

Salada Foods Jamaica Ltd. 1999

Notes to the Financial Statements

30 September 1999

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.

(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 realisable value.

3. Taxation

(a) The tax charge is based on the group's results of operations for the year adjusted for

taxation purposes and comprises:

	1999	1998
	\$'000	\$'000
Income at 33 1/3%	<u>11</u>	<u>8</u>

(b) The tax charge was incurred by a subsidiary with taxable earnings.

(c) Subject to agreement with the Commissioner of Income Tax, losses available for indefinite carry forward and offset against future taxable profits amount to approximately \$66,555,000 (1998 - \$49,510,000).

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. Share Capital

	1999	1998
	\$'000	\$'000
Authorised, issued and fully paid - 7,564,800 Ordinary shares of 50¢	<u>3,782</u>	<u>3,782</u>

6. Capital Reserve

	Group		Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of year:				
Unrealised surplus on				
revaluation of fixed assets	14,593	14,614	4,863	4,871
Realised gains	<u>1,747</u>	<u>1,747</u>	<u>1,705</u>	<u>1,705</u>
	16,340	16,361	6,568	6,576
Movements during the year:				

Amortisation of revaluation surplus (Note 2(c))	(21)	(21)	(8)	(-8)
Balance at end of year	<u>16,319</u>	<u>16,340</u>	<u>6,560</u>	<u>6,568</u>

Consisting of:

Unrealised surplus on revaluation of fixed assets	14,572	14,593	4,855	4,863
Realised gains	<u>1,747</u>	<u>1,747</u>	<u>1,705</u>	<u>1,705</u>
	<u>16,319</u>	<u>16,340</u>	<u>6,560</u>	<u>6,568</u>

7. Long Term Liabilities

	Group and Company	
	1999 \$'000	1998 \$'000
Caribbean Trust Merchant Bank Limited Promissory Notes US\$275,000 - 16%	10,998	10,102
Financial Sector Adjustment Company Limited (FINSAC)		
Foreign Currency Loan US\$478,333 1996/9 - 12%	23,260	25,247
Foreign Currency Loan US\$426,588 -12%	18,543	24,247
Demand loan - 1999/09 - 30%	<u>23,134</u>	<u>19,208</u>
	75,935	78,804
Less: Due within the next 12 months	<u>(19,944)</u>	<u>(22,593)</u>
	<u>55,991</u>	<u>56,211</u>

(a) During the year, the Financial Sector Adjustment Company Limited (FINSAC) took over the non-performing loan portfolio of the National Commercial Bank Jamaica Limited (NCB). The term and conditions of these loans were renegotiated and are now repayable within a maximum of 10 years.

Payment will first be applied to the outstanding principal and no interest will be charged on any

unpaid interest.

These loans are secured by a debenture over the fixed and floating assets of the company.

(b) Interest rates stated are those prevailing at 30 September 1999.

8. Finance Lease Obligations

	1999 \$'000	1998 \$'000
1999	-	5,762
2000	<u>1,361</u>	<u>1,021</u>
	1,361	6,783
Less: Future finance charges	<u>(108)</u>	<u>(1,418)</u>
Net finance lease obligations	1,253	5,365
Less: Current portion of net finance lease obligations	<u>(1,253)</u>	<u>(4,410)</u>
	<u>-</u>	<u>955</u>

9. Fixed Assets

	The Group					
	Freehold Land \$'000	Freehold Buildings \$'000	Machinery, Equipment, Vehicles \$'000	Work-in Progress \$'000	Leased Assets \$'000	Total \$'000
At Cost or Valuation -						
At 1 October						
1998	6,000	40,700	57,359	-	15,971	120,030
Additions	-	-	3,031	880	-	3,911
Transfers during the year	-	-	9,000	-	(9,000)	-
Disposals	-	-	(101)	-	-	(101)
At 30 September 1998	<u>6,000</u>	<u>40,700</u>	<u>69,289</u>	<u>880</u>	<u>6,971</u>	<u>123,840</u>

Depreciation -						
1 October						
1998	-	25,959	47,088	-	5,290	78,337
Charge for the						
year	-	691	3,032	-	1,597	5,320
Transfers during						
the year	-	-	5,343	-	5,343	-
Relieved on						
disposal	-	-	(41)	-	-	(41)
At 30 September						
1999	-	26,650	55,422	-	1,544	83,616
Net Book Value -						
30 September						
1999	6,000	14,050	13,867	880	5,427	40,224
30 September						
1998	6,000	14,741	10,271	-	10,681	41,693

	The Group					
	Freehold	Freehold	Machinery, Equipment, Vehicles	Work-in Progress	Leased Assets	Total
	Land	Buildings				
At Cost or Valuation -						
At 1 October						
1998	3,686	18,620	57,359	-	15,971	95,636
Additions	-	-	3,031	880	-	3,911
Transfers during						
the year	-	-	9,000	-	(9,000)	-
Disposals	-	-	(101)	-	-	(101)
At 30 September						
1999	3,686	18,620	69,289	880	6,971	99,446
Depreciation -						
At 1 October						
1998	-	11,547	47,088	-	5,290	63,925

Charge for the year	-	320	3,032	-	1,597	4,949
Transfer during the year	-	-	5,343	-	5,343	-
Relieved on disposal	-	-	(41)	-	-	(41)
At 30 September 1999	-	11,867	55,422	-	1,544	68,833
Net Book Value - 30 September 1999	3,686	6,753	13,867	880	5,427	30,613
30 September 1998	3,686	7,073	10,271	-	10,681	31,711

(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 6).

10. Related Parties

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

	1999 \$'000	1998 \$'000
Rent paid	<u>70</u>	<u>70</u>

(b) Investment in subsidiaries at year end comprises:

	1999 \$'000	1998 \$'000
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Shares at cost	881	881
Amounts owed to subsidiaries	<u>(238)</u>	<u>(303)</u>
Net investment in subsidiaries	<u>643</u>	<u>578</u>

11. Inventories

	1999	1998
	\$'000	\$'000
Raw and packaging materials	25,293	23,172
Finished goods	11,392	6,415
Work-in-progress	3,363	3,751
Goods in transit	-	-
Stores	<u>673</u>	<u>717</u>
	<u>36,342</u>	<u>34,055</u>

12. Receivables

	The Group		The Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000
Trade debtors	29,618	31,589	29,618	31,589
Other	2,863	4,206	2,807	4,189
	32,481	35,795	32,425	35,778
Less: Provision for doubtful debts	<u>(23,172)</u>	<u>(21,087)</u>	<u>(23,172)</u>	<u>(21,087)</u>
	<u>9,309</u>	<u>14,708</u>	<u>9,253</u>	<u>14,691</u>

13. Short Term Loans

	Group and Company	
	1999	1998
	\$'000	\$'000
Caribbean Trust Merchant Bank Limited		
Insurance Premium Financing	1,303	1,048
Caribbean Trust Finance and Investment Limited		
Promissory notes - 40%	5,000	5,000

Caribbean Trust Finance and Investment Limited
US\$71,000 - 14%

<u>2,840</u>	<u>2,608</u>
<u>9,143</u>	<u>8,656</u>

(b) Interest rates stated were those prevailing at 30 September 1999.

14. 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 \$1,822,000 (1998-\$2,343,000).

15. Subsequent Event

On 3 November 1998, a suit was filed against the company by Caribbean Trust Merchant Bank Limited for the settlement of their US\$275,000 promissory note. Subsequent to the year end the parties have agreed to settle the debt over two years.
