

# Jamaica Broilers Group Limited. 2000

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## Notes to the Financial Statements

29 April 2000

### 1. Identification

Jamaica Broilers Group Limited (the company) is a company limited by shares incorporated under the laws of Jamaica.

The principal activities of the company, its subsidiaries and its associated companies include the production and distribution of chicken, beef, fish, and animal feeds (Note 2(b)).

All amounts in these financial statements are stated in Jamaican dollars except where otherwise noted.

### 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) Consolidation

The group financial statements include the financial statements of the company and its operating divisions, subsidiaries and associated companies as follows:

	Principal Activities	% Ownership at 29 April 2000
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
Levy Industries Information Systems	Information systems technology	100
Subsidiaries		
Aquaculture Jamaica Limited and its wholly owned subsidiaries:		
Jamaica Freshwater Snapper Limited	Fish farming	100
T.Hart Farms Limited	Fish farming	100
Content Agricultural Products Limited	Fish farming	100
Energy Associates Limited	Property rental	100
Jabexco Limited	Holding and investment company	100
Jamaica Eggs Limited	Export of products	100
Jamaica Poultry Breeders Limited	Property rental	100
Levy Industries Limited and its subsidiaries:	Hatching egg production	100
Caribbean Asbestos Products Limited	Property rental	100
Caribbean Industrial Equipment Limited	Sale of industrial pipes	90
	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	90
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
Pershore 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

(i) 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. The company ceased trading during the year ended 1 May 1999.

(ii) On 23 April 1999, Administrative Receivers were appointed, under the terms of a debenture, to take charge of the assets of Pershore Poultry Limited. Consequently, the group's investment and all underlying advances to Pershore Poultry Limited were written off in the financial statements of the previous year (Notes 7 and 9).

(c) 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.

(d) 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.

(e) Fixed assets and depreciation

Fixed assets are stated at cost or valuation. Depreciation is calculated for all fixed assets, except freehold land, on the straight line basis at such rates as will write off the assets over the period of their expected useful lives. The expected useful lives are as follows:

Freehold buildings	11 - 100 years
Leasehold property	Life of lease
Machinery and equipment	4 - 33 years
Furniture and fixtures	10 years
Motor vehicles	3 - 5 years

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit.

(f) Quoted and other investments

Quoted and other investments are shown at cost and provision is only made where, in the opinion of the Directors, there is a permanent diminution in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

(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) 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.

(i) 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.

(j) Cash and cash equivalents

For the purposes 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 and short term loans.

(k) Leases

Leases of fixed assets where the group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding lease obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance charge is charged to the profit and loss account over the lease period. The fixed assets acquired under finance leasing contracts are depreciated over the useful lives of the assets.

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(l) Revenue recognition

Sales are recognised upon delivery of products and customer acceptance or performance of services, net of discounts and allowances. Interest income is recognised on the accruals basis.

(m) 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.

(n) Financial instruments

Financial instruments carried on the balance sheet include cash and deposits, investments, receivables, payables, bank overdraft and short term loans and long term liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the group's financial instruments are discussed in Note 26.

(o) Pension costs

The group accrues and funds these costs annually and such costs are actuarially determined.

(p) Deferred taxation

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

(q) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in 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. Turnover

The group turnover represents the price of goods and services sold to customers after deducting discounts and allowances.

### 4. Operating Profit

The following have been charged/(credited) in arriving at operating profits:

	29 April 2000 \$'000	1 May 1999 \$'000
Auditors' remuneration	11,873	12,747
Depreciation	142,330	136,251
Directors' emoluments -		
Fees	1,721	2,625
Management remuneration (included in staff costs)	31,471	27,373
Gratuities, redundancy and retroactive payments (included in staff costs)	8,845	5,366
Gain on disposal of fixed assets	(13,501)	(4,959)
Operating lease expense	7,812	5,094
Repairs and maintenance	46,356	28,796
Staff costs (Note 5)	<u>817,569</u>	<u>761,490</u>

### 5. Staff Costs

	29 April 2000 \$'000	1 May 1999 \$'000
Wages and salaries	446,411	414,252
Termination costs	11,388	7,594

Statutory contributions	45,336	46,391
Pension costs	15,550	14,553
Contractors costs	191,005	160,519
Other	<u>107,879</u>	<u>118,181</u>
	<b><u>817,569</u></b>	<b><u>761,490</u></b>

