The Jamaica Livestock Association Limited 1996

Notes to the Financial Statements

November 30, 1996

1. The company

   The company is incorporated under the laws of Jamaica and these financial statements are presented in Jamaican dollars.

   The principal activities of the group are the sale of drugs, hardware, lumber, farm equipment and supplies and day-old chicks, and the manufacture and sale of animal feed.

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 wholly owned subsidiaries made up to November 30, 1996. All significant inter-company transactions are eliminated.

The company and its subsidiaries, which are as follows, are collectively referred to as "the group."

Subsidiaries	Main activities
JLA Feeds Limited	Manufacture and sale of animal feed
JLA Hatchery Limited	Production of chicks
Henmor Limited	Transportation

(c) Depreciation:

Fixed assets, with the exception of freehold land and construction-in-progress on which no depreciation is provided, are depreciated on the straight line basis at annual rates estimated to write off the assets over their expected useful lives. The depreciation rates are as follows:

Freehold building	1 2/3% - 4%
Furniture, fixtures, plant and machinery	10%
Motor vehicles	20%

(d) Inventories:

Inventories are valued at the lower of cost, determined principally on the weighted average basis, and net realisable value. Finished goods include cost of materials and labour and a portion of production overheads.

(e) Investments:

Investments are stated at cost.

(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 at the dates of those transactions.

Gains and losses arising from fluctuations in exchange rates are included in the profit and loss account except that exchange-losses, net, resulting from severe depreciation in the currency and relating to liabilities arising directly on the recent acquisition of fixed assets are included in the carrying value of the assets.

3. Accounts receivable

Accounts receivable of the company and the group include amounts in the ordinary course of business of $82,309 (1995: $12,343) and $528,497 (1995: $729,711) due from directors and companies in which directors have a significant interest, respectively. Also, accounts receivable are shown after deduction of a provision for doubtful debts of $3,065,099 (1995: $2,265,469) for the company and the group.

4. Inventories

	The Company		The Group	
	1996	1995	1996	1995
Raw materials and supplies	-	-	19,869,599	12,303,165
Merchandise and drugs	37,543,451	34,043,615	37,543,917	38,230,376
Hardware and lumber	7,781,871	5,599,443	7,781,871	5,599,443
Feeds	5,126,169	2,514,666	7,645,372	3,460,577
Poultry	243,776	74,712	217,657	66,707
Eggs	-	-	1,977,919	2,301,562
Meats	531,040	420,683	531,040	420,683
Spare parts	-	-	194,539	524,181
	51,226,307	**42,653,119**	**75,761,914**	**62,906,694**

5. Bank loans and overdrafts

	The Company		Ther Group	
	1996	1995	1996	1995
Loan [note (i)]	11,250,000	11,200,000	11,250,000	11,200,000
Loan [note (ii)]	-	-	-	7,962,000
	11,250,000	11,200,000	11,250,000	19,162,000
Bank overdrafts [note (iii)]	40,363,296	18,329,231	75,929,197	41,849,681
	$51,613,296	**29,529,231**	**87,179,197**	**61,011,681**

(i) The loan is unsecured and evidenced by a promissory note.

(ii) The loan of US$200,000 ($7,962,000) which was secured by a debenture over the freehold property of the company was converted during the year to a long-term liability [note 13(k)].

(iii) The bank overdrafts are secured by first mortgages on certain freehold properties of the company and the group.

6. Investments

	The Company		The Group	
	1996	1995	1996	1995
Trade investments, at cost	-	20,000	-	20,000
Quoted securities, at cost	290,589	290,589	330,233	330,233
Debentures, at cost	30,000	30,000	30,000	30,000
	$320,589	340,589	360,233	80,233
Market value of quoted securities	$391,982	510,557	950,602	1,042,107

7. Long-term receivable

Long-term receivable comprises a mortgage loan which is interest-free and repayable on or before December 1998. It represents the balance of proceeds on the disposal of certain property during 1995 and is secured by a charge thereon. This property is leased to the company until December 1998 without any rental charges.

