accounts receivable	8	89,965	150,455	88,238	150,455
Inventories	9	250,537	217,295	230,474	217,295
Biological assets	10	2,151	-	2,151	-
Due from subsidiary		-	-	124,720	3,098
		539,025	634,984	641,955	638,082
TOTAL ASSETS		813,809	790,710	830,811	778,755
STOCKHOLDERS' EQUITY					
Share capital	11	73,216	73,216	73,216	73,216
Capital reserves	12	16,275	16,275	6,543	6,543
Retained earnings		614,485	565,551	639,110	572,715
		703,976	655,042	718,869	652,474
NON-CONTROLLING INTEREST	13	3,320	7,591	-	-
		707,296	662,633	718,869	652,474
NON-CURRENT LIABILITIES					
Employee benefit obligation	5(b)(i)	23,689	20,880	23,689	20,880
Deferred taxation	14	7,376	11,104	13,405	9,308
		31,065	31,984	37,094	30,188
CURRENT LIABILITIES					
Accounts payable	15	72,129	54,656	71,529	54,656
Taxation payable		3,319	41,437	3,319	41,437
		75,448	96,093	74,848	96,093
TOTAL STOCKHOLDERS' EQUITY AND LIABILITIES		813,809	790,710	830,811	778,755

The financial statements on pages 27 to 62 were approved for issue by the Board of Directors on November 25, 2013 and signed on its behalf by:

John Bell — Chairman

Jeffrey Cobham — Director

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

Group Statement of Comprehensive Income
Year ended September 30, 2013

	Notes	2013 $'000	2012 $'000
Sales	16	634,434	715,609
Cost of sales		(406,512)	(385,592)
Gross profit		227,922	330,017
Other operating income		2,379	557
Selling and promotion expenses		(43,704)	(33,304)
Administration expenses		(95,188)	(89,431)
Operating profit before net finance income and taxation		91,409	207,839
Finance income	17	34,045	17,284
Finance costs	17	(1,001)	(871)
Net finance income	17	33,044	16,413
Profit before taxation	18	124,453	224,252
Taxation	19	(38,238)	(76,875)
Net profit attributable to members, being total comprehensive income		86,215	147,377
Attributable to:			
Stockholders of the company		90,486	148,436
Non-controlling interest		(4,271)	(1,059)
		86,215	147,377
Dealt with in financial statements of:			
The company		107,947	153,396
The subsidiaries		(17,461)	(4,960)
		90,486	148,436
Earnings per ordinary stock unit	21	0.87	1.43

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

Group Statement of changes in Stockholders' Equity
Year ended September 30, 2013

	Share capital (note 11) $'000	Capital reserves (note 12) $'000	Attributable to stockholders of the company $'000	Non-controlling interest (note 13) $'000	Total $'000
Balances at September 30, 2011	73,216	16,275	453,473	-	542,964
Net profit, being total comprehensive income for the year	-	-	148,436	(1,059)	147,377
Shares acquired by non-controlling interest	-	-	-	8,650	8,650
Dividends (note 11)	-	-	(36,358)	-	(36,358)
Balances at September 30, 2012	73,216	16,275	565,551	7,591	662,633
Net profit, being total comprehensive income for the year	-	-	90,486	(4,271)	86,215
Dividends (note 11)	-	-	(41,552)	-	(41,552)
Balances at September 30, 2013	73,216	16,275	614,485	3,320	707,296
Retained in the financial statements of:					
The company	73,216	6,543	639,110	-	718,869
The subsidiaries	-	9,732	(24,625)	-	(14,893)
Non controlling interest	-	-	-	3,320	3,320
Balances at September 30, 2013	73,216	16,275	614,485	3,320	707,296
The company	73,216	6,543	572,715	-	652,474
The subsidiaries	-	9,732	(7,164)	-	2,568
Non controlling interest	-	-	-	7,591	7,591
Balances at September 30, 2012	73,216	16,275	565,551	7,591	662,633

