

# SALADA FOODS JAMAICA LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

30 September 1995

### 1. PRINCIPAL ACTIVITY:

The Company is the sole manufacturer of instant coffee in Jamaica. Sales of instant coffee and roasted and ground beans represent approximately 67% of its and the group's turnover. Turnover represents the ex-factory price of goods sold to third parties.

These financial statements are expressed in Jamaican dollars.

### 2. SIGNIFICANT ACCOUNTING POLICIES:

#### (a) Consolidation -

The group's financial statements present the results of operations and financial position of the Company and its two wholly owned subsidiaries, Coffee Company of Jamaica Limited and Shirriff's (Jamaica) Limited. The excess of the cost of shares in the subsidiaries over the book value of the net assets acquired has been charged against shareholders' interests.

The financial position of Eurolatina Corporation, a wholly owned

subsidiary, which was formed during the year has not been consolidated. The investment is stated at cost.

Eurolatina Corporation is registered in Panama and did not trade during the year.

**(b) Fixed Assets -**

Fixed assets are stated at cost or subsequent valuation. Depreciation is charged on the straight line basis over the estimated useful lives of the assets. The rates used are as follows:

Buildings	2.5%
Machinery and equipment	2.5% - 20%
Motor vehicles	20%
Leased assets	Period of lease

The revaluation surplus is amortised to income by reference to the incremental depreciation arising as a result of the revaluation of fixed assets.

**(c) Finance Leases -**

The fair values of the assets at the inception of the leases have been capitalised as fixed assets and the corresponding obligations to the lessor have been recorded.

**(d) Foreign Currencies -**

Balances in foreign currencies are translated into Jamaican dollars at the rates of exchange prevailing at balance sheet date.

Transactions during the year are converted at the rates of exchange applicable at the dates of the transactions. Losses and gains on exchange are reflected in the profit and loss account.

**(e) Inventories -**

Raw and packaging materials are stated at the lower of average cost and net realisable value. Finished goods are stated at the lower of cost (which comprises materials, direct labour and a proportion of overhead expenses) and net realisable value.

**3. TAXATION:**

- (a) Taxation charged is based on the group's results of operations for the year, adjusted for taxation purposes, and represents:

	1995	1994
	\$	\$
Income tax at 33 1/3%	-	<b>1,143,463</b>

- (b) Subject to agreement with the Commissioner of Income Tax, losses available for indefinite carry forward and offset against future taxable profits amount to approximately \$12,400,000.

**4. (LOSS/EARNINGS PER STOCK UNIT:**

The earnings per stock unit is based on 7,564,800 (1994-7,564,800) ordinary stock units in issue during the year, and is calculated on the profit attributable to shareholders.

**5. SHARE CAPITAL:**

	1995	1994
	\$	\$
Authorised -		
7,564,800 Ordinary shares		
of 50c each	<b>3,782,400</b>	<b>3,782,400</b>
Issued and fully paid -		
7,564,800 Ordinary stock units		
of 50c each	<b>3,782,400</b>	<b>3,782,400</b>

**6. CAPITAL RESERVE:**

	Group		Company	
	1995	1994	1995	1994
	\$	\$	\$	\$
Balance at beginning of year-				
Unrealised surplus on revaluation				
of fixed assets	7,261,775	7,061,260	4,219,803	3,891,405
Realised gains	1,746,811	1,746,811	1,704,818	1,704,818
	<b>9,008,586</b>	<b>8,808,071</b>	<b>5,924,621</b>	<b>5,596,223</b>
Movements during the year-				
Surplus on revaluation				
of fixed assets	-	930,449	-	930,449
Amortisation of				
revaluation surplus				
(note 2 (b))	( 729,934)	( 729,934)	( 602,051)	( 602,051)
Transfer to retained earnings-				
Surplus on fixed				
assets sold	( 585,000)	-	( 585,000)	-
	<b>(1,314,934)</b>	<b>( 729,934)</b>	<b>(1,187,051)</b>	<b>( 602,051)</b>
Balance at end of				
year	<b>7,693,652</b>	<b>9,008,586</b>	<b>4,737,570</b>	<b>5,924,621</b>
Consisting of-				
Unrealised surplus on				
revaluation of fixed assets	5,432,842	7,261,775	2,518,753	4,219,803
Realised gains	2,260,810	1,746,811	2,218,817	1,704,818

