

GOODYEAR JAMAICA LIMITED 1997

Notes to the Financial Statements

31 December 1997

1. IDENTIFICATION AND PRINCIPAL ACTIVITIES:

The company is incorporated in Jamaica and is a 60% subsidiary of the Goodyear Tire and Rubber Company, Akron, Ohio U.S.A. Its principal activities until March 1997 were the manufacture and import of tyres, tubes and related rubber products (note 16). At present all of its products are imported from affiliates.

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

2. SIGNIFICANT ACCOUNTING POLICIES:

(a) Accounting convention

These financial statements have been prepared under the historical cost convention.

(b) Valuation of inventories

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

(c) Depreciation

No depreciation is provided on freehold land. Other fixed assets are

depreciated on the straight line basis at rates which will write off their carrying value over their expected useful lives. The rates are as follows:

Roadways and improvements	1 - 4%
Freehold buildings	2 1/2%
Furniture and fixtures	5 - 20 %
Machinery and equipment	5 - 33 1/3%
Vehicles	25%

(d) **Foreign currency translation**

Foreign currency balances are translated into Jamaican dollars at the appropriate rates of exchange ruling at balance sheet date and any resulting gain or loss is reflected in income for the year.

(e) **Deferred taxation**

Deferred taxation is provided at the current rate of income tax on the difference by which capital allowances claimed for taxation purposes on fixed assets exceed the depreciation charged against profits in respect of those assets.

(f) **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.

3. TURNOVER:

Turnover represents the wholesale price of goods to customers and excludes General Consumption Tax.

4. RELATED PARTY TRANSACTIONS:

- (a) Technical and administration fees of \$5,005,000 (1996 - \$14,224,000) were charged by the parent company. The company also purchased a substantial amount of its raw materials, machinery and spare parts from its parent and affiliates.
- (b) The company leases certain motor vehicles from Goodyear Jamaica Limited's Super-annuation Scheme under both operating and finance lease agreements. Lease payments during the year amounted to \$Nil (1996 - \$717,000) for operating leases and \$6,277,000 (1996 - \$3,244,000) for finance leases.

5. PROFIT BEFORE TAXATION AND EXTRAORDINARY ITEMS:

The following have been charged/(credited):

	1997 \$'000	1996 \$'000
Auditors' remuneration -	1,100	1,320
Current year	12,234	10,930
Depreciation and amortization		
Directors' emoluments -		
Fees	100	100
Management remuneration	8,902	7,275
Exchange loss/(gain)	954	(6,075)
Interest expense	2,795	4,887
Interest income	<u>(25,234)</u>	<u>(27,578)</u>

6. TAXATION:

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

	1997 \$'000	1996 \$'000
Income tax at 33 1/3%	29,004	33,693
Prior year tax adjustment	-	(692)
Deferred taxation	<u>(16,011)</u>	<u>4,263</u>
	<u>12,993</u>	<u>37,264</u>

The tax charge is disproportionate to the reported profit because tax losses of approximately \$17,100,000 have been utilised in determining taxable income.

7. EXTRAORDINARY ITEMS:

This consists of costs arising out of the closure of the company's factory located at Morant Bay, St. Thomas (Note 16)

as follows:

	1997	1996
	\$'000	\$'000
Redundancy costs	-	67,945
Loss on disposal of fixed assets	33,456	
Other costs	47,830	41,471
Less: taxation attributable	(15,943)	(33,693)
	<u>65,343</u>	<u>75,723</u>

8. DIVIDENDS:	1997	1996
Interim dividend paid	\$'000	\$'000
30 cents per ordinary stock unit	17,820	8,910

Dividends paid in 1997 were subject to withholding tax of \$2,661,000 (1996 - \$1,340,000).

9. EARNINGS / (LOSS) PER STOCK UNIT:

Earnings /(loss) per stock unit is based on the net profit /(loss) before and after extraordinary item and 59,400,000 stock units in issue throughout both years.

