SEPROD LIMITED

NOTES TO THE FINANCIAL STATEMENTS

31 December 1995

1 PRINCIPAL ACTIVITIES AND OPERATIONS

The principal activities of the group are the manufacture and distribution of consumer products and animal feeds.

During the year, three of the company's subsidiaries ceased operations and terminated the employment of their workforce.

All amounts in these financial statements are stated in Jamaican dollars.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

The group financial statements incorporate the financial statements of the company, its subsidiaries and associated company made up to 31 December 1995 (note 3 (a)).

A subsidiary, Coper Limited, has not been consolidated due to the relatively insignificant amount involved. This subsidiary is included in investments in the group financial statements (note 10).

(b) Associated Company

The equity method of accounting is used to account for the associated company. Under this method, the group's share of profit or losses of the associated company is included in the group profit and loss account and any tax attributable to the share of profits is included in the group's tax charge. In the group balance sheet, the investment is shown at cost or written down value plus the group's share of reserves arising since the acquisition of the investments.

(c) Fixed assets and depreciation

Fixed assets are stated at cost or valuation. The cost or valuation of fixed assets, with the exception of land, is written off on the straight line basis over the expected useful lives of the assets. The expected average, useful lives are as follows:

Buildings	-	40 - 50 years
Plant, equipment and furniture	-	5 - 52 years
Motor vehicles	-	3 years

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods includes cost of raw materials used, direct labour and an appropriate proportion of overhead expenses.

(e) Rates of exchange

Assets and liabilities denominated in foreign currencies are translated at the rates of exchange prevailing at balance sheet date. Gains or losses are credited or charged to the profit and loss account.

(f) Deferred taxation

Deferred taxation is provided for only to the extent that there is reasonable probability that the liabilities will arise in the foreseeable future.

(g) Intangible assets

Goodwill, trademarks and restrictive convenants are carried at cost and amortised over their economic life, which is estimated at 5 years.

(h) Leases

The present value of the minimum lease payments under finance leases is capitalised as fixed assets and a corresponding obligation to the lessor recorded.

Lease payments are treated as consisting of principal and finance charges. The finance charges are recorded so as to give a constant periodic rate of return on the outstanding obligation.

(i) Borrowing costs

Borrowing costs incurred in relation to expenditure on assets not yet in use are capitalised.

3. RELATED PARTIES

(a) The wholly and partly owned subsidiaries and associated company of Seprod Limited are:

Subsidiaries	% Ownership by Seprod
Caribbean Products Company Limited	100
Industrial Sales Limited	100
Jamaica Detergents Limited	100
Jamaica Feeds Limited	60
Jamaica Grain and Cereals Limited (Seprod - direct holding 40% Seprod - indirect holding 24%)	64
Coper Limited	100
Jamaica Household Products Limited (Seprod - direct holding 50%)	100
Seprod Wharf and Storage Limited	100

Associated Company	
North Coast Milling Limited	50

(b) Group turnover represents the value of goods sold to third parties, and excludes revenue generated within the group totalling approximately $536,413,000 (1994 - $444,470,000).

(c) The group has entered into the following transactions with major shareholders:

(i) Jamaica Detergents Limited receives and processes the entire output of copra of the Coconut Industry Board.

(ii) Two subsidiaries in the group paid cess of approximately $2,828,000, based on the sales of copra-based and substitute products, to Coconut Industry Board.

(iii) Net sales of $188,180,000 to and purchases of $13,195,000 from Musson Jamaica Limited.

4 PROFIT AND LOSS ACCOUNT

Group profit before taxation and exceptional items has been arrived at after charging/(crediting) the following:

	1995	1994
	$'000	$'000
Depreciation	72,742	65,061
Interest (net)	30,859	28,749
Auditors' remuneration		
Current year	3,686	3,342
Prior year	(392)	10
Directors' emoluments		
Fees	818	609

Other	6,563	3,235

5 EXCEPTIONAL ITEMS

	1995 $'000	1994 $'000
Redundancy payments	14,186	13,807
Provision for diminution in value of assets held for resale	-	4,000
Write back of provision in respect of Claim settled with the Jamaica Commodity Trading Company Limited	(13,503)	-
	683	**17,807**

6 TAXATION

Taxation is based on the profit for the year adjusted for taxation purposes and comprises:

	1995 $'000	1994 $'000
Income tax at 33 1/3%	21,514	22,945
Underprovision of prior year tax	2,432	1,175
Tax credit on bonus issue of shares	(2,154)	-
	21,792	**24,120**

(a) The tax charge is disproportionate to the profit before taxation and extraordinary items mainly as a result of depreciation charge exceeding capital allowances granted and losses incurred by certain subsidiaries.

