The Jamaica Livestock Association Limited

Notes to the Financial Statements

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, the manufacture and sale of animal feed and the operation of wharf and grain off-loading facilities.

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, 1998. 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 and operation of wharf and grain off-loading facilities
JLA Hatchery Limited	Production of chicks
Henmor Limited	Transportation

   (c) Depreciation:
   Fixed assets, with the exception of freehold land 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 buildings	1 2/3% - 4%
Wharf and grain off-loading facilities	2 1/2%
Furniture, fixtures, computers, 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.

   (g) Finance lease expense:
   Lease payments are apportioned between interest (included in the profit and loss account) and principal, to produce a constant periodic rate of return on the outstanding lease obligations.

(h) Pension scheme costs:
The company and the group participate in a pension scheme (see note 23), the assets of which are held separately from those of the group. Contributions to the scheme, made on the basis provided for in the rules, are charged to the profit and loss account.

3. Short-term investment

This represented amounts deposited in a sinking fund as required by a loan agreement [see note 6(ii)]. The amounts deposited were invested in securities subject to a repurchase agreement, and were disposed of during the year on settlement of the loan.

4. Accounts receivable

Accounts receivable of the company and the group include amounts in the ordinary course of business of $189,791 (1997: $68,454) and $3,251,496 (1997: $2,641,013) 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 $4,864,666 (1997: $2,582,242) for the company and $5,177,148 (1997: $3,463,924) for the group.

5. Inventories

	The Company		The Group	
	1998	1997	1998	1997
Raw materials and supplies	-	-	14,215,600	36,791,738
Merchandise and drugs	35,619,377	39,390,312	35,620,107	39,398,344
Hardware and lumber	7,985,381	8,732,630	7,811,030	8,732,630
Feeds	4,712,206	2,954,040	6,017,093	4,339,689
Poultry	846,806	110,520	756,077	98,679
Eggs	-	-	3,645,973	3,336,391
Meats	100,300	123,354	100,300	123,354
Spare parts	-	-	599,639	194,539
	$49,264,070	51,310,856	68,765,819	93,015,364

6. Bank loans and overdrafts

	The Company		The Group	
	1998	1997	1998	1997
Loan (note (i)]	-	2,000,000	-	2,000,000
Loan [note (ii)]	-	10,000,000	-	10,000,000
Loan [note (iii]	-	-	-	20,000,000
	0	12,000,000	0	32,000,000
Bank overdrafts [note (iv)	$16,389,795	6,231,697	56,036,582	22,318,205
	16,389,795	18,231,697	56,036,582	54,318,205

(i) The loan which was unsecured and evidenced by a promissory note, was fully settled during the year.

(ii) This loan was unsecured and evidenced by a promissory note. A special condition of the loan required that a sinking fund be established at the lender into which a monthly deposit of $833,333 was to be made to facilitate the repayment of the loan (see note 3). This loan was fully settled during the year.

(iii) The loan which was evidenced by a promissory note and secured as disclosed in note 15, was fully settled during the year.

(iv) The bank overdrafts are secured by first mortgages on certain freehold properties of the company and the group and as disclosed in note 15. At November 30, 1998, bank overdrafts for the group included $10,000,000 which was settled, after year-end, by a bank loan, evidenced by a promissory note and repayable in thirty-six equal installments of $27,778, commencing January 1, 1999.

7. Accounts payable

Accounts payable of the company and the group include amounts in the ordinary course of business of $Nil (1997: $3,000,000) and $567,898 (1997: $391,418), due to a director and to a company in which a director has a significant interest, respectively.

8. Obligations under finance lease

	The Company and The Group	
	1998	1997
Obligations under finance lease	1,919,003	-
Less: finance charge allocated to future periods	(361,799)	-
	$1,557,204	-

The finance lease bears interest at the rate of 35% per annum and is repayable in equal monthly installments of $137,072, the final installment being due in November 1999.

9. Investments

	The Company		The Group	
	1998	1997	1998	1997
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	320,589	360,233	360,233
Market value of quoted securities	$354,118	626,093	606,398	1,364,913

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

11. Interest in subsidiaries

	1998	1997
Shares, at cost	4,600	4,600
Advances to subsidiary (note)	76,855,606	89,299,547
	$76,860,206	89,304,147

Note:
Advances to subsidiary which are in connection with the construction of a wharf and grain off-loading facilities, are interest-free and repayment terms have not yet been determined.

