

Goodyear Jamaica Limited 1998

Notes to the Financial Statements

31 December 1998

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 when the factory closed, were the manufacture and import of tyres, tubes and related rubber products. 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 average cost and net realisable value.

(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%
Machinery, equipment, furniture & fixtures	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.

(g) Deferred expenditure

Deferred expenditure represents store identification expenses and software licences. These expenses are written off over three years, commencing in the month of capitalization for store identification expenses and in the month of completion of projects relating to the implementation of software.

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 \$7,300 (1997 - \$5,005,000) were charged by the parent company. The company also purchased a substantial amount of its finished goods from its parent company and affiliates.

(b) The company leases certain motor vehicles from Goodyear Jamaica Limited's Superannuation Scheme under finance lease agreements. Lease payments made during the year totalled \$3,108,000 (1997 - \$6,277,000).

5. Profit Before Taxation and Extraordinary Items

The following have been charged/(credited):

	1998	1997
	\$'000	\$'000
Auditors' remuneration	4,459	12,234
Depreciation and amortization		
Directors' emoluments		
Fees	125	100
Management remuneration	2,939	8,902
Exchange (gain)/loss	(734)	2,593
Interest expense	1,633	2,795
Interest income	<u>(31,903)</u>	<u>(25,234)</u>

6. Taxation

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

	1998	1997
	\$'000	\$'000
Income tax at 33 1 /3%	31,684	29,004
Deferred taxation	1,350	(16,011)
	<u>33,034</u>	<u>12,993</u>

7. Extraordinary Items

These consisted of costs arising out of the closure of the company's factory located at Morant Bay, St. Thomas:

	1998	1997
	\$'000	\$'000
Loss on disposal of fixed assets	-	33,456
Other costs	-	47,830
Less: taxation attributable	-	(15,943)
	<u>-</u>	<u>65,343</u>

8. Dividends

	1998	1997
	\$'000	\$'000
First interim, paid out of unfranked income, gross 30 cents (1997 - 30 cents)	17,820	17,820
Second interim, paid out of unfranked income, gross 30 cents (1997 - nil)	<u>17,820</u>	<u>-</u>

35,640 **17,820**

Dividends paid in 1998 were subject to withholding tax of \$5,502,000 (1997 - \$2,661,000).

9. Earnings Per Stock Unit

Earnings per stock unit is based on the profit before and after extraordinary items and 59,400,000 stock units in issue throughout both years.

10. Short Term Investments

	1998 \$'000	1997 \$'000
Time deposits	21,186	44,767
Government of Jamaica -		
Local Registered Stock, at cost held under repurchase	161,528	104,319
agreements (variable rates)	-	2,996
Treasury Bills	<u>182,714</u>	<u>152,082</u>

11. Inventories

	1998 \$'000	1997 \$'000
Raw materials	1	3,976
Finished goods	<u>110,086</u>	<u>139,969</u>

12. 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.

13. Fixed Assets

	Freehold Land, Roadways & Improvements \$'000	Freehold Buildings \$'000	Leasehold Improvements \$'000	Machinery, Equipment Furniture & Fixtures \$'000	Vehicles \$'000	Assets Capitalised under Finance Leases \$'000	Construction in Progress \$'000	Total \$'000
At Cost -								
1 January 1998	156	10,828	1,444	8,836	2,640	10,772	1,471	36,147
Additions	-	-	-	-	-	-	5,628	5,628
Disposals	-	-	-	(770)	-	(1,792)	-	(2,562)
Transfers to/(from)	-	-	-	2,291	(2,640)	2,640	(2,291)	-
31 December 1998	156	10,828	1,444	10,357	-	11,620	4,808	39,213
Depreciation -								
1 January 1998	56	3,997	1,405	4,673	150	6,896	-	17,177
Charge for the year	-	-	-	1,434	(150)	3,042	-	4,326
On disposals	-	-	-	(522)	-	(1,792)	-	(2,314)
31 December 1998	56	3,997	1,405	5,585	-	8,146	-	19,189
Net Book Value -								
31 December 1998	100	6,831	39	4,772	-	3,474	4,808	20,024
31 December 1997	100	6,831	39	4,163	2,490	3,876	1,471	18,970

14. 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 13). Future payments under these lease commitments are as follows:

1998	1997
\$'000	\$'000

For the year ending 31 December 1998	-	4,655
1999	2,514	2,514
2000	1,895	1,895
2001	883	662
	<u>5,292</u>	<u>9,726</u>
Total minimum lease payments	<u>1,326</u>	<u>2,134</u>
Less: Finance charges	<u>3,966</u>	<u>7,592</u>
Present value of minimum lease payments	<u>1,762</u>	<u>3,108</u>
Less: Current portion	<u>2,204</u>	<u>4,484</u>

15. Share Capital

	1998	1997
	\$'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>

16. 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 \$551,000 (1997 - \$1,255,000).