(b) Subject to agreement with the Commissioner of Income Tax, losses available for offset against future profits of certain subsidiaries and the company amount to approximately $69,000,000.

7 EXTRAORDINARY ITEMS

		1995	1994
		$'000	$'000
(a)	Redundancy payments	61,213	-
(b)	Write-down of fixed assets	213	-
(c)	Write-off of stock	5,967	-
(d)	Proceeds from the sale of assets of a liquidated subsidiary	(11,647)	-
		55,746	-
	Less tax credit	(6,393)	-
		49,353	-

(a) These represent payments made to employees of three subsidiary companies on the closure of their manufacturing operations during the year.

(b) This represents an adjustment to reflect the realisable values of a subsidiary's fixed assets on the closure of its manufacturing operations (Note 9).

(c) This represents stock written off as a result of a subsidiary ceasing its manufacturing operations.

(d) The winding up of a subsidiary company which was in liquidation was completed during the year. This sum represents the final receipt from the liquidator in addition to the write-back of provisions made in previous years.

8 (DEFICIT)/EARNINGS PER STOCK UNIT/SHARE

The (deficit)/ earnings per stock unit/share is based on 45,559,000 (1994 - 45,518,000) ordinary stock units/shares in issue at the end of the year and is calculated on both the (loss)/profit before extraordinary items and the net (loss)/profit attributable to shareholders.

9 FIXED ASSETS

The Group

	Freehold Land & Site Improvements	Buildings	Plant, Equipment & Furniture	Motor Vehicles	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At Cost or Valuation						
At 1 January 1995	56,905	750,283	1,088,388	23,464	18,192	1,937,232
Additions	288	30	6,504	4,018	12,737	23,577
Disposals	-	-	(16,526)	(2,632)	(8,978)	(28,136)
Transfers to/(from)	-	190	10,017	-	(10,207)	-
At 31 December 1995	**57,193**	**750,503**	**1,088,383**	**24,850**	**11,744**	**1,932,673**
Accumulated Depreciation-						
At 1 January 1995	-	440,685	582,285	5,472	-	1,028,442
Charge for the year	-	15,733	49,981	7,028	-	72,742
On disposals	-	-	(9,976)	(1,281)	-	(11,257)
At 31 December 1995	-	**456,418**	**622,290**	**11,219**	**-**	**1,089,927**
Adjustment to reflect Directors' valuation	-	5,855	(86,186)	-	(553)	(80,884)
Carrying Value - At 31 December 1995	57,193	299,940	379,907	13,631	11,191	761,862
Net Book Value - At 31 December 1994	**56,905**	**309,598**	**506,103**	**17,992**	**18,192**	**908,790**

The Company

Freehold Plant,

	Land & Site Improvements	Buildings	Equipment & Furniture	Motor Vehicles	Work in Progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000
At Cost or Valuation -						
At 1 January 1995	5,165	284,135	77,356	5,430	8,979	381,065
Additions	288	-	2,982	3,164	-	6,434
Disposals	-	-	(796)	(2,592)	(8,979)	(12,367)
At 31 December 1995	**5,453**	**284,135**	**79,542**	**6,002**	**-**	**375,132**
Accumulated Depreciation -						
At 1 January 1995	-	147,723	47,348	1,580	-	196,651
Charge for the year	-	5,726	5,001	1,896	-	12,623
On disposals	-	-	(139)	(754)	-	(893)
At 31 December 1995	**-**	**153,449**	**52,210**	**2,722**	**-**	**208,381**
Net Book Value -						
At 31 December 1995	5,453	130,686	27,332	3,280	-	166,751
At 31 December 1994	5,165	136,412	30,008	3,850	8,979	184,414

As at 31 December 1993, fixed assets excluding furniture and fixtures and motor vehicles were revalued by D.C. Tavares and Finson Company Limited (Appraisers/Valuators) and Baird and Henderson Valuators Limited as follows:

(a) Land at fair market value
(b) Buildings, plant and machinery at replacement cost.

