

Salada Foods Jamaica Ltd. 2000

Notes to the Financial Statements

30 September 2000

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

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 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.

(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 bank balances, receivables, group balances 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 18.

(f) Foreign currency translation

Transactions during the year are converted into Jamaican dollars at the appropriate rates of exchange ruling on 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) Finance 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. Finance charges are recorded so as to give a constant periodic rate of return on the outstanding obligation.

(i) 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.

(j) 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.

(k) 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.

(l) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in the presentation in the current year. In particular, the comparatives have been adjusted or extended to take into account the requirements of the following new Accounting Standards:

(i) JSSAP 3:29 - Financial Instruments: Disclosure and Presentation

(ii) JSSAP 3:30 - Presentation of Financial Statements

3. Profit before Taxation

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

	2000	1999
	\$'000	\$'000
Depreciation	5,842	5,320
Loss/(Profit) on disposal of fixed assets	56	25
Directors' emoluments -		
Fees	90	97
Management remuneration	3,404	2,785
Auditors remuneration -		
Current year	1,023	1,395
Prior year	(125)	-
Staff costs (Note 4)	<u>53,659</u>	<u>42,710</u>

4. Staff Costs

	2000	1999
	\$'000	\$'000
Salaries and wages	34,288	29,850
Termination costs	4,762	-
Statutory contributions	3,626	3,537
Pension costs	2,420	1,822
Other	8,563	7,501
	<u>53,659</u>	<u>42,710</u>

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

	2000	1999
Full-time	53	58
Casual	31	28

5. Finance Costs

	2000	1999
	\$'000	\$'000
Interest income	686	55
Foreign exchange loss	(4,959)	(4,571)
Interest expense -		
Loans	(9,405)	(13,114)
Lease obligation	<u>(108)</u>	<u>(1,287)</u>
	<u>(13,786)</u>	<u>(18,917)</u>

6. Taxation

(a) The tax charge for 1999 was based on the group's results of operations for the year adjusted for taxation purposes as follows:

	2000	1999
	\$'000	\$'000
Income at 33 1/3%	<u>-</u>	<u>11</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 \$33,470,000 (1999 - \$55,824,000).

7. 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.

8. Share Capital

	2000 \$'000	1999 \$'000
Authorised, issued and fully paid - 7,564,800 Ordinary shares of 50c each	<u>3,782</u>	<u>3,782</u>

	Group		Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
9. Capital Reserve				
Unrealised surplus on revaluation of fixed assets	14,550	14,572	4,846	4,855
Realised gains	<u>1,747</u>	<u>1,747</u>	<u>1,705</u>	<u>1,705</u>
	<u>16,297</u>	<u>16,319</u>	<u>6,551</u>	<u>6,560</u>

10. Long Term Liabilities

	Group and Company	
	2000 \$'000	1999 \$'000
Caribbean Trust Finance and Investment Limited		
Promissory Notes - 40%	3,453	-
Caribbean Trust Merchant Bank Limited		
Promissory Notes		
US \$137,500 - 16%	6,164	10,998
Financial Sector Adjustment Company Limited (FINSAC)		
Foreign Currency Loan		
US \$358,530 1999/09 - 12%	16,071	23,260
Foreign Currency Loan		
US\$450,554 1999/09 - 12%	20,196	18,543
Loan - 1999/09 - 25%	<u>20,931</u>	<u>23,134</u>
	66,815	75,935
Less: Due within the next 12 months	(20,905)	(19,944)
	<u>45,910</u>	<u>55,991</u>

(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 \$22,838,000 at 30 September 2000.

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 2000.

11. Finance Lease Obligations

	2000 \$'000	1999 \$'000
2000	<u>-</u>	<u>1,361</u>
	-	1,361
Less: Future finance charges	<u>-</u>	(108)
Net finance lease obligations	-	1,253
Less: Current portion of net finance lease obligations	<u>-</u>	<u>(1,253)</u>
	<u>-</u>	<u>-</u>

