

Salada Foods Jamaica Limited 1996

Notes to the Financial Statements

30 September 1996

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 80% 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 two of its 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.

Eurolatina Corporation, whose principal activity will be the manufacturing of instant powder drink mixes, is registered in Panama and is still at the pre-operating stage of development. As such any expenses incurred are deferred. In view of the above, the financial position has not been

consolidated because the expense and delay involved would be out of proportion to the value to the members of the company. The investment is stated at cost (note 10).

(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 & 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

There is no tax charge for the current year due to the losses incurred. Subject to agreement with the Commissioner of Income Tax, losses available for indefinite carry forward and offset against future taxable profits amount to approximately \$20,035,000, (1995 - \$12,400,000).

4. Loss Per Stock Unit

The loss per stock unit is based on 7,564,800 ordinary stock units in issue during the year, and is calculated on the profit attributable to stockholders.

5. Share Capital

	1996 \$'000	1995 \$'000
Authorised, issued and fully paid - 7,564,800 Ordinary shares of 50c each	3,782	3,782

6. Capital Reserve

	Group		Company	
	1996 \$'000	1995 \$'000	1996 \$'000	1995 \$'000
Balance at beginning of year:				
Unrealised surplus on revaluation of fixed assets	5,947	7,262	3,033	4,220
Realised gains	<u>1,747</u>	<u>1,747</u>	<u>1,705</u>	<u>1,705</u>
	7,694	9,009	4,738	5,925
Movements during the year:				
Amortisation of revaluation surplus (Note 2(b))	(730)	(730)	(602)	(602)
Transfer to retained earnings:				

Surplus on fixed assets	-	(585)	-	(585)
	<u>(730)</u>	<u>(1,315)</u>	<u>(602)</u>	<u>(1,187)</u>
Balance at end of year	<u>6,964</u>	<u>7,694</u>	<u>4,136</u>	<u>4,738</u>
Consisting of:				
Unrealised surplus on revaluation of fixed assets	5,217	5,947*	2,431	3,033*
Realised gains	<u>1,747</u>	<u>1,747*</u>	<u>1,705</u>	<u>1,705*</u>
	<u>6,964</u>	<u>7,694</u>	<u>4,136</u>	<u>4,738</u>

* Reclassified for comparative purposes

7. Long Term Liabilities

	Group and Company	
	1996 \$'000	1995 \$'000
Trafalgar Development Bank Limited Foreign Currency Loan US\$11,971 1992/7 -13%	420	1,383
Mutual Security Bank Limited Foreign Currency Loan US\$27,859 1992/95 - 15%	-	1,033
Mutual Security Bank Limited Foreign Currency Loan US\$90,000 1994/1996 - 15%	3,156	3,340
Mutual Security Bank Limited Foreign Currency Loan US\$50,000 1994/1995 - 15%	<u>1,754</u>	<u>928</u>
	5,330	6,684

Less amounts due in the next 12 months	<u>5,330</u>	<u>6,229</u>
	<u>-</u>	<u>455</u>

- (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 by a debenture over the fixed and floating assets of the company.
- (c) Interest rates stated were those prevailing at 30 September 1996.

8. Finance Lease Obligations

	1996	1995
	\$'000	\$'000
In year ending 1996	-	4,208
1997	4,209	4,209
1998	4,209	4,209
1999	<u>637</u>	<u>637</u>
	9,055	13,263
Less: Future finance charges	<u>(3,585)</u>	<u>(5,833)</u>
Net finance lease obligations	5,470	7,430
Less: Current portion of net finance lease obligations	<u>(2,165)</u>	<u>(1,458)</u>
	<u>3,305</u>	<u>5,972</u>

9. Fixed Assets

	Freehold Land \$'000	Freehold Buildings \$'000	The Group Machinery, Equipment, Vehicles \$'000	Construction Work in Progress \$'000	Leased Assets \$'000	Total \$'000
At Cost or Valuation -						

At 1 October 1995	650	11,330	63,047	343	8,621	83,991
Additions	-	-	-	3,548	509	4,057
Transfers	-	2,597	1,294	-3,891	-	-
At 30 September 1996	<u>650</u>	<u>13,927</u>	<u>64,341</u>	<u>-</u>	<u>9,130</u>	<u>88,048</u>