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

Group Statement of Cash Flows
Year ended September 30, 2013

	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	86,215	147,377
Adjustments for:		
Items not involving cash:		
Depreciation	19,161	6,778
Loss on disposal of property, plant and equipment	167	-
Income tax expense	41,966	75,191
Deferred taxation	(3,728)	1,684
Interest income	(14,168)	(14,037)
Employee benefits, net	4,924	(5,946)
	134,537	211,047
Changes in operating assets and liabilities:		
Inventories	(33,242)	(10,060)
Accounts receivable	60,490	(48,880)
Accounts payable	17,473	592
Cash generated from operations	179,258	152,699
Taxation paid or deducted at source	(80,084)	(44,058)
Net cash provided by operating activities	99,174	108,641
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	14,168	14,807
Purchase of property, plant & equipment	(140,501)	(63,013)
Investment in biological assets	(2,151)	-
Net cash used by investing activities	(128,484)	(48,206)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares acquired by non-controlling interest	-	8,650
Net cash provided by financing activities	-	8,650
Net cash (used)/provided before dividends	(29,310)	69,085
Dividends paid	(41,552)	(36,358)
Net (decrease)/increase in cash and cash equivalents	(70,862)	32,727
Cash and cash equivalents at beginning of year	267,234	234,507
Cash and cash equivalents at end of year (note 6)	196,372	267,234

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

Company Statement of Comprehensive Income
Year ended September 30, 2013

	Notes	2013 $'000	2012 $'000
Sales	16	630,001	715,609
Cost of sales		(380,598)	(385,592)
Gross profit		249,403	330,017
Other operating income		2,379	557
Selling and promotion expenses		(41,417)	(33,304)
Administration expenses		(89,399)	(83,050)
Operating profit before net finance income and taxation		120,966	214,220
Finance income	17	34,045	17,284
Finance costs	17	(1,001)	(871)
Net finance income	17	33,044	16,413
Profit before taxation	18	154,010	230,633
Taxation	19	(46,063)	(77,237)
Net profit for the year, being total comprehensive income		107,947	153,396

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

Company Statement of Changes in Stockholdes' Equity

Year ended September 30, 2013

	Share capital (note 11) $'000	Capital reserves (note 12) $'000	Retained earnings $'000	Total $'000
Balances at September 30, 2011	73,216	6,543	455,677	535,436
Net profit being total comprehensive income for the year	-	-	153,396	153,396
Dividend (note 11)	-	-	(36,358)	(36,358)
Balances at September 30, 2012	73,216	6,543	572,715	652,474
Net profit being total comprehensive income for the year	-	-	107,947	107,947
Dividends (note 11)	-	-	(41,552)	(41,552)
Balances at September 30, 2013	73,216	6,543	639,110	718,869

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

Company Statement of Cash Flows
Year ended September 30, 2013

	2013 $'000	2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the year	107,947	153,396
Adjustments for:		
Items not involving cash:		
Depreciation	13,500	5,693
Income tax expense	41,966	75,191
Deferred taxation	4,097	2,046
Interest income	(14,168)	(14,037)
Loss on disposal of property, plant and equipment	167	-
Employee benefits, net	4,924	(5,946)
	158,433	216,343
Changes in operating assets and liabilities:		
Inventories	(13,179)	(10,060)
Accounts receivable	62,217	(48,880)
Due from subsidiary	(121,622)	(3,098)
Accounts payable	16,873	592
Cash generated from operations	102,722	154,897
Taxation paid	(80,084)	(44,058)
Net cash provided by operating activities	22,638	110,839
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	14,168	14,807
Investment in subsidiary companies	-	(34,600)
Purchase of property, plant & equipment	(63,965)	(21,961)
Investment in biological assets	(2,151)	-
Net cash used by investing activities	(51,948)	(41,754)
Net cash (used)/provided before dividends	(29,310)	69,085
Dividends paid	(41,552)	(36,358)
Net (decrease)/increase in cash and cash equivalents	(70,862)	32,727
Cash and cash equivalents at beginning of year	267,234	234,507
Cash and cash equivalents at end of year (note 6)	196,372	267,234

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

1. Identification

Salada Foods Jamaica Limited ("the company") is incorporated and domiciled in Jamaica. Its principal activity is the manufacture and sale of instant coffee and roasted and ground coffee beans. The company and its subsidiaries are collectively referred to as "group". The company's registered office is located at 20 Bell Road, Kingston 11, Jamaica West Indies.

The company is listed on the Jamaica Stock Exchange.

A shareholder of the company controls 76% of the voting rights in the company.

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

Certain new, revised and amended standards and interpretations came into effect during the current financial year none of which resulted in any changes in accounting policies or material changes to the content or presentation of amounts or disclosures in these financial statements.

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

- IFRS 9, *Financial Instruments (2010)* (effective January 1, 2015). The revised IFRS supersedes the previous version of IFRS 9 issued in 2009. The standard retains but simplifies the mixed measurement model and establishes two primary categories for financial assets: amortised and fair value. The revised standard now includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.