The number of persons employed by the Group at the year end were as follows:

	29 April 2000 No.	1 May 1999 No.
Full-time	500	514
Part-time	36	33
Contractors and their employees	<u>964</u>	<u>904</u>
	<b><u>1,500</u></b>	<b><u>1,451</u></b>

#### 6. Finance Cost

	29 April 2000 \$'000	1 May 1999 \$'000
Interest and other investment income	14,613	15,378
Interest expense		
Bank borrowings	(199,658)	(198,173)
Finance leases	( 19,201)	( 32,702)
Other	<u>( 1,052)</u>	<u>( 3,790)</u>
	<u>(219,911)</u>	<u>(234,665)</u>
	<b><u>(205,298)</u></b>	<b><u>(219,287)</u></b>

#### 7. Exceptional Items

	29 April 2000 \$'000	1 May 1999 \$'000
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These comprise:

Redundancy	(13,390)	(191,694)
Write off of advances to affiliate, net	-	(32,272)
Spares inventory	22,751	-
Bad debt provisions and other expenses	(26,387)	( 12,313)
	<u>(17,026)</u>	<u>(236,279)</u>

The redundancy cost is a consequence of the implementation of a restructure and reorganisation programme in 1999 at the Best Dressed Chicken Processing Plant which resulted in certain positions being made redundant.

The write-off of amounts to an affiliate represented funds advanced by the group to its subsidiary JBG (UK) Limited for working capital support to Pershore Poultry Limited (Note 9).

Spares inventory of a certain division is now included in inventories. This treatment is consistent with the Group's policy.

## 8. 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. An application for a further exemption period has been submitted to the Ministry of Agriculture.

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 \$16,808,000.

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

consists of:

	29 April 2000 \$'000	1 May 1999 \$'000
Income tax at 33 1/3%	(24,186)	(26,507)
Prior year over accrual	-	10,202
Special capital allowance	21,742	18,682
Overseas taxation	639	-
Associated companies	<u>(14,019)</u>	<u>(11,690)</u>
	(15,824)	(9,313)

The current year's taxation charge is disproportionate to the reported profit as a result of the utilisation of prior year tax losses.

The group tax charge for 1999 is disproportionate to the reported loss as a result of depreciation charges exceeding capital allowances by approximately \$45,769,000.

The special capital allowance is subject to approval by the Ministry of Industry and Commerce.

- (c) Subject to agreement by the Commissioner of Income Tax, losses available for offset against future profits of local entities amount to approximately \$120,731,000 and can be carried forward indefinitely.

Statutory losses of the overseas subsidiaries that are available for carry forward and offset against future profits of these subsidiaries amount to approximately US\$782,000.

#### 9. Extraordinary Items

	29 April 2000 \$'000	1 May 1999 \$'000
(i) Write off of investment in associated company	-	(51,320)
(ii) Write off of unquoted investment	-	( 7,125)
	<u>-</u>	<u>(58,445)</u>

- (i) This related to the write off of the Group's investment in Pershore Poultry Limited, an associated company, which is resident in the United Kingdom and which was placed in administrative receivership on 23 April 1999 (Note 2(b)(ii)).
- (ii) The write off of unquoted investments related to the company's investment in Christchurch Insurance Brokers Limited, which was placed into receivership by its creditors.

#### 10. Earnings/(Loss) Per Stock Unit

The calculation of earnings per 50 cents ordinary stock unit is based on the group net profit/(loss) before and after extraordinary items and 642,470,000 ordinary stock units in issue during both years.

