

# Jamaica Broilers Group Limited 1997

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## Notes to the Financial Statements

3 May 1997

### 1. Significant Accounting Policies

#### (a) Consolidation

The group financial statements include the financial statements of the company, which is incorporated in Jamaica, and its operating divisions, subsidiaries and associated companies as follows:

	Principal Activities	Owernship at 3 May 1997
Resident in Jamaica:		
Operating divisions		
Best Dressed Chicken	Poultry production	100
Best Dressed Foods	Distributors of chicken, beef and fish	100
Best Dressed Meats	Retailers of food products	100
Content Agricultural Products	Beef production	100
Hi-Pro Farms Supplies	Retailers of farming equipment and supplies	100
Jamaica Eggs Services	Pullet production	100
Master Blend Feeds	Feed milling	100

Subsidiaries

Aquaculture Jamaica Limited	Fish farming	100
Content Agricultural Products Limited	Property rental	100
Jabexco Limited	Export of products	100
Jamaica Eggs Limited	Property rental	100
Jamaica Freshwater Snapper Limited	Fish farming	50
Jamaica Poultry Breeders Limited	Hatching egg production	100
Levy Industries and its subsidiaries:	Information systems technology	100
Caribbean Asbestos Products Limited	Sale of industrial pipes	90
Caribbean Industrial Equipment Limited	Distributors of industrial and agricultural equipment	90
Master Blend Feeds Limited	Property rental	100
West Indies Nutritional Corporation Limited	Manufacturers and distributors of feed ingredients	100
Best Dressed Chicken Limited	Non-trading	100
J. B. Trading Limited	Non-trading	100
Trafalgar Agriculture Development Limited	Non-trading	100
Resident outside of Jamaica:		
International Poultry Breeders LLC, U.S.A.	Hatching egg production	70
Jabexco Cayman Limited, Cayman	Distributors and retailers of meat products	40*
JBG (UK) Limited and its associated companies:	Holding company	100
JPH Investments Limited, U.K.	Investment company	50
Persshore Poultry Limited, U.K.	Producers and distributors of poultry meat	50
Wincorp International, Inc., U.S.A.	Procurers and distributors of agricultural and industrial supplies	100
Associated companies resident in Jamaica:		
Capital & Credit Holdings Limited and its wholly owned subsidiaries:	Holding and investment company	20
Capital & Credit Merchant Bank Limited	Merchant and investment banking	20
CCM Limited	Investment company	20

\*Jabexco Cayman Limited is consolidated in these accounts on the basis of significant control by virtue of an agreement with other investors and through significant control exercised by Jamaica Broilers Group Limited over the financial and operating policies

of the company.

(b) Equity accounting

The financial statements of the holding company have been prepared on the equity basis whereby its share of the profits or losses of subsidiaries and associated companies are recognised as an increase or decrease in investment and retained earnings.

(c) Depreciation

Fixed assets are stated at cost or valuation. Depreciation is provided on the straight line basis of such rates as will write off the assets over the period of their expected useful lives. Annual rates are as follows:

	Rates %
Freehold buildings	1 - 9
Leasehold property	2 1/2
Machinery and equipment	3 - 6
Furniture and fixtures	10
Motor vehicles	20 - 33 1/3

Freehold land is not depreciated.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as follows:

- (i) Flocks in field together with breeder and layer flocks and pullets at accumulated cost of chicks, feed, medication, and in respect of breeder flocks and livestock, accumulated production costs.
- (ii) Processed broilers, beef and fish at accumulated cost of growing and processing, or landed cost.
- (iii) Finished feeds and fertilizers at cost of production.

(iv) All other items of inventory at landed cost or purchase price.

(e) Foreign currencies

(i) Transactions in currencies other than the principal currency are accounted for at the exchange rates in effect on the transaction dates.

(ii) Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the rates of exchange prevailing at balance sheet date and the resulting gain or loss reflected in the profit and loss account except that translation differences on foreign currency liabilities relating to the acquisition of fixed assets are included in the carrying amount of the related fixed assets.