7,693,652      9,008,586      4,737,570      5,924,621

7. **LONG TERM LIABILITIES:**

	1995 \$	1994 \$
Trafalgar Development Bank Limited Foreign Currency Loan US\$37,261 1992/97 - 13%	1,382,722	2,080,826
Mutual Security Bank Limited I.F.C. Loan 1991/95	-	399,541
Mutual Security Bank Limited Foreign Currency Loan US \$27,859 1992/95 - 15%	1,033,836	4,642,583
Mutual Security Bank Limited Foreign Currency Loan US\$90,000 1994/1996 - 15%	3,339,855	5,682,612
Mutual Security Bank Limited Foreign Currency Loan US\$25,000 1994/1995 - 15%	927,738	6,685,320
	<b>6,684,151</b>	<b>19,490,882</b>
Less: Amounts due in the next 12 months	(6,229,166)	(16,523,739)
	<b>454,985</b>	<b>2,967,143</b>

- (a) The Trafalgar Development Bank Limited loan is secured by charges over specified items of plant and machinery
- (b) The Mutual Security Bank Limited loans are secured as a debenture over the fixed and floating assets of the company.
- (c) Interest rates stated were those prevailing at 30 September 1995.

8. **OBLIGATIONS UNDER FINANCE LEASES:**

Future payments under these lease commitments are as follows:

	1995 \$	1994 \$
In year ending 1995	-	4,559,465
1996	4,208,737	4,208,737
1997	4,208,737	4,208,737
1998	4,208,737	3,929,610
1999	637,142	214,802
	13,263,353	17,121,351
Less: Future finance charges	( 5,832,712)	( 8,775,731)
Net finance lease obligations	<b>7,430,641</b>	<b>8,345,620</b>
Less: Current portion of net finance lease obligations	(1,458,145)	( 1,119,181)
	<b>5,972,496</b>	<b>7,226,439</b>

9. **FIXED ASSETS**

(a)

**THE GROUP**

	Freehold land	Freehold buildings	Machinery, equipment, vehicles	Construction work in progress	Leased assets	Total
	\$	\$	\$	\$	\$	\$
At cost or valuation -						
At October 1994	650,000	8,121,604	52,371,276	1,665,125	8,621,507	71,429,512
Additions	-	-	8,498,068	5,584,273	-	14,082,341
Transfers	-	3,209,228	3,697,432	(6,906,660)	-	
Disposals	-	-	( 1,520,000)	-	-	( 1,520,000)
At 30 September 1995	<b>650,000</b>	<b>11,330,832</b>	<b>63,046,776</b>	<b>342,738</b>	<b>8,621,507</b>	<b>83,991,853</b>
Depreciation -						
At 1 October 1994	-	1,531,117	33,013,762	-	467,767	35,012,646

On disposals	-	-	( 266,833)	-	-	( 266,833)
Charge for the year	-	222,848	3,809,716	-	862,151	4,894,715
At 30 September 1995	-	<b>1,753,965</b>	<b>36,556,645</b>	-	<b>1,329,918</b>	<b>39,640,528</b>
Net book value - 30 September 1995	<b>650,000</b>	<b>9,576,867</b>	<b>26,490,131</b>	<b>342,738</b>	<b>7,291,589</b>	<b>44,351,325</b>
30 September 1994	<b>650,000</b>	<b>6,590,487</b>	<b>19,357,514</b>	<b>1,665,125</b>	<b>8,153,740</b>	<b>36,416,866</b>

(b)

THE COMPANY

	Freehold land	Freehold buildings	Machinery, equipment, vehicles	Construction work in progress	Leased assets	Total
	\$	\$	\$	\$	\$	\$
At cost or valuation -						
At 1 October 1994	96,000	3,739,304	52,371,276	1,665,125	8,621,507	66,493,212
Additions	-	-	8,498,068	5,584,273	-	14,082,341
Transfers	-	3,209,228	3,697,432	(6,906,660)	-	-
Disposals	-	-	( 1,520,000)	-	-	( 1,520,000)
At 30 September 1995	<b>96,000</b>	<b>6,948,532</b>	<b>63,046,776</b>	<b>342,738</b>	<b>8,621,507</b>	<b>79,055,553</b>
Depreciation -						
At 1 October 1994	-	333,514	33,013,762	-	467,767	33,815,043
On disposals	-	-	( 266,833)	-	-	( 266,833)
Charge for the year	-	89,781	3,809,716	-	862,151	4,761,648