12. Fixed assets

The Company:

	Freehold land and buildings	Furniture, fixtures, computers, plant machinery and vehicles	Total
At cost or valuation:			
November 30, 1997	64,163,820	25,711,375	89,875,195
Additions	-	14,422,455	14,422,455
Disposal	-	(3,246,552)	(3,246,552)
November 30, 1998	64,163,820	36,887,278	101,051,098
Broken down:			
At cost	16,413,740	36,623,894	53,037,634
At valuation	47,750,080	263,384	48,013,464
	64,163,820	36,887,278	101,051,098
Depreciation:			
November 30, 1997	4,100,962	12,183,105	16,284,067
Charge for the year	1,297,792	4,089,080	5,386,872
Eliminated on disposals	-	(2,709,175)	(2,709,175)
November 30, 1998	5,398,754	13,563,010	18,961,764
Net book values:			
November 30, 1998	$**58,765,066**	**23,324,268**	**82,089,334**
November 30, 1997	$**60,062,858**	**13,528,270**	**73,591,128**

The Group:

	Freehold land and buildings	Furniture, fixtures, computers, plant, machinery and vehicles	Wharf and grain off-loading facilities	Total
At cost or valuation:				
November 30, 1997	96,968,672	100,524,491	129,874,016	327,367,179
Additions	-	14,663,082	368,641	15,031,723
Disposals	-	(3,709,427)	-	(3,709,427)
November 30, 1998	96,968,672	111,478,146	130,242,657	338,689,475
Broken down:				
At cost	16,433,592	110,767,002	130,242,657	257,443,251
At valuation	80,535,080	711,144	-	81,246,224
	96,968,672	111,478,146	130,242,657	338,689,475
Depreciation:				
November 30, 1997	5,561,465	38,901,033	4,617,999	49,080,497
Charge for the year	1,696,672	12,112,397	4,747,853	18,556,922
Eliminated on disposals	-	(3,064,434)	-	(3,064,434)
November 30, 1998	7,258,137	47,948,996	9,365,852	64,572,985

Net book values:				
November 30, 1998	$**89,710,535**	**63,529,150**	**120,876,805**	**274,116,490**
November 30, 1997	$**91,407,207**	**61,623,458**	**125,256,017**	**278,286,682**

The company's and the group's freehold land and buildings were revalued as at April 1, 1994 and part of the 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 14). Other fixed assets are shown at cost.

Freehold land and buildings include land as follows:

	The Company		The Group	
	1998	1997	1998	1997
At cost	3,676,525	3,676,525	3,676,525	3,676,525
At valuation	7,950,000	7,950,000	22,950,000	22,950,000
	11,626,525	11,626,525	26,626,525	26,626,525

Fixed assets include computers held under a finance lease at a cost of $2,927,949 (1997: $Nil).
Machinery and equipment include interest capitalised of $10,027,566 (1997: $10,027,566).

Wharf and grain off-loading facilities include:

	1998	1997
	$	$
	17,181,096	17,181,096
Interest capitalised		
Currency exchange losses, net, capitalised [note 2(f)]	**1,781,043**	**1,781,043**

13. Share capital

	1998	1997
Authorised:		
8,000 ordinary "A" shares of 50 cents each	4,000	4,000
60,000,000 7 1/2% cumulative participating preference shares of $1 each	60,000,000	60,000,000
	$**60,004,000**	**60,004,000**
Issued and fully paid:		
6,974 (1997: 6,971) ordinary "A" shares	3,487	3,486
57,452,523 preference stock units	57,452,523	57,452,523
	57,456,010	57,456,009

(i) 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.

(ii) 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.

14. Reserves

	The Company		The Group	
	1998	1997	1998	1997
Capital:				
Share premium				
At beginning of year	58,421,209	43,541,811	58,421,209	43,541,811
Net proceeds from rights issue in previous year	-	14,879,398	-	14,879,398
At end of year	58,421,209	58,421,209	58,421,209	58,421,209
Realised				
At beginning of year	25,075,936	16,362,113	25,075,936	16,362,113
Transfer from profit and loss account in respect of gain on sale of fixed assets	-	8,713,823	-	8,713,823
At end of year	25,075,936	25,075,936	25,075,936	25,075,936
Unrealised				
At beginning of year	38,351,134	43,312,265	61,092,166	66,053,297