#### 11. Fixed Assets

##### THE GROUP

	Freehold Land \$'000	Freehold Buildings \$'000	Leasehold Property \$'000	Machinery & Equipment \$'000	Furniture & Fixtures \$'000	Motor Vehicles \$'000	Capital Work in Progress \$'000	Total \$'000
At Cost or Valuation -								
At 2 May 1999	81,550	893,080	38,128	764,708	80,171	256,382	50,437	2,164,456
Additions at cost	-	12,457	986	40,870	11,712	28,361	72,832	167,218
Translation	731	6,815	564	4,128	621	1,260	43	14,162
Disposals	(2,767)	(7,938)	-	(3,610)	(6,275)	(9,277)	(3,945)	(33,812)
Transfers	-	19,424	-	25,699	1,206	2,252	(48,581)	-
At 29 April 2000	<u>79,514</u>	<u>923,838</u>	<u>39,678</u>	<u>831,795</u>	<u>87,435</u>	<u>278,978</u>	<u>70,786</u>	<u>2,312,024</u>

Depreciation -

At 2 May 1999 -	-	292,869	15,230	262,751	38,100	141,239	-	750,189
Charge for the year	-	23,802	3,699	63,110	10,856	40,863	-	142,330
Translation	-	2,027	291	2,626	289	925	-	6,158
Relieved on disposal	-	(2,704)	-	(2,134)	(1,859)	( 6,814)	-	(13,511)
At 29 April 2000	-	315,994	19,220	326,353	47,386	176,213	-	885,166

Net Book Value -

At 29 April 2000	<b>79,514</b>	<b>607,844</b>	<b>20,458</b>	<b>505,442</b>	<b>40,049</b>	<b>102,765</b>	<b>70,786</b>	<b>1,426,858</b>
At 1 May 1999	<b>81,550</b>	<b>600,211</b>	<b>22,898</b>	<b>501,957</b>	<b>42,071</b>	<b>115,143</b>	<b>50,437</b>	<b>1,414,267</b>

# THE COMPANY

Freehold Land	Freehold Buildings	Leasehold Property	Machinery & Equipment	Furniture & Fixtures	Motor Vehicles	Capital Work in Progress	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

At Cost or Valuation -

At 2 May 1999	37,621	334,793	809	634,115	62,466	223,887	46,782	1,340,473
Additions at cost	-	1,732	-	30,152	7,860	21,121	52,329	113,194
Disposals	-	-	-	(1,036)	(3,905)	(2,362)	(3,678)	(10,981)
Transfers	-	18,909	-	25,699	1,206	2,252	48,066	-
At 29 April 2000	37,621	355,434	809	688,930	67,627	244,898	47,367	1,442,686
Depreciation -								
At 2 May 1999	-	101,966	-	202,482	26,959	120,833	-	452,240
Charge for the year	-	8,718	-	48,884	8,903	35,612	-	102,117
Relieved on disposal	-	-	-	(95)	-	1,257	-	(1,352)
At 29 April 2000	-	110,684	-	251,271	35,862	155,188	-	553,005
Net Book Value -								
At 29 April 2000	37,621	244,750	809	437,659	31,765	89,710	47,367	889,681

At 1 May 1999	37,621	232,827	809	431,633	35,507	103,054	46,782	888,233
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Fixed assets, excluding furniture and fixtures, motor vehicles and assets having a fixed option price, 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.

All other assets and subsequent additions are stated at cost. The gains arising on the above revaluations have been credited to capital reserve (Note 23).

Included in fixed assets for the group are motor vehicles costing \$153,609,000 (1999 - \$149,022,000) which have been acquired under finance leases (Note 24).

## 12. Investments

	The Group		The Company	
	29 April 2000	1 May 1999	29 April 2000	1 May 1999
	\$'000	\$'000	\$'000	\$'000
Associated Companies -				
At cost	7,887	7,887	7,887	7,887
Group's share of reserves	105,734	75,062	105,734	75,062
Quoted Securities -				
At cost (market value - \$20,797,000:				
1999 - \$7,116,000)	142	142	142	142
Co-generation project	12,033	9,360	-	9,360
Other unquoted shares at cost	392	392	392	392
	<u>126,188</u>	<u>92,843</u>	<u>114,155</u>	<u>92,843</u>

The cost incurred in respect of the co-generation project represents the company's investment in ERI Jam, LLC, a limited partnership, through the group's wholly-owned subsidiary Energy

Associates Limited.

