MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements

December 31, 2002

1 The company and group

The company and its subsidiaries are incorporated in Jamaica. The ordinary stock units of the company are quoted on the Jamaica Stock Exchange.

The principal activities of the company and its subsidiaries (note 8), collectively referred to as the "Group", are the manufacture and sale of ice and spring water, the rental of cold storage facilities and apartments, and the purchase and sale of papaya.

At the end of the year, the company and the group had 32 (2001: 33) employees.

2 Significant accounting policies and basis of disclosure

Basis of preparation:

The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets at valuation, and in accordance with the provisions of the Companies Act and generally accepted accounting principles (GAAP) in Jamaica. GAAP is substantially codified as statements and recommendations issued by the Institute of Chartered Accountants of Jamaica.

The preparation of the financial statements in accordance with GAAP requires the directors and management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

The financial statements are presented in Jamaica dollars which is the measurement currency of the company.

Where necessary, prior year comparatives have been reclassified to conform with 2002 presentation.

Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements include the financial statements of the company and its subsidiaries (note 8) made up to December 31, 2002.

All significant inter-company transactions are eliminated.

(b) Cash resources:

Cash resources comprise cash, bank balances and certificates of participation. For the purpose of the statement of cash flows, bank overdraft is presented as a financing activity.

(c) Accounts receivable:

Accounts receivable are stated at cost, less provision for any doubtful debts.

(d) Inventories:

Inventories are valued at the lower of cost, determined principally on the first-in first-out basis, and net realisable value.

(e) Accounts payable:

Trade and other payables are stated at cost. A provision is recognised in the balance sheet when the company has an obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

(f) Interest in subsidiaries:

Interest in the subsidiaries are stated at cost.

(g) Fixed assets and depreciation:

Fixed assets, with the exception of freehold land on which no depreciation is provided, are depreciated on the straight-line and reducing-balance bases in the case of the holding company and on the straight-line basis in the case of its 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% and 5%
Plant, machinery and vehicles	10%-20%
Office furniture and equipment	10%

(h) Deferred taxation:

All temporary timing differences between the reporting of income and expense items for taxation and financial statement purposes are accounted for at current rates through deferred taxation.

(I) 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.

(j) Pension scheme costs:

The company participates in a pension scheme (note 20) the assets of which are held

separately from those of the company and the group. Contributions to the scheme, made on the basis provided for in the rules, are charged to the profit and loss account when due.

(k) Related parties:

Related parties are those which control or exercise significant influence over, or are controlled or significantly influenced by the company in making financial and operating decisions, or, along with the company, are subject to common control or significant influence.

3 Cash resources

	Company		Group	
	2002	2001	2002	2001
Cash	20,000	12,661	20,000	12,661
Bank accounts	3,379,543	6,451,527	4,698,432	8,486,321
Certificates of participation:				
J$	4,898,327	1,626,051	4,898,327	1,626,051
US$ (note below)	13,071,361	7,709,094	28,935,725	21,499,918
	21,369,231	15,799,333	38,522,484	31,624,951
Face value of certificates of participation denominated in US dollars:	US$258,564	163,416	572,376	456,835

4 Accounts receivable

	Company		Group	
	2002	2001	2002	2001
Trade receivables	3,361,322	3,440,384	3,571,120	3,593,702
Less: Provision for doubtful debts	(1,134,715)	(1,134,715)	(1,134,175)	(1,134,715)

	2,226,607	2,305,669	2,436,405	2,458,987
Other	801,713	1,178,750	867,147	1,330,937
	$3,028,320	3,484,419	3,303,552	3,789,924

Trade receivables for the group include $209,798 (2001- $153,318) due from a related company.

Other receivables for the company and the group include $81,000 (2001: $151,530) due from an executive director in the ordinary course of business.

5 Short-term loan

The short-term loan, which is denominated in United States dollars and repavable on demand, represents US$239,386 due from a related company as at December 31, 2002 (2001: US$222,961), It is unsecured and earns interest at 11% (2001: 11%) per annum (note 19).