At 30 September 1995	-	423,295	36,556,645	-	1,329,918	38,309,858
Net book value -						
30 September 1995	96,000	6,525,237	26,490,131	342,738	7,291,589	40,745,695
30 September 1994	96,000	3,405,790	19,357,514	1,665,125	8,153,740	32,678,169

Fixed assets were valued on 30 September 1985 as follows:

(i) Freehold land and buildings were professionally valued by C.D. Tavares & Finson Co. Ltd. and Stoppi Cairney Bloomfield at fair market valuation.

(ii) Plant and machinery were professionally valued by Baird and Henderson Valuers Limited on the depreciated replacement cost basis.

The unrealised surpluses arising from these revaluations have been credited to capital reserve (note 6).

10. **INVESTMENT IN UNCONSOLIDATED SUBSIDIARY:**

	1995	1994
	\$	\$
Shares at cost	9,900,144	-
Amounts owed by subsidiary	7,011,271	-
	<b>16,911,415</b>	<b>-</b>

11. **INVESTMENT IN SUBSIDIARIES:**

	1995	1994
	\$	\$
Shares at cost	10,780,764	880,620
Amounts due from subsidiary	7,011,271	-
Amounts owed to subsidiaries	( 269,563)	(299,063)



Net investment in subsidiaries	<b>17,522,472</b>	<b>581,557</b>
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12. **INVENTORIES:**

	<b>GROUP AND COMPANY</b>	
	<b>1995</b>	<b>1994</b>
	<b>\$</b>	<b>\$</b>
Raw and packaging materials	32,767,322	21,901,196
Finished goods	12,180,019	11,692,418
Work-in-progress	2,069,045	2,665,913
Stores	3,041,743	2,486,108
	<b>50,058,129</b>	<b>38,745,635</b>

13. **RECEIVABLES:**

	<b>GROUP AND COMPANY</b>	
	<b>1995</b>	<b>1994</b>
	<b>\$</b>	<b>\$</b>
Trade debtors	21,641,106	17,269,415
Other	35,156,181	11,614,134
	<b>56,797,287</b>	<b>28,883,549</b>
Less: Provision for doubtful debts	373,357	202,098
	<b>56,423,930</b>	<b>28,681,451</b>

14. **SHORT TERM LOANS:**

	<b>GROUP AND COMPANY</b>	
	<b>1995</b>	<b>1994</b>
	<b>\$</b>	<b>\$</b>
Caribbean Trust Merchant Bank Limited		
-Insurance premium financing	1,149,406	1,462,327
National Export-Import Bank of Jamaica Limited loan		
US \$626,778 - 14%	23,010,798	23,458,752
Caribbean Trust Merchant Bank Limited		
Variable rate promissory notes - 31% - 55%	21,000,000	-
Caribbean Trust Merchant Bank Limited US \$379,557		
Variable rate promissory		

notes - 15.5% - 16.5%	14,085,206	-
Mutual Security Bank Limited		
US\$89,755 - 15%	3,330,776	-
Mutual Security Bank Limited		
34% Demand loan	3,000,000	-
Mutual Security Bank Limited		
US\$300,000 - 15%	10,941,261	-
XEROX (Jamaica) Limited	-	10,058
	<b>76,517,447</b>	<b>24,931,137</b>

(a) Caribbean Trust Merchant Bank Limited -

The insurance premium financing loan is unsecured.  
The promissory notes are partly secured by a second mortgage over the company's land and buildings.

(b) The Mutual Security Bank Limited loans are secured by a debenture over the fixed and floating assets of the company.

(c) The National Export-Import Bank of Jamaica Limited loan is guaranteed by Mutual Security Bank Limited.

(d) Interest rates stated were those prevailing at 30 September 1995.

15. **PENSION PLAN:**

The Company and its subsidiaries operate a trustee, contributory pension plan for employees. Contributions to the scheme are made by the Company and employees based on a percentage of the employees' pensionable earnings. Retirement benefits are based on the average of the final three years' salary.

Group contributions to the plan, charged to profit and loss account, were \$1,020,000 (1994 - \$497,840).