SALADA FOODS JAMAICA LIMITED

DIRECTORS' REPORT

The Directors submit herewith their report and statement of account for the year ended 30th September 1995.

FINANCIAL RESULTS	$
Loss before taxation	(13,581,096)
Taxation	-
Net loss	(13,581,096)
Retained earnings at beginning of year	18,942,030
Transfer from Capital Reserve	1,314,934
Retained Earnings carried forward	**6,675,868**

Details of the results for the period were approved by the Board on 5th January, 1996 and a comparison with the previous year is set out in the Consolidated Profit and Loss Accounts on page 7.

DIVIDENDS

The Directors do not recommend that a dividend be paid to shareholders.

DIRECTORS

Pursuant to Article 79 of the Articles of Association, one-third of the Directors other than the Managing Director, Mr. Robert O. Parkins, shall retire. The Directors retiring under this article are Messrs. Vincent Chen and Andrew Gordon, who, being eligible, offer themselves for re-election.

Pursuant to Article 83 of the Articles of Association, Mr. Howard Mitchell was appointed by the Board to fill a casual vacancy.

Pursuant to the said Article, any director so appointed shall hold office only until the next following ordinary meeting and shall then be eligible for re-election. The director, therefore, being Mr. Howard Mitchell, offers himself for re-election.

The present members of the Board are listed on the inside front cover.

AUDITORS

Price Waterhouse is willing to continue in office.

By Order of the Board

M. OLIVIA GLOVER
Secretary

February 1, 1996

CHAIRMAN'S STATEMENT

The Directors take pleasure in submitting the Annual Report and Audited Financial Statements for the year ended 30th September 1995.

COMPANY RESULTS

Turnover was $176,497,542, representing an increase of 27% over the previous year. Trading loss was $9,285,997. The major contributing factor was a loss on sales of Blue Mountain coffee, which resulted from increases in excess of 50% over last year in the Coffee Industry Board's processing charges, coupled with a substantially reduced exportable yield of 42%. The contracted price negotiated prior to reaping anticipated an exportable bean yield of approximately

60% as obtained in the previous year.

The situation was further exacerbated by exchange losses of $4,295,099 due to the devaluation of the currency between October 1994 and September 1995 of 11%. This resulted in net loss of $13,581,096.

The operating environment of the company for the year 1995 was difficult and extremely challenging, with the continuation of Government's high interest rate regime, in addition to high levels of inflation and further devaluation of the currency. These factors, coupled with the high cost of imported beans for most of 1995, drove operating and financial expenses to unsustainably high levels.

In the last quarter, however, it was encouraging to see significant reduction in world market prices of coffee beans which enabled us to purchase less expensive beans for the production of instant coffee. These reductions were reflected in the retail shelf price, and although the profit margin had to be reduced, sales in the subsequent months to year end have reflected the price sensitivity of the instant coffee product and, as anticipated, have compensated with increased volumes.

SUBSEQUENT EVENTS & DEVELOPMENT PROGRAMMES

Consistent with our strategic policy for development of overseas markets, the company, despite the continued difficulty in accessing Blue Mountain coffee beans at an economic cost, embarked on the following programmes:

(a) Diversification of its operations by investing in a Cuban-based manufacturing and trading company. This will expand our non-coffee product base, and will take advantage of the opportunities in the opening up of the Cuban economy to external investments. It is anticipated that this will generate foreign exchange earnings and will be self financing by the year 1997.

(b) Increased emphasis on CARICOM markets, especially Guyana, to which sales have been increasing over the last quarter of 1995.

Despite the injection of the proceeds of the rights issue, the increases in the cost of inventory and the impact of high inflation on expenses, the company was forced to undertake substantial borrowing. Subjected to the continuing high interest rates being imposed by the Government as policy, the resulting experience will adversely affect profits for as long as the policy continues.

The Board of Directors developed and is implementing a strategic plan for the local market which is already evident by the profits shown in the succeeding months to date. This plan includes:

1. The development of new products which are line extensions of current non-coffee products, such as drink mixes and milk powder. This will widen our product base and lessen our dependency on coffee products.

2. The rationalisation of the distribution network to create more focus by specific distributors on particular product lines and brands.

3. The implementation of specific market pricing strategies to allow us to regain and increase local market share of our products, which will provide increased volume throughput in the plant and improve the overall efficiency and profitability of our operations.

The Board takes this opportunity to thank all employees for their efforts in the past year, and looks forward to their cooperation in the coming year, as we strive to realise continued growth and success for the mutual benefit of shareholders and employees.

J.A. Lester Spaulding
22 April, 1996