

Montego Bay Ice Company Ltd. 1998

Notes to the Financial Statements

December 31, 1998

1. The company and group

The company and its subsidiaries are incorporated in Jamaica and these financial statements are presented in Jamaican dollars.

The principal activities of the company and its subsidiaries are the manufacture and sale of ice, the rental of cold storage facilities, rental of apartments and the sale of papaya.

2. Significant accounting policies

(a) Accounting convention:

The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets at valuation.

(b) Basis of consolidation:

The consolidated financial statements include the financial statements of the company and its subsidiaries, Montego Cold Storage Limited (66 2/3% owned) and Deans Valley Ice Limited (100% owned), made up to December 31, 1998.

All significant inter-company transactions are eliminated. The company and its subsidiaries are collectively referred to as "The Group".

(c) Depreciation:

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

(d) Inventories:

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

(e) Deferred taxation:

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

(f) 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.

3. Cash and deposits

	Company		Group	
	1998	1997	1998	1997
Fixed deposits	2,368,503	3,386,937	9,891,613	8,700,315
Bank accounts	2,117,802	579,494	2,024,825	781,049
Cash	11,215	232,843	11,215	232,843
	<u>\$4,497,520</u>	<u>4,199,274</u>	<u>11,927,653</u>	<u>9,714,207</u>

4. Accounts receivable

	Company		Group	
	1998	1997	1998	1997
Trade	3,354,263	2,465,783	3,691,753	2,467,660
Demand loan	13,054,931	11,539,802	13,054,931	11,539,802
Staff loan	527,100	544,728	527,100	544,728
Deposits	292,404	536,267	292,404	536,267
Other receivable	281,224	25,756	303,214	47,267
	17,509,922	15,112,336	17,869,402	15,135,724
Less: Provision for doubtful debts	(1,169,756)	(832,560)	(1,169,756)	(832,560)
	<u>\$16,340,166</u>	<u>14,279,776</u>	<u>16,699,646</u>	<u>14,303,164</u>

The demand loan is unsecured, denominated in United States dollars and earns interest at 11% per annum.

5. Inventories

Company and the group:

	1998	1997
Production chemicals	42,887	71,280
Plant and machinery spares, etc.	922,607	846,858
	<u>\$965,494</u>	<u>\$918,138</u>

6. Investments

Company and the group:

At cost:

	1998	1997

Quoted [market value \$19,000 (1997: \$27,000)]	2,000	2,000
Deposits	<u>200</u>	<u>200</u>
	<u>\$2,200</u>	<u>2,200</u>
7. Interest in subsidiaries		
	1998	1997
Deans Valley Ice Limited:		
Shares, at cost	160	160
Montego Cold Storage Limited:		
Shares, at cost	<u>40,000</u>	<u>40,000</u>
	<u>\$40,160</u>	<u>40,160</u>

8. Fixed assets

(a) Company:

	Freehold land and buildings	Plant, machinery and vehicles	Office furniture and equipment	Total
At cost or valuation:				
December 31, 1997	45,311,212	26,817,197	1,081,465	73,209,874
Additions	<u>745,351</u>	<u>1,145,099</u>	<u>5,347</u>	<u>1,895,797</u>
December 31, 1998	<u>46,056,563</u>	<u>27,962,296</u>	<u>1,086,812</u>	<u>75,105,671</u>
At cost	1,095,614	27,962,296	1,086,812	30,144,722
At valuation	<u>44,960,949</u>	<u>-</u>	<u>-</u>	<u>44,960,949</u>
	<u>46,056,563</u>	<u>27,962,296</u>	<u>1,086,812</u>	<u>75,105,671</u>
Depreciation:				
December 31, 1997	2,280,009	8,774,473	361,192	11,415,674
Charge for the year	<u>864,584</u>	<u>2,042,103</u>	<u>72,562</u>	<u>2,979,249</u>
December 31, 1998	<u>3,144,593</u>	<u>10,816,576</u>	<u>433,754</u>	<u>14,394,923</u>
Net book values:				
December 31, 1998	<u>\$42,911,970</u>	<u>17,145,720</u>	<u>653,058</u>	<u>60,710,748</u>

December 31, 1997	<u>\$43,031,203</u>	<u>18,042,724</u>	<u>720,273</u>	<u>61,794,200</u>
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(b) Group:

	Freehold land and buildings	Plant, machinery and vehicles	Office furniture and equipment	Total
At cost or valuation:				
December 31, 1997	99,403,701	28,627,810	1,159,176	129,190,687
Additions	<u>745,351</u>	<u>1,145,099</u>	<u>5,347</u>	<u>1,895,797</u>
December 31, 1998	<u>100,149,052</u>	<u>29,772,909</u>	<u>1,164,523</u>	<u>131,086,484</u>
At cost	3,187,997	29,772,909	1,164,523	34,125,429
At valuation	<u>96,961,055</u>	<u>-</u>	<u>-</u>	<u>96,961,055</u>
	<u>100,149,052</u>	<u>29,772,909</u>	<u>1,164,523</u>	<u>131,086,484</u>
Depreciation:				
December 31, 1997	2,543,403	11,137,652	718,703	14,399,758
Charge for the year	<u>1,514,013</u>	<u>2,223,164</u>	<u>80,333</u>	<u>3,817,510</u>
December 31, 1998	<u>4,057,416</u>	<u>13,360,816</u>	<u>799,036</u>	<u>18,217,268</u>
Net book values:				
December 31, 1998	<u>\$90,091,636</u>	<u>16,412,093</u>	<u>365,487</u>	<u>112,869,216</u>
December 31, 1997	<u>\$96,860,298</u>	<u>17,490,158</u>	<u>440,473</u>	<u>114,790,929</u>

Freehold land and buildings of the company were revalued as at June 30, 1995 based on fair market valuations done on June 8, 1995 and June 21, 1995 by Keith Armstrong, valuer.

