

Salada Foods Jamaica Ltd. 2001

Notes to the Financial Statements

30 September 2001

1 Principal Activity

The company, which is 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.

All amounts are stated in Jamaican dollars.

2 Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards, and have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets.

(b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) Basis of 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 Shirriffs (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.

(d) Investment in subsidiaries

Investments by the holding company in subsidiaries are stated at cost.

(e) Financial instruments

Financial instruments carried on the balance sheet include cash and short term deposits, receivables and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item where relevant. The fair values of the company's financial instruments are discussed in Note 19.

(f) Foreign currency translation

Transactions during the year are converted into Jamaican dollars at the appropriate rates of exchange ruling transaction dates. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the appropriate rates of exchange ruling at balance sheet date. Exchange differences arising on foreign currency liabilities that were incurred in the acquisition of assets invoiced in foreign currency have been included in the carrying amount of the assets. Otherwise, gains or losses arising from fluctuations in exchange rates are credited or charged to the profit and loss account.

(g) 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.

(h) 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,

(i) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

(j) Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand and deposits held at call with banks, net of bank overdraft and short term loans.

(k) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in the presentation in the current year.

(l) Revenue Recognition

Revenue is recognised upon delivery of products and customers acceptance. Interest income is recognised as it accrues unless collectability is in doubt.

3 Turnover

Turnover represents the ex-factory price of goods sold to third parties.

4 Operating Profit

The following items have been charged/(credited) in arriving at profit before taxation:-

	2001 \$'000	2000 \$'000
Depreciation	6,631	5,842
(Profit)/loss on disposal of fixed assets	(174)	56
Directors' emoluments -		
Fees	240	90
Management remuneration	3,732	3,404
Auditors remuneration -		
Current year	1,100	1,023
Prior year	-	(125)
Repairs and maintenance	2,960	2,610
Staff costs (Note 5)	53,179	53,659

5 Staff Costs

	2001 \$'000	2000 \$'000
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Salaries and wages	37,025	34,288
Termination costs	-	4,762
Statutory contributions	4,092	3,626
Pension costs	2,553	2,420
Other	9,509	8,563
	53,179	53,659

The average number of persons employed by the company during the year was as follows: -

	2001	2000
Full-time	49	53
Casual	34	31

6 Finance Costs, Net

	2001	2000
	\$'000	\$'000
Interest income	308	686
Foreign exchange loss	(999)	(4,959)
Interest expense -		
Loans	(5,115)	(9,405)
Lease obligation		(108)
	(5,806)	(13,786)

7 Exceptional item

	2001	2000
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	\$'000	\$'000
Redundancy payments	-	4,762

This represents payments made to production workers who were made redundant in 2000.

8 Taxation

Subject to agreement with the Commissioner of Income Tax, losses available for indefinite carry forward and offset against future taxable profits amount to approximately \$4,870,000 (2000 - \$33,470,000).

9 Profit per Stock Unit

The profit per stock unit is based on 7,564,800 ordinary stock units in issue for both years, and is calculated on the profit attributable to stockholders.

10 Share Capital

	2001 \$'000	2000 \$'000
Authorised, issued and fully paid - 7,564,800 Ordinary shares of 50c each	3,782	3,782

11 Capital Reserve

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Unrealised surplus on revaluation of fixed	14,528	14,550	4,838	4,846
Realised gains	1,747	1,747	1,705	1,705
	16,275	16,297	6,543	6,551

12 Long Term Liabilities

Group and Company

	2001 \$'000	2000 \$'000
Caribbean Trust Finance and Investment Limited Promissory Notes - 40%	1,480	3,453
Caribbean Trust Merchant Bank Limited Promissory Notes US \$137,500 - 16%	-	6,164
Financial Sector Adjustment Company Limited (FINSAC) Foreign Currency Loan US \$358,530 1999/09 - 12%	12,402	16,071
Foreign Currency Loan US\$450,554 1999/09 - 12%	18,061	20,196
Loan - 1999/09 - 25%	18,894	20,931
Bank of Nova Scotia Demand Loan	950	-

	51,787	66,815
Less: Due within the next 12 months	(12,686)	(20,905)
	39,101	45,910

(a) During 1998, the Financial Sector Adjustment Company Limited (FINSAC) took over the non-performing loan portfolio of the National Commercial Bank Jamaica Limited (NCB), which included the FINSAC loans shown above. The terms and conditions of these loans were renegotiated and are now repayable within a maximum of 10 years. Payments are first applied to the outstanding principal and all principal amounts must be fully repaid before any payments are applied to interest. No interest is charged on unpaid interest, which amounted to approximately \$27,203,000 at 30 September 2001.