Depreciation -

At 1 October 1995	-	1,753	36,557	-	1,330	39,640
Charge for the year	-	362	4,007	-	888	5,257
At 30 September 1996	<u>-</u>	<u>2,115</u>	<u>40,564</u>	<u>-</u>	<u>2,218</u>	<u>44,897</u>

Net Book Value -

30 September 1996	650	11,812	23,777	-	6,912	43,151
30 September 1995	650	9,577	26,490	343	7,291	44,351

	Freehold Land \$'000	Freehold Buildings \$'000	The Company Machinery, Equipment, Vehicles \$'000	Construction Work in Progress \$'000	Leased Assets \$'000	Total \$'000
At Cost or Valuation -						
At 1 October 1995	96	6,949	63,047	343	8,621	79,056
Additions	-	-	-	3,548	509	4,057
Transfers	-	2,597	1,294	(3,891)	-	-
At 30 September 1996	<u>96</u>	<u>9,546</u>	<u>64,341</u>	<u>-</u>	<u>9,130</u>	<u>83,113</u>
Depreciation -						
At 1 October 1995	-	423	36,557	-	1,330	38,310
Charge for the year	-	229	4,007	-	888	5,124
At 30 September 1996	<u>-</u>	<u>652</u>	<u>40,564</u>	<u>-</u>	<u>2,218</u>	<u>43,434</u>
Net Book Value -						
30 September 1996	96	8,894	23,777	-	6,912	39,679
30 September 1995	96	6,526	26,490	343	7,291	40,746

Fixed assets were valued on 30 September 1985 as follows:

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

	1996	1995
	\$'000	\$'000
Shares at cost	9,900	9,900
Amounts advanced	<u>38,148</u>	<u>7,011</u>
	<u>48,048</u>	<u>16,911</u>

11. Investment in Subsidiaries

	1996	1995
	\$'000	\$'000
Shares at cost	10,781	10,781
Amounts due from subsidiary	38,147	7,011
Amounts owed to subsidiaries	<u>(244)</u>	<u>(270)</u>
Net investment in subsidiaries	<u>48,684</u>	<u>17,522</u>

12. Inventories

	1996	1995
	\$'000	\$'000
Raw and packaging materials	28,984	32,767
Finished goods	6,059	12,180
Work-in-progress	3,156	2,069
Stores	<u>2,574</u>	<u>3,042</u>
	<u>40,773</u>	<u>50,058</u>

13. Receivables

	1996 \$'000	1995 \$'000
Trade debtors	29,537	21,641
Other	<u>6,701</u>	<u>35,156</u>
	<u>36,238</u>	<u>56,797</u>
Less: Provision for doubtful debts	<u>(907)</u>	<u>(373)</u>
	<u>35,331</u>	<u>56,424</u>

14. Short Term Loans

	Group and Company	
	1996 \$'000	1995 \$'000
Caribbean Trust Merchant Bank Limited Insurance Premium Financing	-	1,149
National Export - Import Bank of Jamaica Limited loan US\$12,928 - 14%	457	23,011
Caribbean Trust Merchant Bank Limited Promissory note - 43%	1,655	21,000
Chaise Investment Limited Variable rate promissory notes - 46% - 47.5%	16,305	-
Caribbean Trust Merchant Bank Limited US\$275,000- 16%	9,646	14,085
Mutual Security Bank Limited US\$89,755- 15%	-	3,331
Mutual Security Bank Limited Demand loan - 34%	-	3,000
Mutual Security Bank Limited Variable rate promissory notes - 42.75% - 46.75%	29,895	10,941
Mutual Security Bank Limited US\$767,859- 15%	<u>26,933</u>	<u>-</u>
	<u>84,891</u>	<u>76,517</u>

(a) Caribbean Trust Merchant Bank Limited

The insurance premium financing loan was unsecured.

The promissory note is partly secured by a second mortgage over the company's land and buildings.

- (b) The Chaise Investment Limited promissory notes are unsecured.
- (c) The Mutual Security Bank Limited loans are secured by a debenture over the fixed and floating assets of the company.
- (d) The National Export - Import Bank of Jamaica Limited loan is guaranteed by Mutual Security Bank Limited.
- (e) Interest rates stated were those prevailing at 30 September 1996.

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 \$1,339,806 (1995 - \$1,020,000).
