

# The Jamaica Livestock Association Limited

---

## Notes to the Financial Statements

November 30, 1999

### 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.

At the end of the year, the group had in its employment one hundred and ninety five (1998: two hundred and four) persons including part time employees.

### 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, 1999. All significant inter-company transactions are eliminated.

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

<b>Subsidiaries</b>	<b>Main activities</b>
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 1/2%-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 18), 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. Accounts receivable

	Company		Group	
	1999	1998	1999	1998
	('000)	('000)	('000)	('000)
Trade receivable	12,389	17,169	12,389	17,169
Prepaid expenses	639	325	1,207	787
Other receivables	<u>5,059</u>	<u>1,284</u>	<u>6,109</u>	<u>3,576</u>
	18,087	18,778	19,705	21,532
Provision for bad debts	(4,426)	(4,865)	(4,709)	(5,177)
	<u>\$13,661</u>	<u>13,913</u>	<u>14,996</u>	<u>16,255</u>

4. Inventories

	The Company		The Group	
	1999	1998	1999	1998
	('000)	('000)	('000)	('000)
Raw materials and supplies	-	-	27,364	14,216
Merchandise and drugs	34,405	35,619	34,405	35,619
Hardware and lumber	8,782	7,986	8,782	7,986
Feeds	4,234	4,712	5,535	5,843
Poultry	70	847	64	757
Eggs	-	-	3,122	3,646
Meats	82	100	82	100
Spare parts	-	-	215	599
	<u>\$47,573</u>	<u>49,264</u>	<u>79,569</u>	<u>68,766</u>

5. Bank loans and overdrafts

	The Company		The Group	
	1999	1998	1999	1998
	('000)	('000)	('000)	('000)
Bank overdrafts [See note]	<u>\$9,796</u>	<u>16,390</u>	<u>14,960</u>	<u>56,037</u>

Note:

The bank overdrafts are secured by first mortgages on certain freehold properties of the company and the group as disclosed in note 10. In the previous year, bank loans and overdrafts included a bank loan of \$10,000,000 evidenced by a promissory note which was fully settled in the year.

6. Obligations under finance lease

	The Company and The Group	
	1999	1998
	('000)	('000)
Obligations under finance lease	157	1,919
Less: finance charge allocated to future periods	(4)	(362)
	<u>\$153</u>	<u>1,557</u>

The finance lease bears interest at the rate of 35% per annum and is repayable

in equal monthly instalments of \$137,072, the final instalment being due in December 1999.

7. Investments

	The Company		The Group	
	1999 ('000)	1998 ('000)	1999 ('000)	1998 ('000)
Quoted securities, at cost	291	291	330	330
Debentures, at cost	30	30	30	30
Unquoted securities (note)	<u>429</u>	<u>-</u>	<u>429</u>	<u>-</u>
	<u>\$750</u>	<u>321</u>	<u>789</u>	<u>360</u>
Market value of quoted securities	<b><u>\$490</u></b>	<b><u>354</u></b>	<b><u>987</u></b>	<b><u>606</u></b>

Note:

This represents part payment on shares in Jamaica Rice Milling Company.

8. Fixed assets

The Company:

	Freehold land and buildings	Furniture, fixtures, computers, plant, machinery and vehicles	Total
	('000)	('000)	('000)
At cost or valuation:			
November 30, 1998	64,164	36,887	101,051
Additions	-	8,361	8,361
Disposals	-	(2,295)	(2,295)
November 30, 1999	<u>64,164</u>	<u>42,953</u>	<u>107,117</u>
Broken down:			
At cost	16,414	42,690	59,104
At valuation	<u>47,750</u>	<u>263</u>	<u>48,013</u>
	<u>64,164</u>	<u>42,953</u>	<u>107,117</u>
Depreciation:			
November 30, 1998	5,399	13,563	18,962
Charge for the year	1,298	4,583	5,881
Eliminated on disposals	-	(1,993)	(1,993)
November 30, 1999	<u>6,697</u>	<u>16,153</u>	<u>22,850</u>
Net book values:			
November 30, 1999	<b><u>\$57,467</u></b>	<b><u>26,800</u></b>	<b><u>84,257</u></b>
November 30, 1998	<b><u>\$58,765</u></b>	<b><u>23,324</u></b>	<b><u>82,089</u></b>

