

# Montego Bay Ice Company 1997

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## Notes to the Financial Statements

December 31, 1997

### 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 apartments 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 the company and its subsidiaries, Montego Cold Storage Limited (66 2/3% owned) and Deans Valley Ice Limited (100% owned), made up to December 31, 1997.

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.

(f) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date.

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account.

### 3. Cash and deposits

	Company		Group	
	1997	1996	1997	1996
Fixed deposits	3,386,937	8,375,934	8,700,315	11,470,737
Bank accounts	579,494	1,267,249	781,049	1,358,435
Cash	232,843	14,260	232,843	14,260
	<u>\$4,199,274</u>	<u>9,657,443</u>	<u>9,714,207</u>	<u>12,843,432</u>

#### 4. Accounts receivable

	Company		Group	
	1997	1996	1997	1996
Trade	2,465,783	2,140,396	2,467,660	2,140,396
Demand loan	11,539,802	6,170,111	11,539,802	6,170,111
Staff loan	544,728	510,747	544,728	510,747
Deposits	536,267	828,238	536,267	828,238
Other receivable	25,756	79,410	47,267	96,876
	<u>15,112,336</u>	<u>9,728,902</u>	<u>15,135,724</u>	<u>9,746,368</u>
Less: Provision for doubtful debts	( <u>832,560</u> )	( <u>478,221</u> )	( <u>832,560</u> )	( <u>478,221</u> )
	<u>14,279,776</u>	<u>9,250,681</u>	<u>14,303,164</u>	<u>9,268,147</u>

The demand loan is unsecured, denominated in United States dollars and earns interest at 11% per annum.

#### 5. Inventories

	Company		Group	
	1997	1996	1997	1996
Tools	-	11,990	-	11,990
Production chemicals	71,280	95,825	71,280	95,825
Plant and machinery spares, etc.	846,858	1,084,953	846,858	1,084,953
	<u>\$918,138</u>	<u>1,192,768</u>	<u>918,138</u>	<u>1,192,768</u>

## 6. Investments

Company and the group:

	1997	1996
At cost:		
Quoted [market value \$27,000 (1996: \$31,000)]	2,000	2,000
Deposits	<u>200</u>	<u>200</u>
	<b><u>\$2,200</u></b>	<b><u>\$2,200</u></b>

## 7. Interest in subsidiaries

	1997	1996
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>-</u>	<u>40,000</u>
	<b><u>\$40,160</u></b>	<b><u>80,160</u></b>

The 8% second mortgage debenture was fully repaid during the year.

## 8. Fixed assets

(a) Company:

	Freehold land and buildings	Plant, machinery and vehicles	Office furniture and equipment	Total
At cost or valuation:				
December 31, 1996	45,245,712	19,419,472	1,004,541	65,669,725
Additions	65,500	7,952,816	76,924	8,095,240
Disposals	<u>-</u>	<u>( 555,091)</u>	<u>-</u>	<u>( 555,091)</u>

December 31, 1997	<u>45,311,212</u>	<u>26,817,197</u>	<u>1,081,465</u>	<u>73,209,874</u>
At cost	3,526,656	26,817,197	1,081,465	31,425,318
At valuation	<u>41,784,556</u>	<u>-</u>	<u>-</u>	<u>41,784,556</u>
	<u>45,311,212</u>	<u>26,817,197</u>	<u>1,081,465</u>	<u>73,209,874</u>

Depreciation:

December 31, 1996	1,395,667	6,899,119	281,162	8,575,948
Charge for the year	884,342	2,176,027	80,030	3,140,399
Eliminated on disposal	-	( 300,673)	-	( 300,673)
December 31, 1997	<u>2,280,009</u>	<u>8,774,473</u>	<u>361,192</u>	<u>11,415,674</u>

Net book values:

December 31, 1997	<u>\$43,031,203</u>	<u>18,042,724</u>	<u>720,273</u>	<u>61,794,200</u>
December 31, 1996	<u>\$43,850,045</u>	<u>12,520,353</u>	<u>723,379</u>	<u>57,093,777</u>

(b) Group:

	Freehold land and buildings	Plant, machinery and vehicles	Office furniture and equipment	Total
At cost or valuation:				
December 31, 1996	99,338,201	21,168,169	1,004,541	121,510,911
Additions	65,500	8,014,732	154,635	8,234,867
Disposals	-	( 555,091)	-	(555,091)
December 31, 1997	<u>99,403,701</u>	<u>28,627,810</u>	<u>1,159,176</u>	<u>129,190,687</u>
At cost	2,147,783	28,627,810	1,159,176	31,934,769
At valuation	<u>97,255,918</u>	<u>-</u>	<u>-</u>	<u>97,255,918</u>
	<u>99,403,701</u>	<u>28,627,810</u>	<u>1,159,176</u>	<u>129,190,687</u>

Depreciation:

December 31, 1996	1,659,061	8,606,678	456,032	10,721,771
Charge for the year	884,342	2,831,647	262,671	3,978,660

Eliminated on disposal	-	( 300,673)	-	( 300,673)
December 31, 1997	<u>2,543,403</u>	<u>11,137,652</u>	<u>718,703</u>	<u>14,399,758</u>

Net book values:

December 31, 1997	<u>\$96,860,298</u>	<u>17,490,158</u>	<u>440,473</u>	<u>114,790,929</u>
December 31, 1996	<u>\$97,679,140</u>	<u>12,561,491</u>	<u>548,509</u>	<u>110,789,140</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 13, 1995. The buildings of its Seawind Apartments were revalued as at May 13, 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 10).

Freehold land and buildings include land at valuation of \$26,195,000 for the company and \$67,237,000 for the group.

Other fixed assets are shown at cost.

## 9. Share capital

	1997	1996
Authorised:		
5,000 6% Cumulative preference shares of \$2 each	10,000	10,000
52,500,000 Ordinary shares of 20¢ each	10,500,000	10,500,000
	<u>\$10,510,000</u>	<u>10,510,000</u>
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>



Revenue:		
Retained profits at end of year	15,457,474	14,515,787
	<u>\$113,948,760</u>	<u>113,007,073</u>

#### 11. Minority interest

Share capital\capital reserve attributable to minority interest

Share capital	20,000	20,000
Revaluation surplus [note 10 (b)]	17,560,432	17,560,432
	<u>17,580,432</u>	<u>17,580,432</u>

Revenue reserves attributable to minority interest

Balance brought forward	794,643	404,590
Profit for the year attributable to minority interest	346,638	390,053
Balance carried forward	<u>1,141,281</u>	<u>794,643</u>
	<u>\$18,721,713</u>	<u>18,375,075</u>

#### 12. 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 expected.

(ii) Deferred expenditure:

Deferred expenditure in the prior year represented cultivation and payroll related costs for the papaya project undertaken in October 1995. These costs were written off to the profit and loss account in the current year as the company leased out the papaya operation.

#### 13. Gross operating revenue



Gross operating revenue represents income from the manufacture and sale of ice, the rental of cold storage facilities and other miscellaneous sources.

#### 14. Disclosure of expenses

Group operating profit before taxation is stated after charging/(crediting):

	1997	1996
	\$	\$
Depreciation	3,978,660	3,449,481
Debenture and fixed loan interest	3,200	4,800
Directors' emoluments:		
Fees	75,700	71,500
Management remuneration	1,196,351	906,800
Auditors' remuneration	640,000	564,000
Interest income	(2,077,159)	(3,441,846)
Loss on sale of fixed assets	254,418	-
Redundancy and severance payments	<u>430,000</u>	<u>-</u>

#### 15. Taxation

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

	1997	1996
Income tax @ 33 1/3%	1,241,784	735,386
Adjustment in respect of prior years	-	5,487
Adjustment in respect of deferred taxation	( 94,545)	-
	<u>\$1,147,239</u>	<u>740,873</u>

#### 16. Net profit/(loss) attributable to members

Dealt with in the financial statements of the holding company \$864,724 [1996: \$(1,860,692)].

**17. Dividends**

	1997	1996
Proposed - preference (gross)	600	600
Proposed - ordinary (gross)		
Final - 10% (1996: Nil%)	<u>616,151</u>	<u>-</u>
	<u>\$616,751</u>	<u>600</u>

**18. Earnings per stock unit**

The calculation of earnings per stock unit is based on net profit/(loss) after taxation and preference dividend of \$1,557,838 [1996: \$(1,080,973)] attributable to the members of the company and on the 6,161,510 ordinary stock units in issue during the year.

**19. 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 \$401,046 (1996: \$385,137).

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