The freehold land and buildings of a subsidiary's cold storage operations at Montego Freeport were revalued on a market value basis by Keith Armstrong, valuer, on June 13, 1995. The buildings of its Seawind Apartments were revalued as at May 13, 1994 based on a fair market valuation done on May 13, 1994 by Keith Armstrong, valuer.

The surplus arising on revaluation, inclusive of depreciation no longer required, has been credited to capital reserve (note 10).

Freehold land and buildings include land at valuation of \$26,195,000 for the company and \$67,237,000 for the group.

Other fixed assets are shown at cost.

9. Share capital

	1998	1997
Authorised:		
5,000 6% Cumulative preference shares of \$2 each	10,000	10,000
52,500,000 Ordinary shares of 20¢ each	<u>10,500,000</u>	<u>10,500,000</u>
	<u>\$10,510,000</u>	<u>10,510,000</u>
Issued and fully paid:		
5,000 6% Cumulative preference shares	10,000	10,000
6,161,510 Ordinary stock units	<u>1,232,302</u>	<u>1,232,302</u>
	<u>\$1,242,302</u>	<u>1,242,302</u>

10. Reserves

	1998	1997
(a) Company		
Share premium	<u>19,229,822</u>	<u>19,229,822</u>
Capital:		
Realised	2,055,852	2,055,852
Unrealised:		
Surplus on revaluation of fixed assets [note 8 (a)]	<u>42,084,748</u>	<u>42,084,748</u>
Total capital	<u>44,140,600</u>	<u>44,140,600</u>
Revenue:		
Retained profits at end of year	<u>15,470,548</u>	<u>13,174,253</u>
	<u>\$78,840,970</u>	<u>76,544,675</u>
(b) Group		
Share premium	<u>19,229,822</u>	<u>19,229,822</u>

Capital:		
Realised	2,055,852	2,055,852
Unrealised:		
Surplus on revaluation of fixed assets [note 8 (b)]	94,766,044	94,766,044
Less: Attributable to minority interest (note 11)	<u>(17,560,432)</u>	<u>(17,560,432)</u>
Surplus on revaluation of fixed assets attributable to the company	<u>77,205,612</u>	<u>77,205,612</u>
Total capital	<u>79,261,464</u>	<u>79,261,464</u>
Revenue:		
Retained profits at end of year	<u>18,391,019</u>	<u>15,457,474</u>
	<u>\$116,882,305</u>	<u>113,948,760</u>

11. Minority interest

	1998	1997
Share capital/capital reserve attributable to minority interest:		
Share capital	20,000	20,000
Revaluation surplus [note 10 (b)]	<u>17,560,432</u>	<u>17,560,432</u>
	17,580,432	17,580,432
Revenue reserves attributable to minority interest:		
Balance brought forward	1,141,281	794,643
Profit for the year attributable to minority interest	<u>318,676</u>	<u>346,638</u>
Balance carried forward	<u>1,459,957</u>	<u>1,141,281</u>
	<u>\$19,040,389</u>	<u>18,721,713</u>

12. Deferred income

Deferred income represented the insurance claim proceeds in respect of flood damage. Set off against the proceeds were the repair expenses which have been incurred and claims from customers. No further claims from customers who suffered loss as a result of the flood are expected. Hence the balance of \$571,086 has been written off to the profit and loss account during the year.

13. Gross operating revenue

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

cold storage facilities and other miscellaneous sources.

14. Disclosure of expenses/(income)

Group operating profit before taxation is stated after charging/(crediting):

	1998	1997
	\$	\$
Depreciation	3,817,510	3,978,660
Debenture and fixed loan interest	-	3,200
Directors' emoluments:		
Fees	91,200	75,700
Management remuneration	802,514	1,196,351
Auditors' remuneration - current year	863,800	640,000
- prior year	20,800	-
Loss on sale of fixed assets	-	254,418
Redundancy and severance payments	-	430,000
Overdraft interest	9,383	-
Interest income	<u>(2,932,296)</u>	<u>(2,077,159)</u>

15. Taxation

Taxation is based on the profit for the year, adjusted for tax purposes, and is made up as follows:

	1998	1997
Income tax @ 33 1/3%	2,189,165	1,241,784
Adjustment in respect of prior years	(48,435)	-
Adjustment in respect of deferred taxation	(315,623)	(94,545)
	<u>\$1,825,107</u>	<u>1,147,239</u>

16. Net profit attributable to members

Dealt with in the financial statements of the holding company \$2,296,895 (1997: \$864,724).

17. Dividends

	1998	1997
Proposed - preference (gross)	600	600
Proposed - ordinary (gross)		
Final - Nil % (1997: 10%)	<u>-</u>	<u>616,151</u>
	<u>\$600</u>	<u>616,751</u>

18. Earnings per stock unit

The calculation of earnings per stock unit is based on net profit after taxation and preference dividend of \$2,933,545 (1997: \$1,557,838) attributable to the members of the company and on the 6,161,510 ordinary stock units in issue during the year.

19. Pension scheme

The company operates a contributory pension and life assurance scheme for employees who have satisfied certain minimum service requirements. The scheme is arranged in conjunction with the Jamaica Mutual Life Assurance Society.

The company's contributions for the year amounted to \$744,191 (1997: \$401,046).