6 Inventories

	Company and Group	
	2002	2001
Production chemicals	106,772	65,944
Plant and machinery spares	891,309	849,341
	998,081	915,285

7 Accounts payable

	Company		Group	
	2002	2001	2002	2001
Trade payables	1,353,103	1,392,560	1,353,103	1,392,560
Other	696,679	1,058,309	1,701,497	1,692,890
	2,049,782	2,450,869	3,054,600	3,085,450

8 Interest in subsidiaries

Interest in subsidiaries, both of which are incorporated in Jamaica, comprises shares, at cost, as follows:

	% Held	Main activity
Montego Cold Storage Limited	66 2/3	Cold storage and apartment rental
Deans Valley lee Company Limited	100	Dormant

9 **Fixed assets**

Company:

	Freehold land and buildings	Plant, machinery and vehicles	Office furniture and equipment	Total
At cost or valuation:				
December 31, 2001	47,876,747	43,974,846	1,486,916	93,338,509
Additions	-	2,624,200	-	2,624,200
Disposals	-	(180,000)	-	(180,000)
December 31, 2002	47,876,747	46,419,046	1,486,916	95,782,709
Broken down:				
At cost	2,915,798	46,419,046	1,486,916	50,821,760
At valuation	44,960,949	-	-	44,960,949
	47,876,747	46,419,046	1,486,916	95,782,709
Depreciation:				
December 31, 2001	5,588,369	17,129,317	659,587	23,377,273
Charge for the year	792,071	3,153,762	82,733	4,028,566

Eliminated on disposals	-	(121,018)	-	(121,018)
December 31, 2002	6,380,440	20,162,061	742,320	27,284,821
Net book values:				
December 31, 2002	41,496,307	26,256,985	744,596	68,497,888
December 31, 2001	42,288,378	26,845,529	827,329	69,961,236

Group:

	Freehold land buildings	Plant, and machinery vehicles	Office furniture and equipment	Total
At cost or valuation:				
December 31, 2001	101,969,236	47,285,459	1,564,627	150,819,322
Additions	-	2,807,109	-	2,807,109
Disposals	-	(180,000)	-	(180,000)
December 31, 2002	101,969,236	49,912,568	1,564,627	153,446,431
Broken down:				
At cost	5,008,181	49,912,568	1,564,627	56,485,376
At valuation	96,961,055	-	-	96,961,055
	101,969,236	49,912,568	1,564,627	153,446,431
Depreciation:				
December 31, 2001	8,329,508	20,510,515	1,163,412	30,003,435
Charge for the year	1,411,286	3,472,053	119,138	5,002,477
Eliminated on disposals	-	(121,018)	-	(121,018)
December 31, 2002	9,740,794	23,861,550	1,282,550	34,884,894

Net book values:

December 31, 2002	$ 92,228,442	26,051,018	282,077	118,561,537
December 31, 2001	$ 93,639,728	26,774,944	401,215	120,815,887

Freehold land and buildings of the company and the group were materially revalued by Keith Armstrong, Registered Valuer of Montego Bay, Jamaica, in 1995 on the market-value basis. The surplus arising on revaluation, inclusive of depreciation no longer required, has been credited to capital reserve [note 10 (iii)].

Freehold land and buildings include land at valuation of $26,195,000 (2001: $26,195,000) for the company and $67,035,443 (2001: $67,035,443) for the group, and at cost of $Nil (2001: $Nil) for the company and $201,557 (2001: $201,557) for the group. Other fixed assets are shown at cost.

10 Share capital and capital reserves

(i) Share capital comprises:

	2002	2001
Authorised:		
52,500,000 Ordinary shares of 20 c each	10,500,000	10,500,000
5,000 6% Cumulative preference shares of $2 each	10,000	10,000
	$10,510,000	10,510,000
Issued and fully paid:		
6,161,510 Ordinary stock units	1,232,302	1,232,302
5,000 6% Cumulative preference shares	10,000	10,000
	$1,242,302	1,242,302

(ii) Realised capital reserve comprises realised gains on disposal of fixed assets.

(iii) Unrealised capital reserve comprises the unrealised surplus on revaluation of fixed assets (note 9).

11 Minority interest

	2002	2001
Share capital/capital reserve attributable to minority in	17,580,432	17,580,432
Revenue reserves attributable to minority interest:		
Balance brought forward	3,664,676	2,980,530
Profit for the year attributable to minority interes	668,011	684,146
Balance carried forward	4,332,687	3,664,676
	21,913,119	21,245,108

12 Long-term liabilily

	Company and Group	
	2002	2001
8 1/2% Bankloan	6,523,190	8,463,110
Less: Current portion	(1,939,920)	(1,939,992)
	$4,583,270	6,523,118

The loan comprises amounts drawn down from a facility of $9,700,000 and is secured by a debenture stamped in the amount of $10,000,000, creating a first specific charge over fixed assets and a floating charge over all other assets of the company. The loan is also secured by a mortgage creating a first legal charge over certain properties owned by the company. The loan is repayable by monthly principal instalments of $161,666, the final instalment being due in June 2006.

13 Gross operating revenue

Gross operating revenue represents income from the manufacture and sale of ice and

spring water, the rental of cold storage facilities and apartments, and the invoiced value of papaya sales.