13. Deferred Expenditure

	The Group		The Company	
	29 April	1 May	29 April	1 May
	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
This comprises -				
(a) Right to lease agreements	17,885	18,660	17,885	18,660
(b) Product Development	4,500	2,202	4,500	2,202
(c) Others	<u>11,277</u>	<u>6,082</u>	<u>-</u>	<u>-</u>
	<u>33,662</u>	<u>26,944</u>	<u>22,385</u>	<u>20,862</u>

- (a) This represents the right to an informal lease agreement which was acquired through the acquisition of T. Hart Farms Limited, and which is the subject of a Chose in Action. The cost incurred is being amortised over the remaining life of the lease.
- (b) This represents costs incurred under an agreement for the production, marketing and future sale of the Reggae Jammin line of products in the United Kingdom. The costs incurred are being written off over two years commencing with the year in which revenue is first recognised from sale of the products.
- (c) Included in others is an amount of \$2,742,000 which represents costs incurred in the planting of coffee. This amount is being amortised on a straight line basis over three years from the date of planting.

14. Interest in Subsidiaries

The Company	
29 April	1 May

	2000	1999
	\$'000	\$'000
Shares at cost and valuation of bonus shares received	87,854	77,854
Accumulated post acquisition profits of subsidiaries	<u>155,422</u>	<u>157,255</u>
	<u>243,276</u>	<u>235,109</u>

#### 15. Inventories

	The Group		The Company	
	29 April 2000 \$'000	1 May 1999 \$'000	29 April 2000 \$'000	1 May 1999 \$'000
Poultry, cattle and fish	287,228	238,179	180,146	141,237
Pullets, processed broilers, beef and fish	85,278	170,913	56,207	142,030
Finished feeds and fertilizers	16,856	12,315	16,102	10,843
Grain and feed ingredients	200,517	192,806	141,061	145,253
Equipment and supplies	216,575	158,700	170,926	126,814
Goods in transit and others	<u>49,065</u>	<u>21,455</u>	<u>31,960</u>	<u>14,391</u>
	<u>855,519</u>	<u>794,368</u>	<u>596,402</u>	<u>580,568</u>

#### 16. Receivables

	The Group		The Company	
	29 April 2000 \$'000	1 May 1999 \$'000	29 April 2000 \$'000	1 May 1999 \$'000
Trade receivables	392,728	346,038	263,987	224,192
Receivables from directors	10,528	5,899	10,528	5,899
Prepayments	12,039	8,539	8,060	4,449

Other receivables	<u>172,359</u>	<u>164,217</u>	<u>134,171</u>	<u>139,416</u>
	587,654	524,693	416,746	373,956
Less: Provision for doubtful debts	<u>(61,169)</u>	<u>(43,930)</u>	<u>(39,501)</u>	<u>(35,773)</u>
	<u>526,485</u>	<u>480,763</u>	<u>377,245</u>	<u>338,183</u>

#### 17. Related Party Transactions

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

	29 April 2000 \$'000	1 May 1999 \$'000
Capital & Credit Merchant Bank Limited -		
Interest received	1,242	6,186
Lease payments	<b><u>(4,331)</u></b>	<b><u>(7,593)</u></b>

(b) Amount due from affiliates is comprised as follows:

	The Group and The Company	
	29 April 2000 \$'000	1 May 1999 \$'000
Halcyon Limited	1,780	1,780
Portland Corporation Limited	6,020	6,020
Jamaica Broilers Employees Trust	1,407	1,410
Capital and Credit Holdings Limited	344	-
	<b><u>9,551</u></b>	<b><u>9,210</u></b>

(c) Included in cash and deposits are amounts totalling US\$NIL (1999 - US\$70,258) and \$4,016,000 (1999 - \$12,628,000) on deposit with Capital & Credit Merchant Bank Limited.

(d) Transactions and balances with Directors and their connected parties during the year are as



follows:

	29 April 2000 \$'000	1 May 1999 \$'000
Amounts due from related parties	9,653	6,047
Amounts due to related parties	(7,449)	(6,082)
Interest and other expenses paid to related parties	<u>1,462</u>	<u>1,112</u>

(e) Transactions and balances with Officers during the year are as follows:

	29 April 2000 \$'000	1 May 1999 \$'000
Loan balances, net	11,160	13,528
Legal fees	<u>9,220</u>	<u>9,220</u>

#### 18. Cash and Deposits

	The Group		The Company	
	29 April 2000 \$'000	1 May 1999 \$'000	29 April 2000 \$'000	1 May 1999 \$'000
Cash at bank and in hand	138,777	104,230	78,919	72,816
Short term deposits	<u>42,273</u>	<u>56,785</u>	<u>41,810</u>	<u>52,905</u>
	<u>181,050</u>	<u>161,015</u>	<u>120,729</u>	<u>125,721</u>

The weighted average effective interest rate on short term deposits was 17% (1999- 19%).