- *IFRS 10 Consolidated Financial Statements* (effective January 1, 2013) supersedes *IAS 27 Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008).

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

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

- *IFRS 11*, *Joint Arrangements* and *IAS 28 Investments in Associates* and *Joint Ventures (2011)* (effective January 1, 2013) removes from *IAS 31 Jointly Controlled Entities*, those cases which, although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations and are now called joint operations. The remainder of IAS 31, now called *Joint Ventures,* removes the choice of equity accounting or proportionate consolidation and requires that the equity method be used.

- IFRS 12 *Disclosure of Interest in Other Entities* (effective January 1, 2013) contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

- IFRS 13 *Fair Value Measurement* (effective January 1, 2013) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- *IAS 19 Employee Benefits* (effective January 1, 2013) has been amended to require all actuarial gains and losses to be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss. It also requires the expected return on plan assets recognized in profit or loss is to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

- *Amendment to IAS 32 Financial Instruments: Presentation* (effective January 1, 2014) clarifies that an entity currently has a legal 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 counterparts. In addition, it clarifies that gross settlement is equivalent to net settlement if, and only 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.

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

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

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

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

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

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

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

The group is assessing the impact, if any, of the amendments and new standards on its financial statements when the standards become effective.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars ($), which is the functional currency of the group.

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

(b) Basis of preparation (cont'd):

The financial statements are prepared on the historical cost basis. The significant accounting policies stated in paragraphs (c) to (x) below conform in all material respects with IFRS.

(c) Basis of consolidation:

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

The consolidated financial statements include the financial statements of the company and its subsidiaries, Coffee Company of Jamaica Limited, Shirriff's (Jamaica) Limited and Mountain Peak Food Processors Limited. Coffee Company of Jamaica Limited and Shirriff's (Jamaica) Limited are wholly-owned subsidiaries. These companies are currently dormant. The company currently has a 80% share ownership in Mountain Peak Foods Processors Limited. All of the subsidiaries were incorporated in Jamaica.

(ii) Transactions eliminated on consolidation

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

(d) Use of estimates and judgements:

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

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

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

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

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

(i) Pension and other post-retirement benefits:

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

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

(ii) Allowance for impairment losses on receivables:

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

(iii) Net realisable value of inventories:

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

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

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

(iii) Net realisable value of inventories (cont'd):

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

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

(e) Property, plant & equipment:

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

(ii) Depreciation:

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

Buildings	2.5 - 10%
Infrastructure	2.5 - 10%
Machinery and equipment	2.5 - 20%
Motor vehicles	20%

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

(f) Investment in subsidiary companies:

Investments in subsidiary companies are stated at cost.

(g) Employee benefits:

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

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

(g) Employee benefits (cont'd):

(i) Pension arrangements:

The group operates a defined benefit plan, the assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

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

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

The discount rate is determined by reference to the yield at the reporting date on long-term government bonds with maturities approximating the terms of the group's obligation. The calculation is performed by a qualified actuary, using the projected unit credit method.

(ii) Other post-retirement benefits:

The post-retirement medical benefits for employees and pensioners are sponsored by the company that pays the full premiums on an Insured Health Plan.

(iii) Other employee benefits:

Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the statement of financial position date.

(h) Inventories:

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

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

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

(i) Biological assets:

Biological assets consists materially of ginger rhizomes cultivation expenses, which will be written off against the crop to which they relate. Ginger Rhizomes are not sold but, when harvested are used in production, and no active market exists for these assets. Valuation based on a discounted cash flow method is considered to be unreliable given the uncertainty with respect to the harvesting quantities and costs. Consequently, the balance is stated at cost less impairment losses, measured by reference to estimated crop proceeds less cultivation, reaping, harvesting and transportation expenses to the point of sale.

(j) Accounts receivable:

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

(k) Cash and cash equivalents:

Cash and cash equivalents comprise cash and bank balances, other short-term investments and other monetary instruments with maturities ranging between one and three months from the reporting date.

(l) Long-term investments:

Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are stated at amortised cost, less impairment losses.

(m) Accounts payable:

Trade and other payables are stated at amortised cost.

(n) Provisions:

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

(o) Impairment:

The carrying amounts of the company's and its subsidiaries' 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 at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or group of operating assets exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

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

(o) Impairment (cont'd):

(i) Calculation of recoverable amount:

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

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

(ii) Reversals of impairment:

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

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

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(p) Revenue:

Revenue from the sale of goods is recognised in profit or loss 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.