12. 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 1999	6,000	40,700	69,289	880	6,971	123,840
Additions	-	-	2,382	3,729	-	6,111
Transfers during the year			7,851	(880)	(6,971)	-
Disposals	-	-	(212)	-	-	(212)
At 30 September 2000	<u>6,000</u>	<u>40,700</u>	<u>79,310</u>	<u>3,729</u>	<u>-</u>	<u>129,739</u>
Depreciation -						
At 1 October 1999	-	26,650	55,422	-	1,544	83,616
Charge for the year	-	691	4,968	-	183	5,842
Transfers during the year	-	-	1,727	-	1,727	-
Relieved on disposal	-	-	(156)	-	-	(156)
At 30 September 2000	<u>-</u>	<u>27,341</u>	<u>61,961</u>	<u>-</u>	<u>-</u>	<u>89,302</u>
Net Book Value -						
30 September 2000	<u>6,000</u>	<u>13,359</u>	<u>17,349</u>	<u>3,729</u>	<u>-</u>	<u>40,437</u>
30 September 1999	<u>6,000</u>	<u>14,050</u>	<u>13,867</u>	<u>880</u>	<u>5,427</u>	<u>40,224</u>

The Company

	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 1999	3,686	18,620	69,289	880	6,971	99,446
Additions	-	-	2,382	3,729	-	6,111
Transfers during the year	-	-	7,851	(880)	(6,971)	-
Disposals	-	-	(212)	-	-	(212)
At 30 September 2000	<u>3,686</u>	<u>18,620</u>	<u>79,310</u>	<u>3,729</u>	<u>-</u>	<u>105,345</u>
Depreciation						
At 1 October 1999	-	11,867	55,422	-	1,544	68,833
Charge for the year	-	320	4,968	-	183	5,471
Transfers	-	-	1,727	-	(1,727)	-
Relieved on disposal	-	-	(156)	-	-	(156)
At 30 September 2000	<u>-</u>	<u>12,187</u>	<u>61,961</u>	<u>-</u>	<u>-</u>	<u>74,148</u>
Net Book Value						
30 September 2000	<u>3,686</u>	<u>6,433</u>	<u>17,349</u>	<u>3,729</u>	<u>-</u>	<u>31,197</u>
30 September 1999	<u>3,686</u>	<u>6,753</u>	<u>13,867</u>	<u>880</u>	<u>5,427</u>	<u>30,613</u>

(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 9).

13. Related Parties

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

	2000 \$'000	1999 \$'000
Rent paid	<u>70</u>	<u>70</u>

(b) Investment in subsidiaries at year end comprises:

	2000 \$'000	1999 \$'000
Shares at cost	881	881
Amounts owed to subsidiaries	(145)	(238)
Net investment in subsidiaries	<u>736</u>	<u>643</u>

14. Inventories

	2000 \$'000	1999 \$'000
Raw and packaging materials	17,842	25,293
Finished goods	11,814	11,392
Work-in-progress	5,116	3,363
Goods in transit	988	-
Stores	2,124	673
	<u>37,884</u>	<u>40,721</u>
Provision for obsolete stock	(4,372)	(4,379)
	<u>33,512</u>	<u>36,342</u>

15. Receivables

The Group		The Company	
2000	1999	2000	1999

	\$'000	\$'000	\$'000	\$'000
Trade receivables	34,369	29,618	34,389	29,618
Other receivables and prepayments	5,089	2,863	5,031	2,807
	<u>39,478</u>	<u>32,481</u>	<u>39,420</u>	<u>32,425</u>
Less: Provision for doubtful debts	(23,431)	(23,172)	(23,431)	(23,172)
	<u>16,047</u>	<u>9,309</u>	<u>15,989</u>	<u>9,253</u>

16. Payables

	The Group		The Company	
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Trade payables	13,934	14,547	13,934	14,547
Accruals	11,491	11,171	11,491	11,171
Statutory deductions	2,567	1,929	2,567	1,929
Other payables	223	149	223	149
	<u>28,215</u>	<u>27,796</u>	<u>28,215</u>	<u>27,796</u>

17. Short Term Loans

	Group and Company	
	2000	1999
	\$'000	\$'000
Pan Caribbean Merchant Bank Limited		
Insurance Premium Financing - 7.8%	1,207	-
Caribbean Trust Merchant Bank Limited		
Insurance Premium Financing - 8.5%	-	1,303
Caribbean Trust Finance and Investment Limited		
Promissory notes - 40%	-	5,000
Caribbean Trust Finance and Investment Limited		
US\$71,000 - 14%	-	2,840
	<u>1,207</u>	<u>9,143</u>

Interest rates stated were those prevailing at 30 September 2000.

18. 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\$690,000 (1999: US \$1,196,000) 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 2000.

(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.

Long term liabilities

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

19. 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 \$2,420,000

(1999 \$1,822,000) .