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

(b) Interest rates stated for all loans were those prevailing at 30 September 2001.

13 Fixed Assets

	The Group				
	Freehold Land \$'000	Freehold Buildings \$'000	Machinery, Equipment, Vehicles \$'000	Work-in Progress \$'000	Total \$'000
At Cost or Valuation -					
At 1 October 2000	6,000	40,700	79,310	3,729	129,739
Additions	-	-	6,715	604	7,319
Transfers during the year	-	-	4,333	(4,333)	-
Disposals	-	-	(5,111)	-	(5,111)
At 30 September 2001	6,000	40,700	85,247	-	131,947

Depreciation -

At 1 October 2000	-	27,341	61,961	-	89,302
Charge for the year	-	692	5,939	-	6,631
Relieved on disposals	-	-	(4,995)	-	(4,995)
At 30 September 2001	-	28,033	62,905	-	90,938

Net Book Value -

30 September 2001	6,000	12,667	22,342	-	41,009
30 September 2000	6,000	13,359	17,349	3,729	40,437

	Freehold Land \$'000	Freehold Buildings \$'000	The Company Machinery, Equipment, Vehicles \$'000	Work in Progress \$'000	Total \$'000
At Cost or Valuation -					
At 1 October 2000	3,686	18,620	79,310	3,729	105,345
Additions	-	-	6,715	604	7,319
Transfers during the year	-	-	4,333	(4,333)	-
Disposals	-	-	(5,111)	-	(5,111)
At 30 September 2001	3,686	18,620	85,247	-	107,553
Depreciation -					
At 1 October 2000	-	12,187	61,961	-	74,148
Charge for the year	-	320	5,939	-	6,259
Relieved on disposals	-	-	(4,995)	-	(4,995)
At 30 September 2001	-	12,507	62,905	-	75,412
Net Book Value -					
30 September 2001	3,686	6,113	22,342	-	32,141
30 September 2000	3,686	6,433	17,349	3,729	31,197

(i) Plant and machinery were professionally valued on 30 September 1985 by Baird and Henderson,

Valuators; 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 revaluation have been credited to capital reserve (Note 10).

14 Related Parties

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

	2001	2000
	\$'000	\$'000
Rent paid	71	70

(b) Investment in subsidiaries at year end comprises:

	2001	2000
	\$'000	\$'000
Shares at cost	881	881
Amounts owed to subsidiaries	(52)	(145)
Net investment in subsidiaries	829	736

15 Inventories

	Group and Company	
	2001	2000
	\$'000	\$'000
Raw and packaging materials	23,676	17,842
Finished goods	15,649	11,814
Work-in-progress	5,346	5,116
Goods in transit	-	988
Stores	2,989	2,124
	47,660	37,884
Less: Provision for obsolete stock	4,482	4,372
	43,178	33,512

16 Receivables

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Trade receivables	35,271	34,389	35,271	34,389
Other receivables and prepaymen	7,584	5,089	7,526	5,031
	42,855	39,478	42,797	39,420
Less: Provision for doubtful de	24,194	23,431	24,194	23,431
	18,661	16,047	18,603	15,989

17 Payables

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Trade payables	15,213	13,934	15,213	13,934
Accruals	10,674	11,491	10,674	11,491
Statutory contributions	3,357	2,567	3,357	2,567
Other payables	177	223	177	223
	29,421	28,215	29,421	28,215

18 Short Term Loans

	Group and Company	
	2001	2000
	\$'000	\$'000
Pan Caribbean Merchant Bank Limited		
Insurance Premium Financing - 7.8%	1,078	1,207
	1,078	1,207

Interest rates stated were those prevailing at 30 September 2001.

19 Financial Instruments

(a) Currency risk

Receivables, cash and deposits, payables, short term loans and long term liabilities

include aggregate net foreign liabilities of approximately US\$269,000 (2000: US\$690,000) in respect of transactions arising in the ordinary course of business.

(b) Credit risk

The company has no significant concentration of credit risk. Cash and deposits are with substantial financial institutions.

(c) Interest rate risk

The company's income and operating cash flows are subject to variations in market interest rates. The group has no significant interest bearing assets, and incurs no interest on its related party balances existing at 30 September 2001.

(d) Fair values

The amounts included in the financial statements for cash and bank balances, receivables, group balances, payables and short term loans reflect their approximate fair values because of the short-term maturity of these instruments.

(e) Long term liabilities

The carrying value of the long term liabilities approximates to their fair value as they are based upon current market prices.

20 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. The scheme is managed by Guardian Life Limited.

Group contributions to the plan, charged to profit and loss account, were \$2,553,000

(2000 - \$2,420,000) .