(q) Net finance income:

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

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

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

(r) Income tax:

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the statement of financial position 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 all taxable temporary differences associated with investments in subsidiaries, except to the extent that the company and its subsidiaries are able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

(s) Dividends:

Dividends are recognised in the period in which they are declared.

(t) Determination of profit and loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery. Losses are taken in the year in which they are realised or determinable.

(u) Foreign currencies:

Transactions in foreign currencies are converted at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising from fluctuations in exchange rates are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the dates that the values were determined.

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

(v) 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 related parties, regardless of whether a price is charged.

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

(w) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses; whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.

Based on the information presented to and reviewed by the CODM, the entire operations of the company are considered as one operating segment.

(x) Financial instruments:

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents and accounts receivable. Similarly, financial liability includes accounts payable.

(y) Determination of fair value:

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

3. Property, plant & equipment

	Freehold land $'000	Freehold buildings and infrastructure $'000	Machinery equipment & vehicles $'000	Total $'000
(a) The Group:				
At cost or deemed cost:				
September 30, 2011	10,000	34,763	103,233	147,996
Additions	4,500	23,451	35,062	63,013
September 30, 2012	14,500	58,214	138,295	211,009
Additions	-	34,648	105,853	140,501
Disposals	-	-	(167)	(167)
September 30, 2013	14,500	92,862	243,981	351,343

3. Property, plant & equipment (cont'd)

(a) The Group:

	Freehold land $'000	Freehold buildings and infrastructure $'000	Machinery equipment & vehicles $'000	Total $'000
Depreciation:				
September 30, 2011	-	20,610	96,380	116,990
Charge for the year	-	2,608	4,170	6,778
September 30, 2012	-	23,218	100,550	123,768
Charge for the year	-	5,160	14,001	19,161
September 30, 2013	-	28,378	114,551	142,929
Net book value:				
September 30, 2013	14,500	64,484	129,430	208,414
September 30, 2012	14,500	34,996	37,745	87,241

(b) The Company:

	Freehold land $'000	Freehold buildings and infrastructure $'000	Machinery equipment & vehicles $'000	Total $'000
At cost or deemed cost:				
September 30, 2011	6,144	17,198	103,233	126,575
Additions	-	4,049	17,912	21,961
September 30, 2012	6,144	21,247	121,145	148,536
Additions	-	10,810	53,155	63,965
Disposal	-	-	(167)	(167)
September 30, 2013	6,144	32,057	174,133	212,334
Depreciation:				
September 30, 2011	-	10,841	95,295	106,136
Charge for the year	-	1,523	4,170	5,693
September 30, 2012	-	12,364	99,465	111,829
Charge for the year	-	3,012	10,488	13,500
September 30, 2013	-	15,376	109,953	125,329
Net book values:				
September 30, 2013	6,144	16,681	64,180	87,005
September 30, 2012	6,144	8,883	21,680	36,707

3. Property, plant & equipment (cont'd)

(c) Freehold land and buildings were professionally valued on a fair market value basis by Stoppi Cairney Bloomfield in September 2001. These values have been incorporated into the financial statements as deemed costs as at the date of transition to IFRS (October 1, 2001). The surpluses arising from these adjustments were credited to capital reserves (note 12).

4. Investment in subsidiary companies

Investment in subsidiary companies comprises:

	The Company	
	2013	2012
	$'000	$'000
Shares at cost:		
Coffee Company of Jamaica Limited	790	790
Shirriff's (Jamaica) Limited	91	91
Mountain Peak Food Processors Limited	34,600	34,600
	35,481	35,481

5. Employee benefits

(a) Defined benefit pension plan:

The Group operates a pension plan which provides retirement and death benefits to its employees. The plan is administered by trustees and is managed by Guardian Life Limited. Contributions to the plan are made by the company and employees based on a percentage of the employees' pensionable earnings. Retirement benefits are based on the final pensionable salary which is the members annualised pensionable salary as at the normal retirement date.