The Group

	Freehold land and buildings	Furniture, fixtures, computers, plant, machinery and vehicles	Wharf and grain off-loading Facilities	Total
	('000)	('000)	('000)	('000)
At cost or valuation:				
November 30, 1998	96,969	111,478	130,243	338,690
Additions	-	9,719	5,223	14,942
Disposals	-	(2,295)	-	(2,295)
November 30, 1999	<u>96,969</u>	<u>118,902</u>	<u>135,466</u>	<u>351,337</u>
Broken down:				
At cost	16,434	118,191	135,466	270,091
At valuation	<u>80,535</u>	<u>711</u>	<u>-</u>	<u>81,246</u>
	<u>96,969</u>	<u>118,902</u>	<u>135,466</u>	<u>351,337</u>
Depreciation:				
November 30, 1998	7,258	47,949	9,366	64,573
Charge for the year	1,697	12,385	4,765	18,847
Eliminated on disposals	-	(1,993)	-	(1,993)
November 30, 1999	<u>8,955</u>	<u>58,341</u>	<u>14,131</u>	<u>81,427</u>
Net book values:				
November 30, 1999	<b><u>\$88,014</u></b>	<b><u>60,561</u></b>	<b><u>121,335</u></b>	<b><u>269,910</u></b>
November 30, 1998	<b><u>\$89,711</u></b>	<b><u>63,529</u></b>	<b><u>120,877</u></b>	<b><u>274,117</u></b>

The company's and the group's freehold land and buildings were revalued as at April 1, 1994

and part of the plant and machinery 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 9). Other fixed assets are shown at cost.

Freehold land and buildings include land as follows:

	The Company		The Group	
	1999	1998	1999	1998
	('000)	('000)	('000)	('000)
At cost	3,677	3,677	3,677	3,677
At valuation	<u>7,950</u>	<u>7,950</u>	<u>22,950</u>	<u>22,950</u>
	\$11,627	11,627	26,627	26,627

Machinery and equipment include interest capitalised of \$10,027,566 (1998: \$10,027,566).

Wharf and grain off-loading facilities include:

	1999	1998
	\$	\$
Interest capitalised	17,181,096	17,181,096
Currency exchange losses, net, capitalised [note 2 (f)]	<u>6,152,516</u>	<u>1,781,043</u>

#### 9. Share capital and reserves

Statement of changes in equity:

The Group

	Share capital	Share premium	Realised capital reserve	Unrealised capital reserve	Retained profit	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at December 1, 1997	57,456	58,421	25,076	61,093	26,840	228,886
Net loss for the year	-	-	-	-	(17,059)	(17,059)
Dividends	-	-	-	-	(4,309)	(4,309)
Balance at November 30, 1998	57,456	58,421	25,076	61,093	5,472	207,518
Net loss for the year	-	-	-	-	(7,653)	(7,653)
Dividends	-	-	-	-	(4,309)	(4,309)
Balance at November 30, 1999	<u>57,456</u>	<u>58,421</u>	<u>25,076</u>	<u>61,093</u>	<u>(6,490)</u>	<u>195,556</u>

The Company

Balance at December 1, 1997	57,456	58,421	25,076	38,351	14,859	194,163
Net loss for the year	-	-	-	-	(12,955)	(12,955)
Dividends	-	-	-	-	(4,309)	(4,309)
Balance at November 30, 1998	57,456	58,421	25,076	38,351	(2,405)	176,899
Net loss for the year	-	-	-	-	(7,969)	(7,969)
Dividends	-	-	-	-	(4,309)	(4,309)
Balance at November 30, 1999	<u>57,456</u>	<u>58,421</u>	<u>25,076</u>	<u>38,351</u>	<u>(14,683)</u>	<u>164,621</u>