14 Finance costs

	2002	2001
Loan interest	646,565	762,961
Overdraft interest	5,153	7,610
Other interest	19,470	17,770
	$671,188	788,341

15 Profit before taxation

The following expenses are among the items charged in arriving at the profit before taxation:

	2002	2001
	$	$
Depreciation	5,002,477	5,168,651
Staff costs	13,501,858	13,131,788
Directors' emoluments:		
Fees	94,900	79,300
Management remuneration	2,662,043	1,091,889
Auditors' remuneration:		
Current year	1,080,000	940,000
Prior year	-	90,420

16 Taxation

The actual charge for taxation is based on the profit before taxation, as adjusted for tax purposes and differs from the "expected" tax charge for the current and previous years, as follows:

	2002	2001
"Expected" tax charge at 33 1/3% of the profit		

before taxation	4,097,009	3,808,206
Tax effect of differences between treatment for financial statement and taxation purposes:		
Depreciation and capital allowances	235,446	124,477
Interest receivable	(23,035)	(9,673)
Disallowable expenses	114,637	22,297
Exchange gains	(965,111)	(535,282)
Other	328	(23,214)
Actual tax charge	3,459,274	3,386,811
Adjustment in respect of prior years	329,480	(27,890)
	$3,788,754	3,358,921

17 Dividends

	2002	2001
Interim paid - ordinary stock units at 20 c per stock unit	1,232,302	-
Proposed - preference shares (gross)	600	600
	1,232,902	600

18 Earnings per ordinary stock unit

The calculation of earnings per ordinary stock unit is based on the net profit attributable to members [less preference dividends (note 17)] for the year of $7,833,661 (2001: $7,382,094) and the 6,161,510 (2001: 6,161,510) ordinary stock units in issue during the year.

19 Related party transactions

During the year, the company and the group had the following transactions in the ordinary course of business with related companies:

2002	2001
$	$

Rental income	(324,000)	(387,578)
Interest income (note 5)	(1,263,510)	(1,320,550)
	==========	==========

20 Pension scheme

The company operates a defined contribution pension and life assurance scheme. The scheme is open to employees who have satisfied certain minimum service requirements. The scheme is arranged in conjunction with a life insurance company.

The company's and the group's contributions for the year amounted to $515,764 (2001: $433,641)

21 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash resources, accounts receivable, short-term loan and due from subsidiary. Financial liabilities include bank overdraft, accounts payable and long-term liability.

(a) Financial instrument risks:

Exposure to credit, interest rate, foreign currency, market, cash flow and liquidity risks arises in the ordinary course of the company's and the group's business. Derivative financial instruments are not presently used to reduce exposure to interest and foreign currency risks.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company and the group generally do not require collateral in respect of financial assets, materially, accounts receivable, cash resources and short-term loan. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit. Cash resources are placed with reputable institutions who are believed to have minimal

risk of default. Short-term loan due from related company is closely monitored by management.

At the balance sheet date, there were no significant concentrations of credit risk, except for the unsecured short-term loan to a related company, and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The company and the group materially contract financial liabilities at floating interest rates. These primarily relate to bank overdraft and the long-term loan which are subject to interest rates fixed in advance, but which may be varied by appropriate notice by the lenders.

At the balance sheet date, financial liabilities subject to interest aggregated $4,583,270 (2001: $6,523,118).

Interest bearing financial assets mainly comprise short-term certificates of participation and short-term loan which have been contracted at fixed interest rates for the duration of their term.

At December 31, 2002, financial assets subject to interest aggregated $45,935,906 (2001: $33,644,095).

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company and the group are exposed to foreign currency risk primarily on transactions which are denominated in a currency other than the Jamaica dollar.

The principal foreign currency giving rise to this risk is the United States

dollar (US$).

At December 31, 2002, foreign currency assets exceeded the foreign currency liabilities by US$502,401 (2001: US$520,743) for the company and US$816,213 (2001: US$814,163) for the group.

In accordance with accounting policies applied consistently, exchange gains and losses are recognised in the profit and loss account (note 2 (i)].

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company and the group have no exposure to this risk as the company and the group have no traded securities.

(v) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk by entering into fixed interest rate contracts, where possible.

(vi) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the company and the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. At year-end, there was no significant liquidity risk.

(b) Fair value of financial instruments:

(i) Fair value:

Fair value is the arm's length consideration for which an asset could be exchanged or a liability settled between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

(ii) Determination of fair value:

The fair values of cash resources, accounts receivable, short-term loan, due from subsidiary, bank overdraft and accounts payable are assumed to approximate their carrying values due to their short-term nature or the ability to achieve set-offs in the amounts disclosed.

The carrying value of the long-term liability is assumed to approximate its fair value as no discount on settlement is anticipated.