

# Montego Bay Ice Company 1996

---

## Notes to the Financial Statements

December 31, 1996

1. The company and group

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, rental of apartment and the cultivation of papaya at Deans Valley.

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 2/3% owned) and Deans Valley Ice Limited (100% owned), made up to December 31, 1996.

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
	1996	1995	1996	1995
Fixed deposits	14,546,045	21,461,932	17,640,848	21,707,450
Bank accounts	1,267,249	5,238,652	1,358,435	7,007,987
Cash	14,260	16,507	14,260	16,507
	<u>\$15,827,554</u>	<u>26,717,091</u>	<u>19,013,543</u>	<u>28,731,944</u>

4. Accounts receivable

	Company		Group	
	1996	1995	1996	1995
Trade	1,662,175	1,794,658	1,662,175	1,795,318
Staff loan	510,747	145,965	510,747	145,965
Deposits	828,238	31,367	828,238	31,367
Other receivable	79,410	87,453	96,876	141,039
	<u>\$3,080,570</u>	<u>2,059,443</u>	<u>3,098,036</u>	<u>2,113,689</u>

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

	Company		Group	
	1996	1995	1996	1995
	<u>\$478,221</u>	<u>161,830</u>	<u>478,221</u>	<u>161,830</u>

5. Inventories

Tools	11,990	9,690	11,990	9,690
Production chemicals	95,825	125,446	95,825	125,446
Plant and machinery spares, etc.	1,084,953	587,315	1,084,953	587,315
	<u>1,192,768</u>	<u>722,451</u>	<u>1,192,768</u>	<u>722,451</u>

6. Investments

	1996	1995
At cost:		
Quoted [market value \$31,000 (1995: \$48,000)]	2,000	2,000
Deposits	200	200
	<u>\$2,200</u>	<u>2,200</u>

7. Interest in subsidiaries

	1996	1995
Deans Valley Ice Limited:		
Shares, at cost	160	160
Montego Cold Storage Limited:		

Shares, at cost	40,000	40,000
8% Second mortgage debenture	<u>40,000</u>	<u>40,000</u>
	<b><u>80,160</u></b>	<b><u>80,160</u></b>

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 or valuation:				
December 31, 1995	44,960,949	14,897,699	771,390	60,630,038
Additions	<u>284,763</u>	<u>4,521,773</u>	<u>233,151</u>	<u>5,039,687</u>
	<u>45,245,712</u>	<u>19,419,472</u>	<u>1,004,541</u>	<u>65,669,725</u>
At cost	3,461,156	19,419,472	1,004,541	23,885,169
At valuation	<u>41,784,556</u>	<u>-</u>	<u>-</u>	<u>41,784,556</u>
December 31, 1996	<u>45,245,712</u>	<u>19,419,472</u>	<u>1,004,541</u>	<u>65,669,725</u>
Depreciation:				
December 31, 1995	468,272	5,290,537	200,787	5,959,596
Charge for the year	<u>927,395</u>	<u>1,608,582</u>	<u>80,375</u>	<u>2,616,352</u>
December 31, 1996	<u>1,395,667</u>	<u>6,899,119</u>	<u>281,162</u>	<u>8,575,948</u>
Net book values:				
December 31, 1996	<u>43,850,045</u>	<u>12,520,353</u>	<u>723,379</u>	<u>57,093,777</u>
December 31, 1995	<u>44,492,677</u>	<u>9,607,162</u>	<u>570,603</u>	<u>54,670,442</u>

(b) Group:

	Freehold land and buildings	Plant, machinery and vehicles	Office furniture and equipment	Total
At cost or valuation:				
December 31, 1995	97,738,750	16,646,396	771,390	115,156,536
Additions	<u>1,599,451</u>	<u>4,521,773</u>	<u>233,151</u>	<u>6,354,375</u>
	<u>99,338,201</u>	<u>21,168,169</u>	<u>1,004,541</u>	<u>121,510,911</u>
At cost	2,082,283	21,168,169	1,004,541	24,254,993
At valuation	<u>97,255,918</u>	<u>-</u>	<u>-</u>	<u>97,255,918</u>
December 31, 1996	<u>99,338,201</u>	<u>21,168,169</u>	<u>1,004,541</u>	<u>121,510,911</u>
Depreciation:				
December 31, 1995	731,666	6,339,837	200,787	7,272,290
Charge for the year	<u>927,395</u>	<u>2,266,841</u>	<u>255,245</u>	<u>3,449,481</u>
December 31, 1996	<u>1,659,061</u>	<u>8,606,678</u>	<u>456,032</u>	<u>10,721,771</u>
Net book values:				
December 31, 1996	<u>\$97,679,140</u>	<u>12,561,491</u>	<u>548,509</u>	<u>110,789,140</u>
December 31, 1995	<u>\$97,007,084</u>	<u>10,306,559</u>	<u>570,603</u>	<u>107,884,246</u>

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).

Freehold land and buildings include land at valuation of \$67,237,000.

Other fixed assets are shown at cost.

9. Share capital

	1996	1995
Authorised:		
5,000 6% Cumulative preference shares of \$2 each	10,000	10,000
52,500,000 Ordinary shares of 20¢ each	<u>10,500,000</u>	<u>10,500,000</u>
	<b><u>10,510,000</u></b>	<b><u>10,510,000</u></b>
Issued and fully paid:		
5,000 6% Cumulative preference shares	10,000	10,000
6,161,510 Ordinary stock units	<u>1,232,302</u>	<u>1,232,302</u>
	<b><u>1,242,302</u></b>	<b><u>1,242,302</u></b>

10. Debenture payable

This represents an 8% second mortgage debenture which is secured by a fixed charge on the real property and goodwill and a floating charge on the other assets and profits of a subsidiary. It is payable on demand.

