

# Salada Foods Jamaica Limited 1997

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## Notes to the Financial Statements

30 September 1987

### 1. Principal Activity

The company, incorporated in Jamaica, is the sole manufacturer of instant coffee in Jamaica. Sales of instant coffee and roasted and ground beans represent approximately 80% of the company's 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) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) 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.

On 14 August 1997, Salada Foods Jamaica Limited sold its investment in

Eurolatina Corporation to JSE plc, a related party, of which one of its directors was a former director of Salada Foods Jamaica Limited (note 11). The agreed sale price was US\$1,400,000. However, the board subsequently agreed to reduce the sale price to US\$880,000. As at 30 September 1997, a balance of US\$605,279 (J\$21,402,653) was outstanding and has been included in receivables (note 14). Subsequent to the year end, US\$590,788 of this amount was received.

(c) 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.

(d) 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.

(e) 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.

(f) 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 realizable 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 \$52,277,000 (1996 - \$18,533,000).

### 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 loss attributable to stockholders.

### 5. Extraordinary Item

This represents the loss on sale of the company's investment in its unconsolidated subsidiary, Eurolatina Corporation (note 2(b)).

### 6. Share Capital

	1997 \$'000	1996 \$'000
Authorised, issued and fully paid - 7,564,800 Ordinary shares of 50c each	<u>3,782</u>	<u>3,782</u>

### 7. Capital Reserve

	Group		Company	
	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Balance at beginning of year:				
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>
	6,964	7,694	4,136	4,738

Movements during the year:

Surplus on revaluation during year	9,434	-	2,453	-
Amortisation of revaluation surplus (Note 2(c))	<u>(37)</u>	<u>(730)</u>	<u>(13)</u>	<u>(602)</u>
	<u>9,397</u>	<u>(730)</u>	<u>2,440</u>	<u>(602)</u>
Balance at end of year	<b><u>16,361</u></b>	<b><u>6,964</u></b>	<b><u>6,576</u></b>	<b><u>4,136</u></b>

Consisting of:

Unrealised surplus on revaluation of fixed assets	14,614	5,217	4,871	2,431
Realised gains	<u>1,747</u>	<u>1,747</u>	<u>1,705</u>	<u>1,705</u>
	<b><u>16,361</u></b>	<b><u>6,964</u></b>	<b><u>6,576</u></b>	<b><u>4,136</u></b>

**8. Long Term Liabilities**

Group and Company

	1997 \$'000	1996 \$'000
National Commercial Bank Jamaica Limited Foreign Currency Loan US\$820,000 1996/9 - 15%	29,545	-
Trafalgar Development Bank Limited Foreign Currency Loan US\$11,971 1992/7 -13%	-	420
Mutual Security Bank Limited Foreign Currency Loan US\$90,000 1994/1996 - 15%	-	3,156
Mutual Security Bank Limited Foreign Currency Loan		

US\$50,000 1994/1995 - 15%	-	1,754
	<u>29,545</u>	<u>5,330</u>
Less: Amounts due in the next 12 months	<u>18,856</u>	<u>5,330</u>
	<u><b>10,689</b></u>	<u><b>-</b></u>

- (a) The National Commercial Bank Jamaica Limited loan is secured by a debenture over the fixed and floating assets of the company.
- (b) The Trafalgar Development Bank Limited loan was secured by charges over specified items of plant and machinery.
- (c) The Mutual Security Bank Limited loans were secured by a debenture over the fixed and floating assets of the company.
- (d) Interest rates stated were those prevailing at 30 September 1997.

#### 9. Finance Lease Obligations

	1997	1996
	\$'000	\$'000
In year ending 1997	-	4,209
1998	10,025	4,209
1999	4,720	637
2000	<u>1,021</u>	<u>-</u>
	15,766	9,055
Less: Future finance charges	<u>(5,479)</u>	<u>(3,585)</u>
Net finance lease obligations	10,287	5,470
Less: Current portion of net finance lease obligations	<u>(6,103)</u>	<u>(2,165)</u>
	<u><b>4,184</b></u>	<u><b>3,305</b></u>

#### 10. Fixed Assets

The Group					
Freehold Land	Freehold Buildings	Machinery, Equipment, Vehicles	Leased Assets		Total

	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost or Valuation -					
At 1 October 1996	650	13,927	64,341	9,130	88,048
Additions	-	-	145	-	145
Disposals	-	-	(436)	-	(436)
Transfers	-	-	(6,841)	6,841	-
Revaluation	5,350	26,773	-	-	32,123
At 30 September 1997	<u>6,000</u>	<u>40,700</u>	<u>57,209</u>	<u>15,971</u>	<u>119,880</u>
Depreciation -					
At 1 October 1996	-	2,115	40,564	2,218	44,897
Charge for the year	-	508	3,402	1,475	5,385
Eliminated on disposal	-	-	(104)	-	(104)
Revaluation	-	22,688	-	-	22,688
At 30 September 1997	<u>-</u>	<u>25,311</u>	<u>43,862</u>	<u>3,693</u>	<u>72,866</u>
Net Book Value -					
30 September 1997	<b>6,000</b>	<b>15,389</b>	<b>13,347</b>	<b>12,278</b>	<b>47,014</b>
30 September 1996	<b>650</b>	<b>11,812</b>	<b>23,777</b>	<b>6,912</b>	<b>43,151</b>