8. Interest in subsidiaries

	1996	1995
Shares, at cost	4,600	4,600
Advances to subsidiary (note)	79,685,891	67,678,090
	$**79,690,491**	**67,682,690**

Note: Advances to subsidiary are in connection with the construction of a wharf and grain off-loading facilities which were completed in November 1996.

9. Deferred expenses

Deferred expenses comprise legal and professional fees, registrar, underwriting and advertising costs in relation to a share issue and have been deferred until the date of issue, January 3, 1997 [note 11 (iv)].

10. Fixed assets

The Company:

	Freehold land and buildings	Furniture, fixtures, plant, machinery and vehicles	Total
At cost or valuation:			
November 30, 1995	58,727,075	15,394,863	74,121,938
Additions	10,336,745	7,002,749	17,339,494
November 30, 1996	69,063,820	22,397,612	91,461,432
Broken down:			
At cost	16,413,740	22,134,228	38,547,968
At valuation	52,650,080	263,384	52,913,464
	69,063,820	22,397,612	91,461,432
Depreciation:			
November 30,1995	1,913,454	6,424,148	8,337,602
Charge for the year	1,279,348	2,717,224	3,996,572
November 30, 1996	3,192,802	9,141,372	12,334,174
Net book values:			
November 30,1996	**$65,871,018**	**13,256,240**	**79,127,258**
November 30, 1995	**$56,813,621**	**8,970,715**	**65,784,336**

The Group:

	Freehold land and buildings	Furniture, fixtures, plant , machinery and vehicles	Construction -in- progress	Wharf and grain off-loading facilities	Total
At cost or valuation:					
November 30,1995	91,531,927	89,091,772	75,856,653	-	256,480,352
Additions	10,336,745	8,134,781	37,560,705	-	56,032,231
Reclassifications	-	(340,625)	(113,417,358)	113,757,983	-
November 30, 1996	101,868,672	96,885,928	-	113,757,983	312,512,583
Broken down:					
At cost	16,433,592	96,174,784	-	113,757,983	226,366,359
At valuation	85,435,080	711,144	-	-	86,146,224
	101,868,672	96,885,928	-	312,512,583	312,512,583

Depreciation:					
November 30, 1995					
Charge for the year	2,576,426	16,967,805	-	-	19,544,231
November 30,1996	1,677,995	10,895,496	-	113,757,983	12,573,491
Net book values:	4,254,421	27,863,301	-	-	32,117,722
November 30, 1996	**$97,614,251**	**69,022,627**	**-**	**113,757,983**	**280,394,861**
November 30, 1995	**$88,955,501**	**72,123,967**	**75,856,653**	**-**	**236,936,121**

The group's freehold land and buildings were revalued as at April 1,1994 and part of its plant and equipment as at November 30,1990 on a fair market value basis. The surplus arising on revaluation, inclusive of depreciation no longer required, is included in capital reserve (note 12).

Other fixed assets are shown at cost.

Freehold land and buildings include land as follows:

	The Company		The Group	
	1996	1995	1996	1995
At cost	3,676,525	747,780	3,676,525	747,780
At valuation	8,450,000	8,450,000	23,450,000	23,450,000
	$12,126,525	**9,197,780**	**27,126,525**	**24,197,780**

The Group:

Machinery and equipment include interest capitalised of $10,027,566(1995:$10,027,566).

Wharf and grain off-loading facilities which were completed in November 1996 include:

	1996	1995
Interest capitalised	$	$
Currency exchange losses, net, capitalised [note 2 (f)]	17,181,096	9,375,438
	1,781,043	6,634,300

11. Share capital

	1996	1995
Authorised:		
8,000 ordinary "A" shares of 50 cents each	4,000	4,000
60,000,000 (1995: 20,000,000)		

7 1/2% cumulative participating preference shares of $1 each	60,000,000	20,000,000
	$60,004,000	20,004,000
Issued and fully paid:		
6,968 ordinary "A" shares	3,484	3,484
17,452,523 preference stock units	17,452,523	17,452,523
	$17,456,007	17,456,007

(i) Rights of preference stockholders:

Preference stockholders have the right to receive a fixed cumulative preference dividend at the rate of 7 1/2% per annum plus such additional dividend as the company may decide but not exceeding 75% of the net profit of the company in any year. They also have the right to attend general meetings and to vote thereat.