Transfer to profit and loss account on disposal of fixed assets	-	4,961,131	-	(4,961,131)
At end of year	38,351,134	38,351,134	61,092,166	61,092,166
Revenue:				
(Deficit)/retained profits				
The company	(2,405,244)	14,858,791	(2,405,244)	14,858,791
The subsidiaries	-	-	7,877,699	11,981,831
	(2,405,244)	14,858,791	5,472,455	26,840,622
	$119,443,035	136,707,070	150,061,766	171,429,933

15. Long Term liabilities

	The Company		The Group	
	1998	1997	1998	1997
(a) 32% loan	5,106,250	6,331,750	5,106,250	6,331,750
(b) 32% loan	1,387,000	2,191,000	1,387,000	2,191,000
(c) 41% loan	-	271,396	-	271,396
(d) 36% loan	-	369,038	-	369,038
(e) 48% loan	101,501	596,996	101,501	596,996
(f) 46% loan	596,761	1,026,042	596,761	1,026,042
(g) 15% loan	-	-	588,240	2,941,180
(h) 12% loan	-	-	284,400	569,212
(i) 17% loan	-	-	7,350,634	11,025,950
(j) 12% loan	-	-	28,871,414	32,907,064
(k) 12.8% loan	-	-	22,829,289	25,719,027
	7,191,512	10,786,222	67,115,489	83,948,655
Less current maturities	2,727,761	3,594,710	16,192,281	18,831,220
	4,463,751	7,191,512	50,923,208	65,117,435

(a) The loan is repayable in equal monthly installments of $102,125, the final installment being due in December 2003.

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

(c) The loan which was repayable in equal monthly installments of principal and interest of $58,333, was fully settled during the year.

(d) The loan which was repayable in equal monthly installments of principal and interest of $45,903, was fully settled during the year.

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

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

(g) The loan is repayable in equal quarterly installments of $588,236 and is secured by a demand debenture over the assets of a subsidiary and the company, the final installment being due on December 31, 1998.

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

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

(j) The loan comprises US$772,500 (1997: US$908,583) and is repayable in equal monthly installments of US$10,729, the final installment being due on October 31, 2004.

(k) The loan comprises US$610,833 (1997: US$710,094) and is repayable in equal monthly installments of US$7,632, the final installment being due on October 31, 2005.

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

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

16. Gross operating revenue

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

17. Disclosure of expenses/(income)

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

	1998 $	1997 $
Depreciation	18,556,922	17,806,472
Interest:		
Fixed loan	10,917,461	14,319,291
Bank loans and overdrafts	20,897,310	16,961,453
Other	947,360	204,126
Directors' remuneration:		
Fees	57,600	49,200
Management:		
Current year	1,500,000	3,721,133
Prior year	3,242,806	1,500,000
Auditors' remuneration:		
Current year	2,127,000	1,957,000
Prior year	(160,512)	(415,048)
Rent paid to related companies	660,000	660,000
Interest income	(2,801,986)	(1,913,193)
Consultancy fees paid to related party	**921,520**	-

18. (Loss)/profit for the year

Of the (loss)/profit for the year, loss $12,955,096 (1997: profit $3,924,614) is dealt with in the financial statements of the holding company.

19. 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.

20. (Loss)/Earnings per stock unit

The calculation of (loss)/earnings per stock unit is based on group loss for the year of $17,059,228 (1997: profit $9,443,045) and the number of 57,452,523 preference stock units in issue (1997: weighted average number of 54,684,781).

21. Taxation

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 $22,407,000 (1997: $3,332,000) and $49,498,000 (1997: $32,178,000) respectively.

22. 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 and loss account, are recoverable in the years 2001/4.

23. 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 December 1997 disclosed a surplus.

Contributions for the year were $2,322,832 (1997: $1,868,635) for the company and $2,743,957 (1997: $2,194,825) for the group.

24. Commitments

(a) Capital commitments:
At November 30, 1998, $Nil (1997: approximately $5.5 million) had been committed by the company and the group for which no provision has been made in these financial statements.

(b) Lease commitments:
There were commitments under non-cancellable operating leases payable as follows:

	The Company		The Group	
	1998	1997	1998	1997
Within one year	708,400	1,066,500	708,400	1,066,500
Subsequent years	887,300	2,086,172	887,300	2,086,172
	$1,595,700	3,152,672	1,595,700	3,152,672

Lease rentals during the year amounted to $968,400 (1997: $990,000) for the company and $968,400 (1997: $990,000) for the group.

25. Year 2000 issue

The Year 2000 issue arises because many computerised systems used two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting an entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.