The Company

	Freehold Land \$'000	Freehold Buildings \$'000	Machinery, Equipment, Vehicles \$'000	Leased Assets \$'000	Total \$'000
At Cost or Valuation -					
At 1 October 1996	96	9,546	64,341	9,130	83,113
Additions	-	-	145	-	145
Disposals	-	-	(436)	-	(436)
Transfers	-	-	(6,841)	6,841	-
Revaluation	3,590	9,074	-	-	12,664

At 30 September 1997	<u>3,688</u>	<u>18,620</u>	<u>57,209</u>	<u>15,971</u>	<u>95,486</u>
Depreciation -					
At 1 October 1996	-	652	40,564	2,218	43,434
Charge for the year	-	364	3,402	1,474	5,240
Eliminated on disposal	-	-	(104)	-	(104)
Revaluation	-	10,212	-	-	10,212
At 30 September 1997	<u>-</u>	<u>11,228</u>	<u>43,862</u>	<u>3,692</u>	<u>58,782</u>
Net Book Value -					
30 September 1997	<u>3,688</u>	<u>7,392</u>	<u>13,347</u>	<u>12,279</u>	<u>36,704</u>
30 September 1996	<u>96</u>	<u>8,894</u>	<u>23,777</u>	<u>6,912</u>	<u>39,679</u>

(i) Plant and machinery were professionally valued on 30 September 1985 by Baird and Henderson Valuers Limited on the depreciated replacement cost basis.

(ii) Freehold land and buildings were professionally valued by Stoppi Cairney Bloomfield in August 1997 on the depreciated replacement cost basis.

The unrealised surpluses arising from these revaluations have been credited to capital reserve (note 7).

#### 11. Investment in Unconsolidated Subsidiary

	1997	1996
	\$'000	\$'000
Shares at cost	-	9,900
Amounts advanced	-	38,148
	<u>-</u>	<u>48,048</u>

During the year the company sold its investment in Eurolatina Corporation (note 2(b)).

#### 12. Related Parties

(a) During the year the company entered into the following transactions with one of its subsidiaries:

	1997	1996
	\$'000	\$'000
Rent paid	60	10

(b) Investment in subsidiaries at year end comprises:

	1997	1996
	\$'000	\$'000
Shares at cost	881	10,781
Amounts due from subsidiary	-	38,147
Amounts owed to subsidiaries	<u>(257)</u>	<u>(244)</u>
Net investment in subsidiaries	<u>624</u>	<u>48,684</u>

### 13. Inventories

	1997	1996
	\$'000	\$'000
Raw and packaging materials	19,088	28,984
Finished goods	2,784	6,059
Work-in-progress	5,869	3,156
Goods in transit	2,311	-
Stores	881	2,574
	<u>30,933</u>	<u>40,773</u>

### 14. Receivables

	The Group		The Company	
	1997	1996	1997	1996
	\$'000	\$'000	\$'000	\$'000
Trade debtors	30,544	29,537	30,544	29,537
Other	<u>29,202</u>	<u>6,701</u>	<u>29,185</u>	<u>6,696</u>
	59,746	36,238	59,729	36,233
Less: Provision for doubtful debts	<u>(1,581)</u>	<u>(907)</u>	<u>(1,581)</u>	<u>(907)</u>
	<u>58,165</u>	<u>35,331</u>	<u>58,148</u>	<u>35,326</u>



Other receivables include an amount of \$21,402,653 receivable from Caribbean Trust Finance and Investment Limited with respect to the purchase of Eurolatina Corporation (note 2(b)).

**15. Short Term Loans**

	Group and Company	
	1997	1996
	\$'000	\$'000
Buck Securities Merchant Bank Limited US\$275,000- 16%	9,908	-
Caribbean Trust Merchant Bank Limited Insurance Premium Financing	507	-
National Export - Import Bank of Jamaica Limited loan US\$ 12,928 - 14%	-	457
Caribbean Trust Finance and Investment Limited Promissory notes - 40%	5,000	-
Caribbean Trust Merchant Bank Limited Promissory note - 43%	-	1,655
Caribbean Trust Finance and Investment Limited US\$171,000- 14%	6,160	-
Chaise Investments Limited Variable rate promissory notes - 46% - 47.5%	-	16,305
Caribbean Trust Merchant Bank Limited US\$275,000- 16%	-	9,646
Chaise Investments Limited Promissory note - 38%	1,073	-
Mutual Security Bank Limited Variable rate promissory notes - 42.75% - 46.75%	-	29,895
National Commercial Bank Jamaica Limited (formerly Mutual Security Bank Limited) US\$767,859- 15%	27,665	26,933
	<u>50,313</u>	<u>84,891</u>

(a) Caribbean Trust Merchant Bank Limited -

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

- (b) The Chaise Investments Limited promissory notes are unsecured.
- (c) The National Commercial Bank Jamaica Limited (formerly 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 was guaranteed by Mutual Security Bank Limited.
- (e) Interest rates stated were those prevailing at 30 September 1997.

#### **16. 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 \$2,342,676 (1996- \$1,339,806).

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