

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements

December 31, 1995

1. The Company

The company and its subsidiaries are incorporated in Jamaica and these financial statements are presented in Jamaican dollars.

The principal activities of the company and its subsidiaries are the manufacture and sale of ice, the rental of cold storage facilities and the operation of refrigerated warehousing.

2. Significant accounting policies

(a) Accounting convention:

The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets at valuation.

(b) Basis of consolidation:

The consolidated financial statements include the financial statements of both subsidiaries, Montego Cold Storage Limited (66 1/3% owned) and Deans Valley Ice Limited (100% owned), made up to December 31, 1995.

All significant inter-company transactions are eliminated. The company and its subsidiaries are collectively referred to as "The Group".

(c) Depreciation:

Fixed assets, with the exception of freehold land on which no depreciation is provided, are depreciated on a reducing balance basis in the case of the parent company and on a straight line basis in the case of subsidiaries, at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Buildings	2 1/2%, 5% and 10%
Plant, machinery and equipment	10%
Office furniture, fixtures and equipment	10%
Motor vehicles	20%

(d) Inventories:

Inventories are valued at the lower of cost, determined principally on a first-in first-out basis, and net realisable value.

(e) Deferred taxation:

Reversible timing differences between the reporting of income and expense items for taxation and financial statements purposes are accounted for at current rates through deferred taxation.

3. Cash and deposits

	Company		Group	
	1995	1994	1995	1994
Fixed deposits	21,461,932	22,619,170	21,707,450	22,864,688
Bank accounts	5,238,652	1,289,904	7,007,987	1,306,953
Cash	16,507	17,600	16,507	17,600
	\$26,717,091	23,926,674	28,731,944	24,189,241

4. Accounts receivable

	Company		Group	
	1995	1994	1995	1994
Trade	1,794,658	1,094,150	1,795,318	1,135,182
Staff loan	145,965	208,033	145,965	208,033
Deposits	31,367	373,805	31,367	373,805
Other receivable	87,453	216,895	141,039	216,895
	\$2,059,443	1,892,883	2,113,689	1,933,915

Accounts receivable are shown after provisions for doubtful debts as follows:

	Company		Group	
	1995	1994	1995	1994
	\$161,830	89,495	161,830	89,495

5. Inventories

	Company		Group	
	1995	1994	1995	1994
Tools	9,690	-	9,690	-
Production chemicals	125,446	110,340	125,446	110,340
Plant and machinery spares, etc.	587,315	521,286	587,315	521,286
	\$722,451	631,626	722,451	631,626

6. Investments

	1995	1994
At cost:		
Quoted [market value \$48,000 (1994: \$50,000)]	2,000	2,000
Deposits	200	200
	\$2,200	2,200

7. Interest in subsidiaries

	1995	1994
Deans Valley Ice Limited:		
Shares, at cost	160	160
Montego Cold Storage Limited:		
Shares, at cost	40,000	40,000
8% Second mortgage debenture	40,000	40,000
	\$80,160	80,160

The 8% second mortgage debenture is secured as explained in note 10.

8. Fixed assets

(a) Company:

	Freehold land and buildings	Plant, Machinery and vehicles	Office furniture and equipment	Total
At cost/valuation:				
December 31, 1994	2,693,561	12,058,253	680,930	15,432,744
Revaluation adjustment	41,784,556	-	-	41,784,556
Additions	482,832	3,084,446	90,460	3,657,738
Disposals	-	(245,000)	-	(245,000)
December 31, 1995	44,960,949	14,897,699	771,390	60,630,038
Depreciation:				
December 31, 1994	231,104	4,147,533	137,387	4,516,024
Charge for the year	537,360	1,323,778	63,400	1,924,538
Revaluation adjustment	(300,192)	-	-	(300,192)
Eliminated on disposals	-	(180,774)	-	(180,774)
December 31, 1995	468,272	5,290,537	200,787	5,959,596
Net book values:				
December 31, 1995	\$44,492,677	9,607,162	570,603	54,670,442
December 31, 1994	\$ 2,462,457	7,910,720	543,543	10,916,720

(b) Group:

At cost/valuation:

December 31, 1994	6,778,073	13,806,950	680,930	21,265,953
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Revaluation adjustment	90,477,845	-	-	90,477,845
Additions	482,832	3,084,446	90,460	3,657,738
Disposals	-	(245,000)	-	(245,000)
December 31, 1995	97,738,750	16,646,396	771,390	115,156,536

Depreciation:

December 31, 1994	784,340	5,021,985	137,387	5,943,712
Charge for the year	830,943	1,498,626	63,400	2,392,969
Revaluation adjustment	(883,617)	-	-	(883,617)
Eliminated on disposals	-	(180,774)	-	(180,774)
December 31, 1995	731,666	6,339,837	200,787	7,272,290

Net book values:

December 31, 1995	\$97,007,084	10,306,559	570,603	107,884,246
December 31, 1994	\$ 5,993,733	8,784,965	543,543	15,322,241

Freehold land and buildings of the company were revalued as at June 30, 1995 based on fair market valuations done on June 8, 1995 and June 21, 1995 by Keith Armstrong, valuer.