11. Share premium

The balance represents the share premium on the 1993 rights issue, net of expenses incurred on issue.

12. Reserves

	1996	1995
(a) Company		
Capital:		
Realised:		
Balance brought forward	2,055,852	2,010,078
Transfer from profit and loss account:		
Gain on disposal of fixed assets	<u>          -</u>	<u>    45,774</u>
Balance carried forward	2,055,852	2,055,852
Unrealised:		
Surplus on revaluation of fixed assets		
[note 8 (b)]	<u>42,084,748</u>	<u>42,084,748</u>
Total capital reserves	44,140,600	44,140,600
Revenue:		
Retained profits	<u>12,926,280</u>	<u>14,787,572</u>
	<u><b>\$57,066,880</b></u>	<u><b>58,928,172</b></u>

(b) Group

Capital:		
Realised:		
Balance brought forward	2,055,852	2,010,078
Transfer from profit and loss account:		
Gain on disposal of fixed assets	<u>          -</u>	<u>    45,774</u>
Balance carried forward	2,055,852	2,055,852
Unrealised:		
Surplus on revaluation of fixed assets		
[note 8 (b)]	94,766,044	94,766,044
Less: Attributable to minority interest		

	(note 13)	( <u>17,560,432</u> )	( <u>17,560,432</u> )
Surplus on revaluation of fixed assets attributable to the company		<u>77,205,612</u>	<u>77,205,612</u>
Total capital reserves		79,261,464	79,261,464
Revenue:			
Retained profits		<u>14,515,787</u>	<u>15,596,760</u>
		<b><u>\$93,777,251</u></b>	<b><u>94,858,224</u></b>

### 13. Minority interest

	1996	1995
Share capital/capital reserve attributable to minority interest		
Share capital	20,000	20,000
Revaluation surplus [note 12]	<u>17,560,432</u>	<u>17,560,432</u>
	<u>17,580,432</u>	<u>17,580,432</u>
Revenue reserves attributable to minority interest		
Balance brought forward	404,590	263,830
Profit for the year attributable to minority interest	<u>390,053</u>	<u>140,760</u>
Balance carried forward	<u>794,643</u>	<u>404,590</u>
	<b><u>\$18,375,075</u></b>	<b><u>17,985,022</u></b>

### 14. Deferred income/expenditure

#### (i) 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.



(ii) Deferred expenditure:

Deferred expenditure represents cultivation and payroll related costs for the papaya project undertaken in October 1996. These costs will be written off to the profit and loss account against the proceeds of the crop to which they relate.

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):

	1996	1995
	\$	\$
Depreciation	3,449,481	2,392,969
Debenture and fixed loan interest	4,800	4,800
Other interest	-	41,463
Directors' emoluments:		
Fees	71,500	50,200
Management remuneration	906,800	755,332
Auditors' remuneration	564,000	421,500
Interest income	(3,441,846)	3,456,651
Gain on sale of fixed assets	-	(45,774)

17. Taxation

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

	1996	1995
Income tax at 33 1/3%	735,386	2,372,761
Adjustment in respect of prior years	<u>5,487</u>	<u>118,293</u>

**\$740,873**      **2,491,054**

(b) Taxation losses, subject to agreement by the Commissioner of Income Tax, available for relief against future taxable profits, amounted to \$1,246,250 for the company and \$Nil for the group at December 31, 1996 (1995: \$Nil). These losses can be carried forward indefinitely.

(c) The effective tax rate for 1996 was Nil% (1995: 25.26%) of \$50,553 (1995: \$9,859,377) pretax profits compared to a statutory tax rate of 33 1/3% (1995: 33 1/3%). The actual tax expense differed from the 'expected' tax expense for those years as follows:

	1996	1995
Expected taxation expense	16,851	3,286,428
Difference between profit for financial statement purposes and tax reporting purposes:		
Depreciation and capital allowances	205,869	331,393
Disallowed expenses	77,933	18,991
Gain on sale of fixed assets	-	(15,257)
Net interest receivable	19,316	(133,625)
Unrealised foreign exchange gain	-	(996,876)
Adjustment in respect of prior year	5,487	-
Adjustment in respect of loss	415,417	-
	<b><u>\$740,873</u></b>	<b><u>2,491,054</u></b>

18. Net (loss)/profit attributable to members

Dealt with in the financial statements of the holding company \$(1,860,692) (1995: \$6,946,041).

19. Dividends

	1996	1995
Proposed - preference (gross)	600	600

Proposed - ordinary (gross)		
Final - Nil% (1995:125%)	-	1,540,378
	<u>\$600</u>	<u>1,540,978</u>

20. Earnings per stock unit

The calculation of earnings per stock unit is based on net (loss)/profit after taxation and preference dividend of \$(1,080,973) [1995: \$7,226,963] 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 \$385,137 (1995: \$198,735).

22. Plant closure

Redundancy and severance pay is presently being negotiated. No provision has been made in these financial statements for this potential liability or any other expenses arising from the closure of the Deans Valley plant. In the opinion of the directors such liabilities will be minimal.

---