10. INVENTORIES:

	1997 \$'000	1996 \$'000
Raw materials and machine spares	3,976	97,762
Work in progress	-	9,092
Finished goods	139,969	100,814
	<u>143,945</u>	<u>207,668</u>

11. LONG TERM RECEIVABLE:

This consists of National Housing Trust contributions made up to 31 July 1979 which are, under the National Insurance Amendment Act 1976, refundable in the years 2001 to 2004.

12. FIXED ASSETS:

	Freehold Land, Roadways & Improvements	Freehold Buildings	Leasehold Improvements	Machinery and Equipment	Vehicles	Assets Capitalised under Finance Leases	Construction in Progress	Total
At Cost -								
At 1 January 1997	156	10,332	1,430	78,690	2,640	15,594	11,170	120,012
Additions	-	-	14	-	-	-	8,155	8,169
Disposals	-	-	-	(75,688)	-	(4,830)	(11,516)	(92,034)
Transfers to/(from)	-	496		5,834		8	(6,338)	-
At 31 December 1997	<u>156</u>	<u>10,828</u>	<u>1,444</u>	<u>8,836</u>	<u>2,640</u>	<u>10,772</u>	<u>1,471</u>	<u>36,147</u>
Depreciation -								
At 1 January 1997	54	3,698	1,405	31,320	150	7,277	-	43,904
Charge for the year	2	299	-	8,250	-	3,683	-	12,234
On disposals	-	-	-	(34,897)	-	(4,064)	-	(38,961)
At 31 December 1997	<u>56</u>	<u>3,997</u>	<u>1,405</u>	<u>4,673</u>	<u>150</u>	<u>6,896</u>	<u>-</u>	<u>17,177</u>
Net Book Value -								
31 December 1997	<u>100</u>	<u>6,831</u>	<u>39</u>	<u>4,163</u>	<u>2,490</u>	<u>3,876</u>	<u>1,471</u>	<u>18,970</u>
31 December 1996	<u>102</u>	<u>6,634</u>	<u>25</u>	<u>47,370</u>	<u>2,490</u>	<u>8,317</u>	<u>11,170</u>	<u>76,108</u>

13. LONG TERM DEBT:

The company has entered into finance lease arrangements with West Indies Trust Company Limited, at interest rates ranging between 15% and 35% for the purchase of motor vehicles (note 12). Future payments under these lease commitments are as follows:

	1997	1996
	\$'000	\$'000
For the year ending 31 December		
1997	-	7,409
1998	4,655	4,418
1999	2,514	1,814
2000	1,895	1,015
2001	662	-
Total minimum lease payments	9,726	14,656
Less: Finance charges	2,134	4,331
Present value of minimum lease payments	7,592	10,325
Less: Current portion	3,108	4,943
	<u>4,484</u>	<u>5,382</u>

14. SHARE CAPITAL:

	1997	1996
	\$'000	\$'000
Authorised -		
59,400,000 Ordinary shares of 20c each	<u>11,880</u>	<u>11,880</u>
Issued and fully paid		
59,400,000 Ordinary shares of 20c each	<u>11,880</u>	<u>11,880</u>

15. SUPERANNUATION SCHEME:

The company has a superannuation scheme which is administered by Trustees. The scheme is funded by mandatory employee contributions of 5% of salary and voluntary contributions up to a maximum of 10%. Employer contributions

are made as recommended by independent actuaries. Retirement and death benefits are based on career earnings. The latest actuarial valuation, which was as of 31 December 1996 disclosed that the scheme was adequately funded at that date.

Employer contributions to the scheme for the year amounted to \$1,255,000 (1996 - \$2,971,000).

16. FACTORY CLOSURE:

As of 21 March 1997, the company's manufacturing operations at the factory located in Morant Bay, St. Thomas were discontinued. The company instead now supplies the Jamaican market with tyres and other products imported from its affiliates. A provision of \$109,416,000 was made in the financial statements for redundancy and other costs for the year ended 31 December 1996.

During the year ended 31 December 1997, the company sold machinery and equipment with a book value of \$2,969,000 for \$18,252,000 realising a gain of \$15,283,000. In addition, machinery and equipment with a book value of \$48,739,000 was written off. Capital assets remaining from the manufacturing operations are negligible and are currently being reflected in the books at net realisable value. These are expected to be disposed of during 1998.