#### 19. Payables

	The Group		The Company	
	29 April	1 May	29 April	1 May

	2000	1999	2000	1999
	\$'000	\$'000	\$'000	\$'000
Trade payables	468,669	332,579	386,919	281,385
Accrued charges	99,514	112,357	78,647	90,531
Statutory contributions payables	14,533	6,159	12,914	4,516
Other payables	73,024	79,728	72,538	60,569
	<b><u>655,740</u></b>	<b><u>530,823</u></b>	<b><u>551,018</u></b>	<b><u>437,001</u></b>

## 20. Dividends Payable

	The Group and The Company	
	29 April	1 May
	2000	1999
	\$'000	\$'000
Proposed first interim -		
4 cents (1999 - Nil cents) per share	25,699	-

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.

## 21. Bank Overdraft and Short Term Loans

Overdraft facilities and certain short term loans 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 24).

## 22. Share Capital

	29 April 2000 \$'000	2 May 1999 \$'000
Authorised -		
650,000,000 Ordinary shares of 50 cents each	325,000	325,000
Issued and fully paid -		
642,470,000 Ordinary shares of 50 cents each	321,235	321,235

At the Annual General Meeting held on 5 December 1998, the authorised share capital of the company was increased to \$325,000,000 by the creation of 80,000,000 ordinary shares of 50 cents each, such shares to rank pari passu with the existing ordinary shares of the company.

From the authorised shares, 80,308,000 were then issued as bonus shares by the capitalisation of \$40,154,000 from retained earnings on the basis of three shares for every ten stock units held as at 21 December 1998.

### 23. Capital Reserve

	The Group		The Company	
	29 April 2000 \$'000	1 May 1999 \$'000	29 April 2000 \$'000	1 May 1999 \$'000
At beginning of year -				
Share premium	165,499	165,499	165,499	165,499
Realised capital gains	9,388	9,388	3,364	3,364
Unrealised surplus on revaluations	533,465	533,465	221,621	221,621
Reserve on consolidation	23,474	23,474	-	-
Gains on translation of financial statements of foreign subsidiaries	<u>72,695</u>	<u>59,926</u>	<u>16,194</u>	<u>16,194</u>
	804,521	791,752	406,678	406,678

Movements during the year -

Realised capital gains	14,481	-	14,481	-
Reserve on consolidation	2,033	-	-	-
Translation gain	26,992	12,769	-	-
At end of year	<u>848,027</u>	<u>804,521</u>	<u>421,159</u>	<u>406,678</u>

Consisting of -

Share premium	165,499	165,499	165,499	165,499
Realised capital gains	23,869	9,388	17,845	3,364
Unrealised surplus on revaluations	533,465	533,465	221,621	221,621
Reserve on consolidation	25,507	23,474	-	-
Gains on translation of financial statements of foreign subsidiaries	99,687	72,695	16,194	16,194
	<u>848,027</u>	<u>804,521</u>	<u>421,159</u>	<u>406,678</u>

#### 24. Long Term Liabilities

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

	The Group		The Company	
	29 April 2000	1 May 1999	29 April 2000	1 May 1999
(a) Bank of Nova Scotia non-revolving 1998/2001 - 27.5 - 29.5%	120,000	160,000	120,000	160,000
(b) American Banking Company US\$2.37M - 1996/2006 - 9%	73,724	75,292	-	-
(c) Citibank N.A. 1999/2002 - 29%	40,000	50,000	40,000	50,000