(ii) Rights of ordinary "A" shareholders:

Ordinary "A" shareholders have no right to receive dividends but have the right to attend general meetings and to vote thereat.

(iii) Increase in authorised share capital:

By resolution dated July 30, 1996, the authorised share capital of the company was increased from $20,004,000 to $60,004,000 by the creation of 40,000,000 7 1/2% cumulative participating preference shares of $1.00 each to rank pari passu in all respects with the existing 7 1/2% cumulative preference shares in the capital of the company.

(iv) Issue of share capital:

The Board of Directors at a meeting on November 5,1996 resolved that 40,000,000 7 1/2% cumulative preference shares of $1 each of the company be offered at $1.50 per share to the members of the company as at the record date of November 25,1996, in proportion to their respective holdings in the issued capital of the company and that any shares not taken up be offered to other persons.

These shares were issued, fully paid, on January 3, 1997.

12. Reserves

	The Company		The Group	
Capital:	1996	1995	1996	1995
Share premium	43,541,811	43,541,811	43,541,811	43,541,811
Realised				
At beginning of year	14,882,113	313,155	14,882,113	313,155
Transfer from profit and loss account in respect of				
(i) gain on sale of fixed assets	-	12,736,187	-	12,736,187
(ii) gain on sale of investments	1,480,000	1,832,771	1,480,000	1,832,771
At end of year	16,362,113	14,882,113	16,362,113	14,882,113
Unrealised				
At beginning of year	43,312,265	47,256,868	66,053,297	69,997,900
Transfer to profit and loss account on disposal of fixed assets	-	(3,944,603)	-	(3,944,603)
At end of year	43,312,265	43,312,265	66,053,297	66,053,297
Revenue:				
Unappropriated profits, retained in				
The company	18,990,566	20,451,970	18,990,566	20,451,970
The subsidiaries	-	-	6,463,400	(7,523,204)
	18,990,566	20,451,970	25,453,966	12,928,766
Special reserves:				
Beef insurance fund	82,231	82,231	82,231	82,231
Motor vehicle insurance fund	47,030	47,030	47,030	47,030
	129,261	129,261	129,261	129,261
Transfer to profit and loss account	(129,261)	-	(129,261)	-
	-	129,261	-	129,261
	$122,206,755	**122,317,420**	**151,411,187**	**137,535,248**

13. Long-term liabilities

The Company	The Group

	1996	1995	1996	1995
(a) 9% promissory note	-	1,877,245	-	1,877,245
(b) 47% loan	2,928,000	3,732,000	2,928,000	3,732,000
(c) 41% loan	784,908	966,667	784,908	966,667
(d) 36% loan	737,642	916,667	737,642	916,667
(e) 48% loan	897,897	-	897,897	-
(f) 46% loan	1,223,952	-	1,223,952	-
(g) 15% loan	-		5,294,120	7,647,060
(h) 12% loan	-	-	854,000	1,138,800
(i) 17% loan	-	-	14,701,267	18,376,583
(j) 12% loan	-	-	36,151,043	41,004,300
(k) 12.8% loan	-	-	25,726,908	-
	6,572,399	7,492,579	89,299,737	75,659,322
Less current maturities	2,184,928	1,164,783	16,609,306	7,904,968
	$**4,387,471**	**6,327,796**	**72,690,431**	**67,754,354**

(a) The promissory note was repaid during the year.

(b) The loan is repayable in equal monthly instalments of $67,000, the final instalment being due in July 2000.

(c) The loan is repayable in equal monthly instalments of principal and interest of $58,333, the final instalment being due on April 26,1998.

(d) The loan is repayable in equal monthly instalments of principal and interest of $45,903, the final instalment being due on August 8,1998.

(e) The loan is repayable in equal monthly instalments of principal and interest of $52,778, the final instalment being due on January 25,1999.

(f) The loan is repayable in equal monthly instalments of principal and interest of $63,891, the final instalment being due on October 7,1999.