(iii) The financial statements of the foreign subsidiaries are translated into Jamaican dollars using the exchange rate prevailing at balance sheet date. The resultant gains or losses are reflected in capital reserve.

(f) Deferred taxation

Deferred taxation is not recognised in these financial statements because timing differences are not considered likely to reverse in the foreseeable future.

(g) Deferred expenditure

This is amortised over the expected period of benefit or in the case of leasehold property over the shorter of the remaining life of the asset or the remainder of the lease term.

(h) Pension costs

The group accrues and fund costs annually; these costs are actuarially determined. All amounts in these financial statements are stated in Jamaican dollars except where otherwise noted.

## **2. Turnover**

The group turnover represents the price of goods and services sold to customers after

deducting discounts and allowances.

### 3. Exceptional Items

	3 May 1997 \$'000	7 April 1996 \$'000
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These comprise:

Bad debt expenses	(18,869)	-
Foreign exchange gains/(losses)	<u>15,183</u>	<u>(51,679)</u>
	<u>(3,686)</u>	<u>(51,679)</u>

### 4. Taxation

- (a) The egg production operation of Jamaica Poultry Breeders Limited was exempt from income tax until 1989 by virtue of the provisions of the Industrial Incentives Act. With effect from 1990 the egg production and crop growing operations are exempt from income tax for ten years under the provisions of the Income Tax (Approved Farmers) Act.

The fish farming operations of Aquaculture Jamaica Limited were also exempted from income tax for a period of ten years ended April 1993. This period was extended to April 1998.

Subject to agreement by the Commissioner of Income Tax, profits in the holding and subsidiary companies that are available for distribution to shareholders resident in Jamaica, without deduction of income tax, amount to approximately \$6,994,000.

- (b) Taxation charge is based on the group profit for the period, adjusted for taxation purposes and consists of:

	3 May 1997 \$'000	27 April 1996 \$'000
Income tax at 33 1/3%	59,619	61,859
Prior year	-	(255)

Special capital allowance	(16,825)	(18,435)
Tax credit on bonus shares	(20,670)	(10,088)
Associated companies	<u>12,946</u>	<u>5,890</u>
	<u>35,070</u>	<u>38,971</u>

The group tax charge for the period is disproportionate to the reported profit as a result of the tax exempt operations mentioned under (a) above and the effects of special capital allowance and tax credit on bonus shares.

The special capital allowance is subject to approval by the Ministry of Industry and Commerce and the bonus issue of shares, on which the tax credit arises, is subject to the approval of the members at the company's Annual General Meeting.

- (c) Subject to agreement by the Commissioner of Income Tax, losses available for offset against future profit of certain subsidiaries within the group amount to approximately \$5,250,000 and can be carried forward indefinitely.

#### 5. Dividends

	3 May 1997 \$'000	27 April 1996 \$'000
Proposed first interim - 4.5 cents (1996 - 3.8 cents)	18,069	15,444
Proposed second interim - 6 cents (1996 - 5.4 cents)	<u>24,093</u>	<u>21,622</u>
	<u>42,162</u>	<u>37,066</u>

The above dividends are paid out of dividends received by the company from subsidiaries which operate under the Income Tax (Approved Farmers) Act and are therefore payable gross without deduction of tax to residents of Jamaica.

The rates of dividends for the prior year have been restated to give effect to the bonus issue made during the year (note 15).

#### 6. Earnings Per Stock Unit

The calculation of earnings per 50 cents ordinary stock unit is based on net profit and 401,544,000 ordinary stock units in issue after the bonus issue made during the year (note 15) The earnings per stock unit for the prior year have been restated accordingly.