The resultant increments arising from the revaluations of fixed assets have been credited to capital reserve (Note 15).

Certain buildings are situated on land that has been leased. The unexpired portion of the lease is 65 years.

As at 31 December 1995, motor vehicles with net book value of approximately

$9,000,000, acquired under finance leases, have been included in the balance noted above.

As indicated in note 1, three subsidiaries ceased manufacturing operations during the year. Under the circumstances, related assets of these entities have been adjusted to realisable values. Such values have been estimated by the Directors to be as follows:

Buildings -
Carrying value of $66,418,000, being the estimated value at which they will be utilised as warehouses.

Plant and Equipment -
Carrying value of $96,682,000, being the Directors' estimate of the proceeds that will be received under an option granted (Note 19), plus the value at which various items will be transferred to other subsidiaries.

Other Fixed Assets -
Carrying value of $4,363,000 being the estimated value at which they will be transferred to fellow subsidiaries.

The net reductions arising from the restatement of fixed assets have been charged to capital reserve (note 15) and operations where available reserves have been exceeded.

10. INVESTMENTS

	The Group		The Company	
	1995	1994	1995	1994
	$'000	$'000	$'000	$'000
Quoted (market value - $871,987 1994 - $1,189,032)	47	47	40	40
Unquoted	11	11	10	10
Associated company - North Coast Milling Limited	47,700	47,700	47,700	47,700

Group's share of loss	(3,668)	-	-	-
	44,032	47,700	47,700	47,700
Subsidiary -				
Coper Limited	508	508	508	508
	44,598	**48,266**	**48,258**	**48,258**

11. INTANGIBLE ASSETS

	1995	1994
	$'000	$'000
At cost -		
Goodwill	1,227	1,227
Trademark	1,227	1,227
Restrictive covenant	1,052	1,052
	3,506	3,506
Less amounts written off	3,506	2,683
	-	823

12. INVENTORIES

	The Group		The Company	
	1995	1994	1995	1994
	$'000	$'000	$'000	$'000
Raw materials	78,657	115,470	-	-
Work in progress	2,403	19,858	-	-
Finished goods	64,075	66,225	-	1,028
Machine spares	6,018	6,982	6,018	6,404
Stationery	1,114	213	767	16

	152,267	**208,748**	**6,785**	**7,448**

13. RECEIVABLES

	The Group		The Company	
	1995	1994	1995	1994
	$'000	$'000	$'000	$'000
Trade receivables	204,498	128,604	-	-
Advance payments	6,970	21,408	-	-
Other	17,751	17,923	20,458	10,020
	229,219	**167,935**	**20,458**	**10,020**

14. SHARE CAPITAL

	1995	1994
	$'000	$'000
Authorised -		
Ordinary shares of $1 each	50,000	50,000
Issued and fully paid -		
At beginning of year:		
Ordinary stock units/shares of $1 each	45,518	45,508
Movements during the year:		
Additional issue of ordinary shares of $1 each	41	10
At the end of year:		
Ordinary stock units/shares of $1 each	**45,559**	**45,518**

During the year, shares were issued under the company's Executive Management share option scheme. This was approved in September 1992 and allows for a total of one half of one percent (.5%) of the issued ordinary shares of the company, adjusted for the issue of bonus shares or other changes in the capital structure of the company, to be made available annually for a period of five years for issue to the Executive Management of the company upon such terms and conditions as the Board of Directors shall direct.