(g) The loan is repayable in equal consecutive quarterly instalments of $588,236 and is secured by a demand debenture over the assets of a subsidiary, the final instalment being due on June 30,1997.

(h) The loan is repayable in ten consecutive equal semi-annual instalments of $142,400 and is subject to a guarantee by a subsidiary's bankers, the final instalment being due on July 27,1999.

(i) The loan is repayable in equal consecutive quarterly instalments of $918,829 and is secured by a demand debenture over the assets of a subsidiary, the final instalment being due on September 30, 2000.

(j) The loan comprises US$1,030,000 (1995: US$1,030,000) and is repayable in equal consecutive monthly instalments oF $10,729 commencing November 30,1996, the final instalment being due on October 31, 2004.

(k) The loan comprises US$733,000 (1995: $Nil) and is repayable in equal consecutive monthly instalments of US$7,632 commencing November 30,1997, the final instalment being due on October 31, 2005.
The amount includes the bank loan of US$200,000 which was converted during the year [note 5(ii)].

Loans (b) to (f) are secured by first mortgages on certain freehold properties of the company.

Loans (j) and (k) are secured by a second and third debenture over a subsidiary's fixed and floating assets and second and third mortgages over the subsidiary's freehold land and buildings.

14. Gross operating revenue

Gross operating revenue represents the invoiced value of sales by the group, net of returns and general consumption tax.

15. Disclosure of expenses/(income)

Operating profit/(loss) is stated after charging/(crediting):

	1996 $	1995 $
Depreciation	12,573,491	10,674,853
Interest:		
Fixed loan	6,450,019	4,698,389
Bank loans and overdrafts	33,732,920	18,827,758
Other	444,289	162,537
Directors' remuneration:		
Fees	60,000	54,000
Management	1,418,655	1,335,617
Auditors' remuneration:		
Current year	1,715,000	1,685,000

Prior year	(15,000)	80,000
Rent paid to related company	733,747	524,960
Interest income	(715,956)	(994,117)

16. Taxation

(a) The charge for the group comprises an adjustment in respect of a previous year.

(b) Taxation losses subject to agreement by the Commissioner of Income Tax, available for relief against future taxable profits amounted for the company and the group to approximately $672,000 (1995: $103,000)and $23,372,000 (1995: $29,000,000) respectively.

17. Profit/(loss) after taxation

Of the profit after taxation, $1,198,274 (1995: $10,080,860) is dealt with in the financial statements of the holding company.

18. Dividend

This represents amounts paid on the 7 1/2% preference stock units of the company.

The dividend is an allowable charge for taxation purposes in accordance with the provisions of the Income Tax Act.

19. Earnings/(loss) per stock unit

The calculation of earnings/(loss) per stock unit is based on group profit/(loss) after taxation of profit $15,184,878 (1995: loss $773,254) and the 17,452,523 preference stock units in issue.

20. National Housing Trust contributions

Contributions to the National Housing Trust up to July 31,1979 which amounted to $47,134 for the company and $55,780 for the group and were expensed in the profit end loss account, are recoverable in the years 2001/4.

21. Pension scheme

A contributory pension scheme administered by a life assurance company, is operated for all employees who have satisfied certain minimum service requirements.

The benefits are computed on the basis of final salary, by reference to the number of years of pensionable service.

The scheme is subject to periodic actuarial valuations and the most recent valuation as at June 1992 disclosed a surplus.

Contributions for the year were $1,560,047 (1995: $1,220,701) for the company and $1,641,247 (1995: $1,494,690) for the group.

22. Lease commitments

There were commitments under non-cancellable operating leases payable as follows:

	The Company		The Group	
	1996	1995	1996	1995
Within one year	990,000	17,747	990,000	17,747
Subsequent year	3,152,672	-	3,152,672	-
	$4,142,672	**17,747**	**4,142,672**	**17,747**

Lease rentals during the year amounted to $657,747(1995:$340,960)for the company and $657,747(1995:$430,960) for the group.

23. Subsequent event

A branch property was sold in December 1996 realising a capital gain of approximately $5,100,000. The branch was reopened in rented premises.