Share capital:

	1998	1999
	('000)	('000)
Authorised:		
8,000 ordinary 'W' shares of 50 cents each	4	4
60,000,000 7 1/2% cumulative participating preference shares of \$1 each	<u>60,000</u>	<u>60,000</u>
	<u>\$60,004</u>	<u>60,004</u>
Issued and fully paid:		
6,976 (1998:6,974) ordinary "A" shares	3	3
57,452,523 preference stock units	<u>57,453</u>	<u>57,453</u>
	<u>\$57,456</u>	<u>57,456</u>

(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.

#### 10. Long-term liabilities

		The Company		The Group	
		1999	1998	1999	1998
		('000)	('000)	('000)	('000)
(a) 32%	loan	3,983	5,106	3,983	5,106
(b) 32%	loan	583	1,387	583	1,387
(c) 48%	loan	-	102	-	102
(d) 46%	loan	-	597	-	597
(e) 8.5%	loan	8,209	-	8,209	-
(f) 28.5%	loan	-	-	28,333	-
(g) 28.5%	loan	-	-	6,944	-
(h) 15%	loan	-	-	-	588
(i) 12%	loan	-	-	-	284
(j) 17%	loan	-	-	3,675	7,351
(k) 12%	loan	-	-	26,281	28,871
(l) 12.8%	loan	-	-	21,197	22,829
		<u>12,775</u>	<u>7,192</u>	<u>99,205</u>	<u>67,115</u>
Less: current and past due					
maturities		<u>5,063</u>	<u>2,728</u>	<u>29,469</u>	<u>16,192</u>
		<u>\$7,712</u>	<u>4,464</u>	<u>69,736</u>	<u>50,923</u>

- (a) The loan is repayable in equal monthly instalments of \$102,125, the final instalment being due in December 2003.
- (b) The loan is repayable in equal monthly instalments of \$67,000, the final instalment being due in July 2000.
- (c) The loan was repaid during the year.
- (d) The loan was repaid during the year.
- (e) The loan is repayable in equal quarterly instalments of principal and interest of \$586,375, the final instalment being due on May 30, 2003.
- (f) The loan is repayable in equal monthly instalments of principal and interest of \$567,129, the final instalment being due on November 30, 2003.
- (g) The loan is repayable in equal monthly instalments of principal and interest of \$277,778, the final instalment being due on November 30, 2001.
- (h) The loan was repaid during the year.
- (i) The loan was repaid during the year.
- (j) The loan is repayable in equal quarterly instalments of \$918,829 and is secured by a demand debenture over the assets of a subsidiary and the company, the final instalment being due on September 30, 2000.
- (k) The loan comprises US\$643,750 (1998: US\$772,500) and is repayable in equal monthly instalments of US\$10,729, the final instalment being due on October 31, 2004.
- (l) The loan comprises US\$519,209 (1998: US\$610,833) and is repayable in equal monthly instalments of US\$7,632, the final instalment being due on October 31, 2005.

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

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

#### 11. Gross operating revenue

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

#### 12. Disclosure of expense/(income)

Profit from operations is stated after charging/(crediting):

	1999	1998
	\$( '000)	\$( '000)
Salaries and related expenses	54,191	53,893
Depreciation	18,847	18,557
Directors remuneration:		
Fees	486	57
Management:		
Current year	3,893	3,466*
Prior year	-	1,743*
Auditors' remuneration:		
Current year	2,013	2,127
Prior year	<u>-</u>	<u>( 160)</u>

\*Restated

#### 13. Net loss for the year

Of the net loss for the year, \$7,969,446 (1998: \$12,955,096) is dealt with in the financial statements of the holding company.