(i) The amounts recognised in the statement of financial position are determined as follows:

	The Group and the Company	
	2013	2012
	$'000	$'000
Fair value of plan assets	67,244	68,310
Present value of funded obligation	(52,473)	(40,887)
	14,771	27,423
Unrecognised actuarial losses	36,599	26,062
	51,370	53,485

5. Employee benefits (cont'd)

(a) Defined benefit pension plan (cont'd):

(ii) The movement in the asset recognised in the statement of financial position is as follows:

	The Group and the Company	
	2013	2011
	$'000	$'000
At beginning of year	53,485	45,222
Amounts recognised in profit or loss	(3,398)	8,110
Contributions paid	1,283	153
At end of year	51,370	53,485

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

	The Group and the Company	
	2013	2012
	$'000	$'000
At beginning of year	(40,887)	(36,137)
Benefit paid	10,402	14,753
Employees' contributions	(3,218)	(3,071)
Current service and interest costs	(8,230)	(6,098)
Past service cost	-	(7,533)
Actuarial loss on obligation	(10,540)	(2,801)
At end of year	(52,473)	(40,887)

(iv) The movement in the plan assets recognised in the statement of financial position is as follows:

	The Group and the Company	
	2013	2012
	$'000	$'000
Fair value of plan assets at beginning of year	68,310	77,321
Contributions paid	4,501	3,224
Expected return on plan assets	6,248	7,647
Benefit paid	(10,402)	(14,753)
Actuarial loss on plan assets	(1,413)	(5,129)
Fair value of plan assets at end of year	67,244	68,310

The assets of the fund are invested in Guardian Life's Pool Investment Fund and Deposit Administration Fund as at September 30, 2013 and 2012.

5. Employee benefits (cont'd)

(a) Defined benefit pension plan (cont'd):

(v) The amounts recognised in profit or loss included in staff costs are as follows:

	The Group and the Company	
	2013	2012
	$'000	$'000
Interest and employer's current service cost	(8,230)	(6,098)
Expected return on plan assets	6,248	7,647
Net actuarial gain recognised during the year	(1,416)	(1,101)
Past service costs	-	(7,533)
Change in surplus not eligible for recognition due to limitation	-	15,195
At the end of the year	(3,398)	8,110

(vi) The actual return on the plan assets was $4,835,000 (2012: $2,518,000).

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

	The Group and the Company	
	2013	2012
	%	%
Discount rate	9.5	10.0
Expected return on plan assets	9.0	9.0
Future salary increases	7.0	8.0
Future pension increases	3.0	3.0
Inflation rate	5.5	6.0

Assumptions regarding future mortality are based on GAM 94 table, with no age set back. The expected long-term rate of return on plan assets is based on the assumed long-term rate of inflation.

(b) Post retirement medical benefit obligation:

In 2010, a resolution was passed for the company to sponsor a post-retirement benefit scheme which covers health care for its full-time employees and its pensioners. The method of accounting and valuation are similar to that used for the defined benefit pension plan.

(i) Liability recognised in statement of financial position are determined as follows:

	The Group and the Company	
	2013	2012
	$'000	$'000
Present value of obligation	(33,470)	(29,252)
Unrecognised actuarial losses	9,781	8,372
	(23,689)	(20,880)

5. Employee benefits (cont'd)

(b) Post retirement medical benefit obligation (cont'd):

(ii) Expense recognised in profit or loss:

	2013 $'000	2012 $'000
Current, past service and interest cost	4,937	4,297

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

	2013	2012
Discount rate	9.5%	10.0%
Health cost inflation	8.0%	8.5%

Post-employment mortality for active members and mortality for pensioners is based on the 1994 Group Annuity Mortality Tables (GAM) 94 table (U.S. mortality tables) with no age setback.

(c) Historical information:

(i) Defined benefit pension plan:

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Present value of the defined benefit obligation	(52,473)	(40,887)	(36,137)	(41,093)	(34,726)
Fair value of plan assets	67,244	68,310	77,321	86,702	76,145
Surplus	14,771	27,423	41,184	45,609	41,419
Experience adjustments arising on plan liabilities	9,544	3,313	765	(1,969)	5,044
Experience adjustments arising on plan assets	(1,413)	(5,129)	(1,229)	805	902

(ii) Post-retirement medical benefit plan:

	2013 $'000	2012 $'000	2011 $'000
Present value of defined benefit obligation	33,470	29,252	26,142
Experience adjustments arising on plan liabilities	1,837	(39)	(861)

6. Cash and cash equivalents

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

	The Group and the Company	
	2013	2012
	$'000	$'000
Cash in hand and bank	(19,237)	(8,572)
Short-term investments	215,609	275,806
	196,372	267,234

At the reporting date, the company had short-term investments of $34,356,858 (2012: $27,375,776) with Ideal Finance Corporation Limited, a related party.

7. Investment

	The Group and the Company	
	2013	2012
	$'000	$'000
Long-term investment	15,000	15,000

This is a five year investment which matures in May 2016, the effective interest rate on this long-term investment was 7.68% (2012: 7.85%) per annum.