## 7. Fixed Assets

	THE GROUP							Total
	Freehold	Freehold	Leasehold	Machinery	Furniture	Motor	Capital	
	Land	Buildings	Property	and Equipment	and Fixtures	Vehicles	Work in Progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost or Valuation -								
At 28 April 1996	84,543	725,075	32,239	550,478	45,032	120,056	163,818	1,721,241
Additions at cost	10	17,792	715	31,347	8,421	83,696	104,634	246,615
Translation	(1,164)	(802)	(364)	(10,872)	(1,017)	(1,389)	(202)	(15,810)
Disposals	-	-	-	(1,267)	(114)	(7,027)	(7,937)	(16,345)
Transfers	-	39,298	(827)	65,665	3,985	15,020	(123,141)	-
At 3 May 1997	<u>83,389</u>	<u>781,363</u>	<u>31,763</u>	<u>635,351</u>	<u>56,307</u>	<u>210,356</u>	<u>137,172</u>	<u>1,935,701</u>
Depreciation -								
At 28 April 1996	-	213,902	14,139	148,327	26,020	46,627	-	449,015
Charge for the year	-	14,572	3,065	35,803	4,118	21,951	-	79,509
Translation	-	(25)	(125)	(1,608)	(570)	(793)	-	(3,121)
Relieved on disposal	-	-	-	(471)	(64)	(833)	-	(1,368)
Transfers	-	8,595	(8,844)	6,609	(6,454)	94	-	-
At 3 May 1997	<u>-</u>	<u>237,044</u>	<u>8,235</u>	<u>188,660</u>	<u>23,050</u>	<u>67,046</u>	<u>-</u>	<u>524,035</u>
Net Book Value -								
At 3 May 1997	<u>83,389</u>	<u>544,319</u>	<u>23,528</u>	<u>446,691</u>	<u>33,257</u>	<u>143,310</u>	<u>137,172</u>	<u>1,411,666</u>
At 27 April 1996	<u>84,543</u>	<u>511,173</u>	<u>18,100</u>	<u>402,151</u>	<u>19,012</u>	<u>73,429</u>	<u>163,818</u>	<u>1,272,226</u>

## THE COMPANY

	Freehold	Freehold	Leasehold	Machinery	Furniture	Motor	Capital	
	Land	Buildings	Property	and Equipment	and Fixtures	Vehicles	Work in Progress	Total

	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At Cost or Valuation -								
At 28 April 1996	37,621	254,996	-	367,035	31,980	102,516	158,811	952,959
Additions at cost	-	1,640	-	16,648	6,867	72,363	102,765	200,283
Disposals	-	-	-	(495)	(114)	(7,027)	(7,937)	(15,573)
Transfers	-	38,471	-	64,160	3,985	15,811	(122,427)	-
At 3 May 1997	37,621	295,107	-	447,348	42,718	183,663	131,212	1,137,669
Depreciation -								
At 28 April 1996	-	81,032	-	113,096	12,108	37,337	-	243,573
Charge for the year	-	5,140	-	21,262	2,968	18,665	-	48,035
Relieved on disposal	-	-	-	362	(61)	(833)	-	(1,256)
Transfer	-	(454)	-	7	485	(24)	-	-
At 3 May 1997	-	85,718	-	-	15,500	55,145	-	290,352
Net Book Value -								
At 3 May 1997	37,621	209,389	-	313,359	27,218	128,518	131,212	847,317
At 27 April 1996	37,621	173,964	-	253,939	19,872	65,179	158,811	709,386

Fixed assets excluding furniture and fixtures and motor vehicles were revalued during 1988 and 1990 and land and buildings during 1993 by Orville Grey and Associates and D.C. Tavares & Finson Company Limited as follows:

- a) Land at fair market value
- b) Buildings and machinery and equipment at depreciated replacement cost with the exception of assets having a fixed option price.

All other assets and subsequent additions are stated at cost. The gains arising on the above revaluations have been credited to capital reserve (note 16).

Included in fixed assets are motor vehicles costing \$150,194,000 (1996 - \$83,901,000) which have been acquired under finance leases (note 18).

## 8. Investments

The Group		The Company	
3 May	27 April	3 May	27 April



	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
Associated Companies -				
At cost	52,467	53,612	7,887	7,564
Group's share of reserves	36,446	15,414	29,023	11,653
Quoted Securities-				
At cost (market value \$2,641,000:1996 \$2,647,000)	142	142	142	142
Other unquoted shares at cost	<u>7,389</u>	<u>7,389</u>	<u>7,389</u>	<u>7,389</u>
	<u>96,444</u>	<u>76,557</u>	<u>44,441</u>	<u>26,748</u>

### 9. Deferred Expenditure

This includes costs that will be incurred by a subsidiary to restore inventories acquired under a three year contract that commenced October 1994. Upon termination of the contract inventories will be restored equal in quantity to that which existed at the commencement of the agreement. The amount is being amortised over the period.