15. CAPITAL RESERVE

	The Group		The Company	
	1995	1994	1995	1994
	$'000	$'000	$'000	$'000
Balance at the beginning of year -				
Unrealised surplus on revaluation of fixed assets	631,197	652,392	158,867	157,271
Realised surplus	45,788	32,801	15,487	16,967
	676,985	**685,193**	**174,354**	**174,238**
Movement during the year-				
Directors' revaluation adjustments	(76,621)			
Adjustments	-	1,745	-	-
Unrealised surplus	-	(14,466)	-	1,595
Realised surplus	-	14,466	-	-
	(76,621)	**1,745**	**-**	**1,595**
Transfers to accumulated surplus-				
Reduction of unrealised surplus due to sale of assets previously revalued	(2,762)	(8,474)	-	-
Reduction of realised surplus due to capital distribution	-	(11,379)	-	(11,379)
	(2,762)	(19,853)	-	(11,379)
Transfers from accumulated surplus-				

Profits capitalized	15,000	-	-	-
Capital gain on sale of fixed assets	-	9,900	-	9,900
	15,000	9,900	-	9,900
At end of year	612,602	676,985	174,354	174,354
Comprised of-				
Unrealised surplus on revaluation	551,814	631,197	158,867	158,867
Profits capitalized	15,000	-	-	-
Realised capital gains	45,788	45,788	15,487	15,487
	612,602	**676,985**	**174,354**	**174,354**

16 LONG TERM DEBT

	The Group		The Company	
	1995	1994	1995	1994
	$'000	$'000	$'000	$'000
(a) 16% National Commercial Bank Limited -1991/96	628	1,024	-	-
(b) 33% West Indies Trust Company 1989/2005	8,261	8,574	8,261	8,574
(c) WITCO Lease	-	819	-	-
(d) Five year Deferred Loan	5,868	6,355	5,868	6,355
(e) NDB/Citizens Bank Limited 1994/2003	24,750	27,628	-	-
(f) Interest free loans 1994/96	2,246	4,491	2,246	4,491
(g) Jamaica Commodity Trading Company Limited - 1995/98	4,000	-	-	-
	45,753	48,891	16,375	19,420
Less current portion	13,453	13,123	8,488	8,914
	32,300	**35,768**	**7,887**	**10,506M**

(a) The National Commercial Bank Limited loan is secured by a charge over machinery for a margarine plant.

(b) The West Indies Trust Company loan is secured by a first charge over the John Harrison building.

(c) The WITCO lease represents obligations under a finance lease and was repaid during the year.

(d) The deferred loan is repayable in 1996 and is interest free.

(e) The National Development Bank (NDB)/Citizens Bank Limited loan is secured by a charge over specific assets of a subsidiary, by guarantee of the holding company and by assignment for full value of the subsidiary's Peril Insurance Policy. The interest rate is variable and was 27% at the end of the year.

(f) This represents unsecured shareholders' loans.

(g) This is an unsecured, interest-free loan which is repayable in yearly instalments of $1,000,000.

17 LEASE OBLIGATIONS

The group has entered into finance lease arrangements for the purchase of motor vehicles. Future payments under these lease commitments are as follows:

	The Group	The Company
	$'000	$'000
1996	10,493	1,794
1997	4,866	806
1998	672	86
Total minimum lease payments	**16,031**	**2,686**

Less: Future finance charges	3,368	587
Present value of minimum lease payments	12,663	2,099
Less current portion	8,332	1,122
	4,331	**977**

18 PENSION SCHEME

The Seprod Group of Companies operates a pension scheme which provides benefits to members based on average earnings for the final 3 years service (formerly 5 years), with the group and employees each contributing 5% of pensionable salaries. An actuarial study completed in August 1993 indicated that the scheme was significantly overfunded; accordingly, the group's contributions for the year have been reduced from 9% to 5% and amounted to approximately $2,236,000 (1994-$7,876,000).

19 SUBSEQUENT EVENT

On 17 January 1996, certain group companies entered into a Trademark Sale Agreement for approximately $224,000,000, whereby they sold their laundry bar, toilet soap, laundry detergent and bleach brands to Colgate Palmolive Company. These companies also sold a significant portion of their inventory to Colgate Palmolive Company for approximately $25,000,000. In addition, the purchaser acquired the option to purchase, within 120 days, any plant and equipment of the companies at 75% of the net book value of such assets. The Directors have received indication that this option will be exercised.

These companies also signed a Non Competition Agreement for a period of five years from 17 January 1996, which prohibits the companies and their affiliates from engaging in the manufacture of products which would compete with those manufactured by the buyer or its affiliates.