The freehold land and buildings of a subsidiary's cold storage operations at Montego Freeport were revalued on a market value basis by Keith Armstrong, valuer, on June 30, 1995. The buildings of its Seawind Apartments were revalued as at June 30, 1994 based on a fair market valuation done on May 13, 1994 by Keith Armstrong, valuer.

The surplus arising on revaluation, inclusive of depreciation no longer required, has been credited to capital reserve (note 12).

Other fixed assets are shown at cost.

12. Reserves

	1995	1994
(a) Company		
Capital:		
Realised:		
Balance brought forward	2,010,078	-
Transfer from profit and loss account:		
Gain on disposal of fixed assets	45,774	2,010,078
	2,055,852	2,010,078
Unrealised:		
Surplus on revaluation of fixed assets		
[Note 8 (a)]	42,084,748	-
Total capital reserves	44,140,600	2,010,078
Revenue:		
Retained profits	14,787,572	9,428,283
	\$58,928,172	11,438,361
(b) Group		
Capital:		
Realised:		
Balance brought forward	2,010,078	-
Transfer from profit and loss account:		
Gain on disposal of fixed assets	45,774	2,010,078
	2,055,852	2,010,078

Unrealised:

Surplus on revaluation of fixed assets [note 8 (b)]	94,766,044	3,404,582
Less: Attributable to minority interest (note 13)	(17,560,432)	(1,134,860)
Surplus on revaluation of fixed assets attributable to the company	77,205,61	2,269,722
Total capital reserves	79,261,464	4,279,800

Revenue:

Retained profits	15,596,760	9,955,949
	\$94,858,224	14,235,749

13. Minority interest

	1995	1994
Share capital/capital reserve attributable to minority interest		
Share capital	20,000	20,000
Revaluation surplus [note 12]	17,560,432	1,134,860
	17,580,432	1,154,860
Revenue reserves attributable to minority interest		
Balance brought forward	263,830	277,254
Profit/(loss) for the year attributable to minority interest	140,760	(13,424)
	404,590	263,830
	17,985,022	1,418,690

14. Deferred income

Deferred income represents the insurance claim proceeds in respect of flood damage. Set off against the proceeds are the repair expenses which have been incurred and claims from customers which have been settled at the balance sheet date. Further claims from customers who suffered loss as a result of the flood are still being processed.

15. Gross operating revenue

Gross operating revenue represents income from the sale of ice, the rental of cold storage facilities and refrigerated warehousing and other miscellaneous sources.

16. Disclosure of expenses

Group operating profit before taxation is stated after charging/(crediting):

	1995 \$	1994 \$
Depreciation	2,392,969	1,632,090
Debenture and fixed loan interest	4,800	84,800
Other interest	41,463	131,139
Directors' emoluments:		
Fees	50,200	79,500
Management remuneration	755,332	508,925
Auditors' remuneration	421,500	310,534
Interest income	(3,456,651)	(3,919,985)
Gain on sale of fixed assets	(45,774)	(2,010,078)

17. Taxation

(a) Taxation is based on the profit for the year, adjusted for tax purposes, and is made up as follows;

1995	1994
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Income tax @ 33 1/3%	2,372,761	2,614,457
Deferred taxation	-	727,730
Adjustment in respect of prior years	118,293	-
	\$2,491,054	3,342,187

- (b) The effective tax rate for 1995 was 25.26% (1994: 32.09%) of \$9,859,377 (1994: \$10,412,660) pre tax profits compared to a statutory tax rate of 33 1/3% (1994: 33 1/3%). The actual tax expense differed from the 'expected' tax expense for those years as follows:

	1995	1994
Expected taxation expense	3,286,428	3,470,852
Differences between profit for financial statement purposes and tax reporting purposes:		
Depreciation and capital allowances	331,393	604,629
Disallowed expenses	18,991	16,769
Gain on sale of fixed assets	(15,257)	(670,019)
Net interest receivable	(133,625)	(80,044)
Unrealised foreign exchange gain	(996,876)	-
	2,491,054	3,342,187

18. Net profit attributable to members

Dealt with in the financial statements of the holding company \$6,946,041 (1994: \$7,110,748).

19. Dividends

	1995	1994
Paid - preference (gross)	-	600
Proposed - preference (gross)	600	-

Proposed - ordinary (gross)		
Final - 125% (1994: 100%)	1,540,378	1,232,302
	\$1,540,978	1,232,902

20. Earnings per stock unit

The calculation of earnings per stock unit is based on net profit after taxation and preference dividend of \$7,276,963 (1994: \$7,083,297) attributable to the members of the company and on the 6,161,510 ordinary stock units in issue during the year.

21. Pension scheme

The company operates a contributory pension and life assurance scheme for employees who have satisfied certain minimum service requirements. The scheme is arranged in conjunction with the Jamaica Mutual Life Assurance Society.

The company's contributions for the year amounted to \$198,735 (1994: \$113,831).

22. Subsequent event

The company is negotiating to buy out the minority shareholders in its subsidiary, Montego Cold Storage Limited.