8. Accounts receivable

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade receivables	67,191	139,777	65,933	139,777
Prepayments	11,195	8,832	11,195	8,832
Other receivables	11,929	2,196	11,460	2,196
	90,315	150,805	88,588	150,805
Less: Allowances for doubtful debts	(350)	(350)	(350)	(350)
	89,965	150,455	88,238	150,455

The group and company exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in note 22.

9. Inventories

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Raw and packaging material	162,104	89,519	149,377	89,519
Finished goods held for sale	27,977	81,002	22,049	81,002
Work-in-progress	36,493	37,685	36,241	37,685
Fuel, spares and consumables	23,963	9,089	22,807	9,089
	250,537	217,295	230,474	217,295

9. Inventories (cont'd)

During the year inventory write-offs aggregating $Nil (2012: $1,283,414) were recognised in profit or loss.

10. Biological assets

This represents immature ginger rhizomes at cost.

At September 30, 2013, immature ginger rhizomes under cultivation represented five acres of farm land.

11. Share capital

	2013 $'000	2012 $'000
Authorised:		
500,000,000 ordinary units of no par value		
Stated:		
Issued and fully paid:		
103,883,300 ordinary stock units of no par value	73,216	73,216

In a meeting of the Board of Directors held on November 20, 2012 (2012: November 16, 2011) a dividend of 40¢ (2012: 35¢) per share was declared.

12. Capital reserves

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Revaluation surplus on assets carried at deemed cost	14,528	14,528	4,838	4,838
Realised gains	1,747	1,747	1,705	1,705
	16,275	16,275	6,543	6,543

13. Non-controlling interest

	The Group	
	2013 $'000	2012 $'000
Share capital	8,650	8,650
Share of loss incurred	(5,330)	(1,059)
	3,320	7,591

This represents a 20% non-controlling interest in the company's subsidiary Mountain Peak Food Processors Limited.

14. Deferred taxation

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

	2013		
	The Group		
	October 1, 2012 $'000	Recognised in income $'000	September 30, 2013 $'000
Accounts payable	606	264	870
Property, plant and equipment	(933)	(3,244)	(4,177)
Employee benefits assets, net	(10,868)	1,086	(9,782)
Unrealised gain on exchange	19	(335)	(316)
Tax value of losses carried forward	72	5,957	6,029
	(11,104)	3,728	(7,376)

	2012		
	The Group		
	October 1, 2011 $'000	Recognised in income $'000	September 30, 2012 $'000
Accounts payable	738	(132)	606
Accounts receivable	(256)	256	-
Property, plant and equipment	(1,108)	175	(933)
Employee benefits assets, net	(8,886)	(1,982)	(10,868)
Unrealised gain on exchange	20	(1)	19
Tax value of losses carried forward	72	-	72
	(9,420)	(1,684)	(11,104)

	2013		
	The Company		
	October 1, 2012 $'000	Recognised in income $'000	September 30, 2013 $'000
Accounts payable	606	264	870
Property, plant and equipment	935	(5,112)	(4,177)
Employee benefits asset, net	(10,868)	1,086	(9,782)
Unrealised gain on exchange	19	(335)	(316)
	(9,308)	(4,097)	(13,405)

14. Deferred taxation (cont'd)

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

	2012		
	The Company		
	October 1, 2011 $'000	Recognised in income $'000	September 30, 2012 $'000
Accounts payable	738	(132)	606
Accounts receivable	(256)	256	-
Property, plant and equipment	1,122	(187)	935
Employee benefits asset, net	(8,886)	(1,982)	(10,868)
Unrealised gain on exchange	20	(1)	19
	(7,262)	(2,046)	(9,308)

(b) During its 2012/2013 budget presentation, the Government announced that the corporate income tax rate for non-regulated entities would be reduced from 33⅓% to 25%, effective January 1, 2013. On March 28, 2013, the government enacted a 5% surcharge for unregulated companies earning income greater than $500 million thereby increasing the applicable tax rate to 30%. This rate was applied in determining the amounts for taxation in these financial statements. The change was not applied in determining the prior year deferred tax liability; had the change in tax rate been recognized at that reporting date, there would be a decrease in deferred liability reported in the statement of financial position of $931,000 for the group and the company.