(d) Citibank N.A. 2000/2004 - 10 - 15%	40,263	-	40,263	-
(e) Coffee Industry Board 1999- 12.5%	-	300	-	-
(f) Victoria Mutual Building Society 1990/2000 - 28%	-	203	-	203
(g) Jamaica Exporters Association Limited US\$500,000 2005 - 3%	21,088	-	-	-
(h) Bank of Nova Scotia Economic Growth Fund - 13%	40,244	-	40,244	-
(i) Sundry mortgages and loans	<u>38,951</u>	<u>16,736</u>	<u>5,954</u>	<u>16,292</u>
	374,270	302,531	246,461	226,495
Finance Lease Obligations 1999/2000-2003/2004 - various rates	<u>43,956</u>	<u>64,444</u>	<u>40,800</u>	<u>58,683</u>
	418,226	366,975	287,261	285,178
Less: Current portion of long term liabilities	<u>122,752</u>	<u>98,798</u>	<u>104,416</u>	<u>86,267</u>
	<u>295,474</u>	<u>268,177</u>	<u>182,845</u>	<u>198,911</u>

Loans, guarantees and other banking facilities extended by American Banking Company, Bank of Nova Scotia Jamaica Limited, Citibank N.A., and National Commercial Bank Jamaica Limited and 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 (Note 21).

The loan extended by Bank of Nova Scotia Jamaica Limited under a non-revolving facility is secured by existing debentures and collateral security held by the bank creating charges over the assets of Master Blend Feeds Division.

The Bank of Nova Scotia Jamaica Limited Economic Growth Fund loan, issued through The

Agricultural Credit Bank of Jamaica, is secured by existing and new debentures and collateral security held by the bank creating charges over the assets of Master Blend Feeds Division and Master Blend Feeds Limited.

The Jamaica Exporters Association Limited loan is guaranteed by National Commercial Bank of Jamaica Limited.

Under the terms of certain agreements with the Bank of Nova Scotia Jamaica Limited, the company and the group are required to maintain certain financial ratios as follows:

(i) group's Current Assets to Current Liabilities is to be maintained at the minimum ratio of 1:1

(ii) the ratio of Debt (including deferred taxes) to Tangible Net Worth is not to exceed 2:1

At 29 April 2000, the company was in compliance with these requirements.

## 25. 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	\$190,000

## 26. Financial Instruments

### (a) Currency risk

The consolidated balance at 29 April 2000 includes aggregate net foreign liabilities of approximately US\$9,038,000 (1999 - (US\$7,416,000 in respect of transactions arising in the ordinary course of business.

### (b) Credit risk

The company has no significant concentration of credit risk. Cash at bank and deposits are placed with substantial financial institutions.

### (c) Interest rate risk

Interest rate risk mainly arises through interest-bearing liabilities and assets. Interest rate risk is managed by the group using various techniques.

(d) Fair value

The amounts included in the financial statements for cash and deposits, receivables, due from affiliates, payables, bank overdraft and short term loans reflect their approximate fair value because of the short term to maturity. The directors are of the opinion that the carrying values of other financial instruments, such as long term liabilities and debt instrument investments approximate their fair values as they are contracted at market rates. The fair value of other investments is determined based on quoted market prices, and where market prices are not available, an approximation of the fair value is based on the net underlying assets of the investee (Note 12).

27. Commitments and Contingencies

(a) The company has issued a letter of comfort indicating its intention to provide financial support to its subsidiary International Poultry Breeders Limited.

(b) The company had capital commitments at year end of \$22,578,000 in respect of projects undertaken (1999 - \$Nil).

(c) The group has obligations under long term operating leases for premises. Future minimum lease payments for such commitment are as follows:

	29 April	1 May
	2000	1999
	\$'000	\$'000
Year ending April 2000	-	4,535
2001	8,757	4,597
2002	8,377	4,512
2003	4,737	4,502
Beyond 2003	3,261	3,118
	<u>25,132</u>	<u>21,264</u>

28. Pension and Superannuation Schemes

The company and its subsidiaries participate in a number of defined benefit contributory pension and superannuation schemes which are open to all permanent employees and are administered by external agencies. The basis of contribution by employer and employee varies within the group. Benefits under the schemes are based on the average salary for the last two years of service or the two years in which the highest salaries of the employee have been earned.

An actuarial valuation as at 30 April 1997 of the main scheme, revealed that the scheme's assets exceeded its past service liabilities by \$60,800,000. An interim valuation as at 31 December 1999 of the two largest schemes revealed a combined surplus of assets over past and future service liabilities amounting to \$182,600,000.

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