### 10. Interest in Subsidiaries

	The Company	
	3 May 1997 \$'000	27 April 1996 \$'000
Shares at cost and valuation of bonus shares received	77,854	52,885
Accumulated post acquisition profits of subsidiaries	<u>156,163</u>	<u>164,405</u>
	<u>234,017</u>	<u>217,290</u>

### 11. National Housing Trust

Contributions to the National Housing Trust not included in these financial statements are recoverable in the years 2001 to 2005 as follows:

The Group	\$243,000
The Company	<u>\$190,000</u>

## 12. Inventories

	The Group		The Company	
	3 May 1997 \$'000	27 April 1996 \$'000	3 May 1997 \$'000	27 April 1996 \$'000
Poultry, cattle and fish	288,646	271,384	172,975	171,311
Pullets, processed broilers, beef and fish	89,435	41,473	81,921	39,303
Finished feeds and fertilizers	6,027	14,362	4,607	13,317
Grain and feed ingredients	146,314	99,966	85,779	49,941
Equipment and supplies	122,716	119,594	87,787	86,957
Goods in transit	2,568	9,555	2,567	9,555
	<u>655,706</u>	<u>556,334</u>	<u>435,636</u>	<u>370,384</u>

## 13. Related Party Transactions

(a) The following related party transactions and balances arose in the ordinary course of business and were conducted at arms length:

	3 May 1997 \$'000	27 April 1996 \$'000
Capital & Credit Merchant Bank Limited -		
Interest received	2,413	3,085
Lease payments	<u>(6,496)</u>	<u>-</u>

(b) Amounts due from/(to) affiliates comprise of the following:

	The Group and The Company	
	3 May 1997 \$'000	27 April 1996 \$'000
Halcyon Limited	1,780	1,780
Portland Corporation Limited	4,354	4,329

Jamaica Broilers Employees Trust	(2,845)	3,690
	<u>3,289</u>	<u>9,799</u>

(c) Included in cash and deposits are amounts totalling US\$211,000 (1996 -US\$534,000) and \$15,493,000 (1996 - \$Nil) on deposit with Capital & Credit Merchant Bank Limited.

#### 14. Bank Overdraft

Overdraft facilities are secured by debentures over the assets of the company held by Citibank N.A., National Commercial Bank Jamaica Limited and Bank of Nova Scotia Jamaica Limited.

The overdraft facilities provided by Bank of Nova Scotia Jamaica Limited are also secured by a debenture over the assets of a subsidiary (note 17).

#### 15. Share Capital

	3 May 1997 \$'000	27 April 1996 \$'000
Authorised -		
410,000,000 (1996 - 320,000,000)		
Ordinary shares of 50 cents	205,000	160,000
Issued and fully paid -		
401,544,000 (1996 - 308,880,000)		
Ordinary stock of 50 cents each	200,772	154,440

At the Annual General Meeting held on 2 November 1996 the authorised share capital of the company was increased to \$205,000,000 by the creation of 90,000,000 ordinary shares of 50 cents each, such shares to rank pari passu with the existing ordinary shares of the company.

From the authorised shares, 92,664,000 were then issued as bonus shares by the capitalisation of \$46,332,000 from retained earnings on the basis of three shares for every ten stock units held as at 18 November 1996.

The issued shares were then converted into stock units of 50 cents each.