#### 14. 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.

#### 15. Loss per stock unit

The calculation of loss per stock unit is based on group loss for the year of \$7,653,830 (1998: \$17,059,228) and the number of 57,452,523 preference stock units in issue (1998: 57,452,523).

#### 16. 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 \$35,607,363 (1998:22,407,000) and \$57,388,185 (1998:\$49,498,0W) respectively.

#### 17. 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.

#### 18. 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 \$1,657,671 (1998:\$2,322,832) for the company and \$1,896,660 (1998: \$2,743,957) for the group.

#### 19. Lease Commitments

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

	The Company		The Group	
	1999	1998	1999	1998
	('000)	('000)	('000)	('000)
Within one year	3,095	708	3,095	708
Subsequent years	8,510	887	8,510	887
	<u>\$11,605</u>	<u>1,595</u>	<u>11,605</u>	<u>1,595</u>

Lease rentals during the year amounted to \$1,628,855 (1998:\$968,400) for the company and \$1,808,835 (1998:\$968,400) for the group.

#### 20. Exposure to foreign exchange rate change

Exposure to exchange rate changes in respect of balances in foreign currencies which amounted to the following:

	The Company		The Group	
	1999 ( '000)	1998 ( '000)	1999 ( '000)	1998 ( '000)
Net payable	US\$28	US\$(40)	US\$2,230	US\$1,766
Net payable	CDN\$ <u>22</u>	NGL <u>58</u>	CDN\$ <u>22</u>	NGL <u>58</u>

## 21. Related party balances and transactions

Related parties are those which control or exercise significant influence over or are controlled or significantly influenced by the company in making financial and operating decisions, or, along with the company, are subject to common control or significant influence.

(a) The balance sheet includes the following balances, arising in the ordinary course of business, with the parent company, fellow subsidiaries, directors, companies held by directors and other related parties:

The Company	1999 \$( '000)	1998 \$( '000)
Subsidiaries:		
Investment in	5	5
Advances from (see note below)	58,817	76,855
Advances to	10,413	11,584
Purchases	3,095	5,380
Directors:		
Accounts receivable	197	190
Companies held by directors:		
Accounts receivable	2,056	3,251
Accounts payable	-	568
Other related parties:		
Consultancy fees capitalised	<u>1,044</u>	<u>-</u>
The Group		
Directors:		
Accounts receivable	197	190
Companies held by directors:		
Accounts receivable	2,056	3,251
Accounts payable	-	568
Other related parties:		
Consultancy fees capitalised	<u>1,044</u>	<u>-</u>

Note: Advances to subsidiaries 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.

(b) The profit and loss account includes the following income earned from, and expenses incurred in, transactions with the parent company, fellow subsidiaries, directors/companies held by directors and other related parties:

The Company	1999 \$( '000)	1998 \$( '000)
Subsidiaries:		
Purchases	289,289	293,198
Management fees received	500	1,000
Commission received	12,104	7,432
Interest charge	15	15
Truckage charge	198	198
Directors:		
Sales	447	376
Companies held by directors:		

Sales	16,328	18,678
Purchases	1,657	1,882
Travel expenses	824	900
Lease rental charges	1,341	906
Other related parties:		
Legal and professional fees	<u>202</u>	<u>922</u>

The Group

Directors:		
Sales	447	376
Purchases	-	-
Companies held by directors:		
Sales	16,328	18,678
Purchases	1,657	1,882
Travel expenses	824	900
Lease rental charges	1,341	906
Other related parties:		
Legal and professional fees	<u>202</u>	<u>922</u>

22. Uncertainty due to the Year 2000 issue

The Year 2000 issue arises because many computerized systems use 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. Although the change in date has occurred, it is not possible to conclude that all aspects of the Year 2000 issue that may affect the entity, including those related to customers, suppliers, or other third parties, have been fully resolved.