15. Accounts payable

	The Group		The Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade payables	59,606	26,031	59,606	26,031
Accrued charges	9,771	19,083	9,171	19,083
Other payables	2,752	9,542	2,752	9,542
	72,129	54,656	71,529	54,656

The group's and company's exposure to liquidity risks to accounts payable is disclosed in note 22.

16. Sales

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

17. Net finance income

	The Group and the Company	
	2013	2012
	$'000	$'000
Finance income:		
Interest income – short term investments	14,168	14,037
Foreign exchange gain	19,877	3,247
	34,045	17,284
Finance costs:		
Bank charges and interest	(1,001)	(871)
	33,044	16,413

18. Disclosure of expenses

(a) Profit before taxation is stated after charging:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Depreciation	19,161	6,778	13,500	5,693
Cost of inventories recognised as expense	390,720	385,592	380,598	385,592
Directors' emoluments:				
Fees	7,812	5,969	7,812	5,969
Management remuneration	8,393	2,377	8,393	2,377
Auditors' remuneration	2,200	1,498	1,600	1,498
Staff costs (note 20)	60,273	44,588	60,273	44,588

(b) Transactions with related parties:

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

Key management personnel compensation is as follows:

	The Group and the Company	
	2013	2012
	$'000	$'000
Short-term employee benefits	21,875	19,324
Post-employment benefits	24,130	22,595

(ii) Expenses incurred on behalf of a related party $121,622,018 (2012: $5,295,725).

19. Taxation

(a) Taxation is based on net profit for the year adjusted for taxation purposes and represents income tax charged at 30% (2012: 33⅓%).

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current tax expense:				
Income tax	41,966	75,191	41,966	75,191
Deferred taxation:				
Originating and reversal of other timing differences, net	(3,728)	1,684	4,097	2,046
	38,238	76,875	46,063	77,237

(b) Reconciliation of effective tax rate:

	The Group		The Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Profit before tax	124,453	224,252	154,010	230,633
Computed "expected" tax expense @ 30% (2012: 33⅓%)	37,336	74,751	46,203	76,878
Difference between profits for financial statements and tax reporting purposes on:				
Disallowed expenses and capital adjustments, net	902	2,124	(140)	359
Actual expense	38,238	76,875	46,063	77,237

20. Staff costs

	The Group and the Company	
	2013	2012
	$'000	$'000
Salaries and wages	47,667	42,890
Statutory contributions	4,671	4,185
Employee benefits, net	4,924	(5,946)
Staff welfare	3,011	3,459
	60,273	44,588

21. Earnings per ordinary stock unit

Basic earnings per share are calculated by dividing the net profit attributable to members by the number of stock units in issue during the year.

	2013	2012
Net profit attributable to shareholders ($'000)	90,486	148,436
Number of stock units in issue	103,883,300	103,883,300
Basic earnings per stock unit ($)	0.87	1.43

22. Financial instruments

(a) Financial risk management:

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

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

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

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Credit risk arises principally from the receivables arising from credit given to customers and deposits and investments with financial institutions. The maximum credit exposure is represented by the carrying amount of the financial assets in the statement of financial position.

Cash and cash equivalents

Cash and cash equivalents are maintained with substantial counter-parties deemed to have low risk of default.

22. Financial instruments (cont'd)

(a) Financial risk management:

(i) Credit risk (cont'd):

Trade receivables

The group generally does not require collateral in respect of non-cash financial assets. The group's exposure to credit risk is influenced mainly by the individual characteristic of each customer. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit. Management establishes an allowance for impairment that represents its estimate of losses in respect of trade and other receivables. Management's policy is to provide for balances based on past default experience, current economic conditions and expected recovery.

At reporting date, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

The aging of trade receivables at the reporting date was:

	The Group			
	2013		2012	
	Gross	Impairment	Gross	Impairment
	$'000	$'000	$'000	$'000
Not past due	15,958	-	77,701	-
Past due 1-30 days	33,566	-	5,551	-
Past due 31-60 days	16,873	-	31,897	-
More than 60 days	794	350	24,628	350
	67,191	350	139,777	350

	The Company			
	2013		2012	
	Gross	Impairment	Gross	Impairment
	$'000	$'000	$'000	$'000
Not past due	15,836	-	77,701	-
Past due 1-30 days	32,441	-	5,551	-
Past due 31-60 days	16,862	-	31,897	-
More than 60 days	794	350	24,628	350
	65,933	350	139,777	350

22. Financial instruments (cont'd)

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

(i) Credit risk (cont'd):

Trade receivables

There was no movement in the allowance for impairment in respect of trade receivables during the year.