## 16. Capital Reserve

	The Group	The Company
	3 May 1997 \$'000	27 April 1996 \$'000
At beginning of year -		
Share premium	165,499	165,499
Realised capital gains	9,388	3,364
Unrealised surplus on revaluation	533,465	221,621
Reserve on consolidation	17,377	-
Gains on translation of financial statements of foreign subsidiaries	<u>77,796</u>	<u>16,194</u>
	803,525	406,678
Movement during the year -		
Reserve on consolidation	1,013	-
Translation loss	( 29,013)	-
At end of year	<u>775,525</u>	<u>406,678</u>
Consisting of -		
Share premium	165,499	165,499
Realised capital gains	9,388	3,364
Unrealised surplus on revaluations	533,465	221,621
Reserve on consolidation	18,390	-
Gains on translation of financial statements of foreign subsidiaries	<u>48,783</u>	<u>16,194</u>
	775,525	406,678

## 17. Long Term Liabilities

The Group has financing agreements with several financial institutions as follows:

The Group		The Company	
3 May	27 April	3 May	27 April

	1997 \$'000	1996 \$'000	1997 \$'000	1996 \$'000
(a) Victoria Mutual Building Society Mortgage 1990/2000 - 28%	564	691	564	691
(b) Trafalgar Development Bank 1988/97 - 16%	-	203	-	203
32%	333	1,181	333	1,181
(c) Overseas Private Investment Corporation US\$0.27M - 1990/97 - 6%	9,577	32,548	9,577	32,548
(d) Jamaica Agricultural Development Foundation - 1987/98 - 15%	167	444	167	444
1998 - 31%	389	702	389	702
(e) Agricultural Credit Bank 1987/97 - 14%	3,250	5,963	2,501	4,714
(f) American Banking Company US\$2.37M - 1996/2006 - 9%	83,872	99,411	-	-
(g) National Development Bank 1989/98 - 14%	1,250	2,250	1,250	1,250
(h) Sundry mortgages and loans	<u>1,436</u>	<u>256</u>	<u>1,136</u>	<u>16</u>
	100,838	143,649	15,917	42,749
Less: Current portion of long term liabilities	<u>14,365</u>	<u>33,641</u>	<u>13,865</u>	<u>26,644</u>
	<u>86,473</u>	<u>110,008</u>	<u>2,052</u>	<u>16,105</u>

Loans, guarantees and other banking facilities extended by American Banking Company, Overseas Private Investment Corporation, Citibank N.A., National Commercial Bank Jamaica Limited and Bank of Nova Scotia Jamaica Limited to the group are secured by debentures governed by an intercreditor agreement between the parties. Guarantees by the holding

company on behalf of all subsidiary companies have been provided and the interest of the parties noted on the insurance policies (note 14).

## 18. Lease Obligations

At 3 May 1997, obligations under finance leases are as follows:

	The Group		The Company	
	3 May 1997 \$'000	27 April 1996 \$'000	3 May 1997 \$'000	27 April 1996 \$'000
1996/1997	-	40,444	-	40,444
1997/1998	51,578	25,325	46,206	25,325
1998/1999	34,191	7,938	28,820	7,938
1999/2000	<u>10,443</u>	<u>-</u>	<u>7,333</u>	<u>-</u>
Total minimum lease payments	96,212	73,707	82,359	73,707
Less: Future finance charges	<u>29,166</u>	<u>23,650</u>	<u>24,637</u>	<u>23,650</u>
Present value of minimum lease payment	67,046	50,057	57,722	50,057
Less: Current portion included in payables	<u>31,942</u>	<u>25,341</u>	<u>29,278</u>	<u>25,341</u>
	<u>35,104</u>	<u>24,716</u>	<u>28,444</u>	<u>24,716</u>

## 19. Commitments and Contingencies

(a) Commitments for capital expenditure at 3 May 1997 not provided for in these financial statements amounted to approximately \$64,912,000 (1996 -\$7,700,000)

(b) At 3 May 1997, the group had net foreign liabilities amounting to approximately US\$6,480,000 (1996 - US\$5,744,000).

## 20. Pension Scheme

The company and its subsidiaries participate in a defined benefit contributory pension scheme which is open to all permanent employees and is managed by an outside agency. The basis of contribution by employer and employee varies within the group. Benefits under the scheme are based on average salary for the last three years.

During the year contributions made by the group were \$12,217,000 (1996 - \$9,444,000). An actuarial valuation, based on the projected benefits method, was conducted in 1994 and revealed that the scheme was adequately funded to meet increased benefits approved by the Trustees.

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