Based on past experience, the company believes that trade receivables not provided for, relates to customers that have a good track record with the company, as such no additional provision is considered necessary.

(ii) Liquidity risk:

Liquidity risk is the risk that the group will not meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company and or its subsidiaries reputation.

Management aims at maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. The management of the group maintains an adequate amount of its financial assets in liquid form to meet contractual obligations and other recurring payments.

The contractual outflows as at September 2013 and 2012, for accounts payable is represented by their carrying amounts in the statement of financial position and required settlements within 12 months of the reporting date.

(iii) Market risk:

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

- Interest rate risk:

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

  The group materially contracts financial liabilities at fixed interest rates for the duration of the term. At September 30, 2013 and 2012, there were no financial liabilities subject to variable interest rate risk.

22. Financial instruments (cont'd)

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

(iii) Market risk (cont'd):

- Interest rate risk (cont'd):

Interest-bearing financial assets mainly comprise monetary instruments, bank deposits and short-term investments, which have been contracted at fixed interest rates for the duration of their terms.
At the reporting date the interest profile of the group's interest bearing financial instruments was:

	The Group and the company	
	Carrying amount	
	2013	2012
	$'000	$'000
Variable rate:		
Assets	232,893	293,048

Fair value sensitivity analysis for fixed rate instruments

The group does not hold any fixed rate financial assets that are subject to material changes in fair value through profit or loss. Therefore a change in interest rates at the reporting dates would not affect profit or equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 2.50% (2012: 1%) increase in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by $5,822,000 (2012: $2,930,000), while a 1% (2012: 1%) decline in interest rate at reporting date would have decreased profit by $2,329,000 (2012: $2,920,000)

This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2012.

- Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The group is exposed to significant foreign currency risk, primarily on purchases that are denominated in a currency other than the Jamaica dollar. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in that currency. The main foreign currency risks of the group are denominated in United States dollars (US$), which is the principal intervening currency for the group.

22. Financial instruments (cont'd)

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

(iii) Market risk (cont'd):

- Foreign currency risk (cont'd):

The group jointly manages foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

The table below shows the group's main foreign currency exposure at the reporting date.

	The Group and the Company			
	Net foreign currency monetary assets			
	2013		2012	
	US$	J$	US$	J$
Cash and cash equivalents	1,353,796	131,974,388	1,142,847	102,296,215
Accounts receivable	517,181	53,198,176	267,259	23,921,722
Accounts payable	(250,019)	(26,053,507)	(70,541)	(6,823,088)
Net exposure	1,620,958	159,119,057	1,339,565	119,394,849

Exchange rates for the US dollar, in terms of Jamaica dollars, were as follows:

September 30, 2012	89.51
September 30, 2013	102.87

Sensitivity analysis

A 1% (2012: 1%) strengthening of the US$ against the Jamaica dollar would have decreased profit for the year by $1,667,479 (2012: $1,199,045).

A 10% (2012: 1%) weakening of the Jamaica dollar against the US$ would have increased profits for the year by $16,674,791 (2012: $1,199,045).

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

(iv) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from external factors, other than financial risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

22. Financial instruments (cont'd)

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

(iv) Operational risk (cont'd):

The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(b) Capital management:

The Board's policy is to maintain a strong capital base to maintain customer, creditor and other stakeholder confidence, and to sustain future development of the business. The Board of Directors monitor the return on capital, which is defined as total shareholders' equity and the level of dividends to shareholders. The company and its' subsidiaries are not subject to any externally imposed capital requirements.

(c) Fair value disclosure:

The fair values of amounts disclosed as cash and cash equivalents, accounts receivable and accounts payable approximate to their carrying value due to their short-term nature.

The group had no financial instruments which were carried at fair value.

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STAMP
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FORM OF PROXY

I/WE …….....

of …….....Being a member/members

of the above-named Company, hereby appoint……

…….....of……....…….

or failing him…….....of……....…….

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

my/our behalf at the Annual General Meeting of the Company to be held on the 24th day of February, 2014 and at any adjournment thereof.

Dated this ……day of ....……2014

Signed …….....

Notes:

1. This Form of Proxy must be received by the Secretary of the Company not less than 48 hours before the time appointed for the Meeting.

2. This Form of Proxy should bear stamp duty of $100. Adhesive stamps are to be cancelled by the person signing the proxy.

3. If the appointer is a Corporation, this Form of Proxy must be executed under its Common Seal or under the hand of an officer of the Company.

SALADA FOODS JAMAICA LIMITED

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