The Jamaica Livestock Association Limited

Notes to the Financial Statements

November 30, 2002

1 The company

The company is incorporated under the laws of Jamaica.

The principal activities of the group are the sale of animal health products, hardware, lumber, farm equipment and supplies and day-old chicks, transportation and the manufacture and sale of animal feed, the operation of wharf and grain off-loading facilities.

At the end of the year, the group had in its employment 202 (2001: 209) persons, including part-time employees.

2 Basis of preparation and consolidation

(a) Basis of preparation:

The financial statements are prepared in accordance with Jamaican generally accepted accounting principles (GAAP) which are materially represented by Statements of Standard Accounting Practice issued by the Institute of Chartered Accountants of Jamaica.

The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the income and expenses for the year then ended. Actual amounts could differ from these estimates.

The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets at valuation and are presented in Jamaica dollars ('000). Where necessary, prior year comparatives have been reclassified and restated to conform with 2002 presentation.

(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, 2002. All significant inter-company transactions are eliminated.

The company and its subsidiaries. which are incorporated in Jamaica, are collectively referred to as "the group". The shareholding for 2002 and 2001 remain the same and are as follows:

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

3 Significant accounting policies

(a) 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%
Furniture, fixtures, computers, plant, machinery and equipment	10%
Motor vehicles	20%
Wharf and grain off-loading facilities	2 1/2 %

(b) Inventories:

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

(c) Investments:

Investments are stated at cost.

(d) 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.

(e) 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 company and the group. Contributions to the scheme, made on the basis provided for in the rules, are charged to the profit and loss account when due.

4 Accounts receivable

	The Company		The Group	
	2002 ($'000)	2001 ($'000)	2002 ($'000)	2001 ($'000)
Trade receivables	9,234	15,319	9,234	15,319
Prepaid expenses	1,193	2,119	2,620	5,236
Other receivables	14,221	7,718	16,919	9,242
	24,648	25,156	23,823	29,797

Provision for doubtful debts	(4,667)	(4,083)	(4,950)	(4,366)
	19,981	21,073	23,823	25,431

5 Inventories

	The Company		The Group	
	2002 ($'000)	2001 ($'000)	2002 ($'000)	2001 ($'000)
Raw materials and supplies	-	-	47,511	14,410
Merchandise and animal health products	43,282	48,555	43,282	48,555
Hardware and lumber	10,264	18,712	10,264	18,712
Feeds	3,478	3,775	6,576	4,204
Poultry	581	415	524	372
Eggs	-	-	4,467	3,954
Meats	489	92	489	92
Spare parts	176	378	391	593
	58,270	71,927	113,504	90,892

6 Bank overdraft

The bank overdraft of the company and the group is secured as disclosed in note 10, and as at November 30, 2002, bore interest at a variable rate of 23.75% (2001: 24.75%) for the company and the group.

7 Investments

	The Company		The Group	
	2002 ($'000)	2001 ($'000)	2002 ($'000)	2001 ($'000)
Quoted securities, at cost	105	105	145	145
Debentures, at cost	30	30	30	30
Unquoted securities	-	929	-	929
	135	1,064	175	1,104
Market value of quoted securities	940	707	1,885	1,722

Unquoted securities represent a 5% shareholding in Jamaica Rice Milling Company.

8 Fixed assets

The Company:

	Freehold land	Furniture, fixtures, computers, plant,

	and buildings ($'000)	machinery and vehicles ($'000)	Total ($'000)
At cost or valuation:			
November 30, 2001	64,164	51,740	115,904
Additions	-	4,936	4,936
Transfer to subsidiary	-	11,055	(11,055)
Disposals	-	(825)	(825)
November 30, 2002	64,164	44,796	108,960
Broken down:			
At cost	16,414	44,533	60,947
At valuation	47,750	263	48,013
	64,164	44,796	108,960
Depreciation:			
November 30, 2001	9,293	25,638	34,931
Charge for the year	1,298	5,252	6,550
Transfer to subsidiary	-	(7,698)	(7,698)
Eliminated on disposals	-	(825)	(825)
November 30, 2002	10,591	22,367	32,958
Net book values:			
November 30, 2002	53,573	22,429	76,002
November 30, 2001	54,871	26,102	80,973

The Group:

	Freehold land and buildings ($'000)	Furniture, fixtures, computers plant, machinery, equipment and vehicles ($'000)	Wharf and grain off-loading facilities ($'000)	Total ($'000)
At cost or valuation:				
November 30, 2001	96,969	129,744	142,296	369,009
Additions	824	8,045	1,562	10,431
Disposals	-	(825)	-	(825)
November 30, 2002	97,793	136,964	143,858	378,615
Broken down:				
At cost	17,258	136,253	143,858	297,369
At valuation	80,535	711	-	81,246
	97,793	136,964	143,858	378,615
Depreciation:				
November 30, 2001	12,359	82,074	24,146	118,579
Charge for the year	1,717	12,687	5,113	19,517
Eliminated on disposals	-	(825)	-	(825)
November 30, 2002	14,076	93,936	29,259	137,271
Net book values:				
November 30, 2002	83,717	43,028	114,599	241,344
November 30, 2001	84,610	47,671	118,150	250,431

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	
	2002 ($'000)	2001 ($'000)	2002 ($'000)	2001 ($'000)
At cost	3,677	3,677	3,677	3,677
At valuation	7,950	7,950	22,950	22,950
	11,627	11,627	26,627	26,627

Machinery and equipment include interest capitalised of $10,028,000 (2001: $10,028,000).

Wharf and grain off-loading facilities include:

	2002 ($'000)	2001 ($'000)
Interest capitalised	17,181	17,181
Currency exchange losses, net, capitalised [note 3(d)]	14,544	12,983

9 Share capital and capital reserves

(a) Share capital:

	2002 ($'000)	2001 ($'000)
Authorised:		
8,000 ordinary "A" shares of 50 cents each	4	4
120,000,000 7 1/2% cumulative participating preference shares of $1 each	120,000	120,000
	120,004	120,004
Issued and fully paid:		
6,981 ordinary "A" shares	3	3
57,452,523 preference stock units	57,453	57,453
	57,456	57,456

(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.

(b) Capital reserves:

Unrealised capital reserves represent the unrealised surplus on the revaluation of fixed assets (note 8).

10 Long-term liabilities

		The Company		The Group	
		2002	2001	2002	2001
		($'000)	($'000)	($'000)	($'000)
(a) 32%	loan	151	1,376	151	1,376
(b) 8.5%	loan	1,172	3,518	1,172	3,518
(c) 21.75%	loan	-	-	6,493	13,576
(d) 10.51%	loan	-	-	12,852	18,263
(e) 8.63/10%	loan	-	-	12,195	15,885
(f) 23.75%	loan	2,022	-	2,022	-
		3,345	4,894	34,885	52,618
Less: current and past-due maturities		(1,734)	(4,157)	(18,691)	(21,070)
		1,611	737	16,194	31,548
		=======	=======	========	========

(a) The loan is repayable in equal monthly instalments of $102,000, the final instalment being due in December 2002.

(b) The loan is repayable in equal quarterly instalments of $586,000, the final instalment being due on January 31, 2003.

(c) The loan is repayable in equal monthly instalments (principal and interest) of $590,000, the final instalment being due on November 30, 2003.

(d) The loan comprises US$258,000 (2001: US$386,000) and is repayable in equal monthly instalments of US$11,000, the final instalment being due on October 31, 2004.

(e) The loan comprises US$244,000 (2001: US$336,000) and is repayable in equal monthly instalments of US$8,000, the final instalment being due on June 30, 2005.

(f) The loan is repayable in equal monthly instalments of $34,000, plus interest for a period of sixty months, the final instalment being due on August 31, 2007.

Loans (a) and (b) and the bank overdraft of the company (note 6) are secured by first mortgages on certain freehold properties of the company.

Loans (c), (d), and (e) and the bank overdraft of a subsidiary (note 6) 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.

Loan (f) is secured by a lien on a motor vehicle.

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 expenses

Profit from operations is stated after charging:

The Group

	2002 ('$000)	2001 ('$000)
Staff costs	70,174	75,557
Directors' emoluments:		
Fees	356	425
Management remuneration	4,321	4,197
Auditors' remuneration	2,235	2,150
	=====	=====

13 Taxation

	2002 ('$000)	2001 ('$000)
Overprovision of prior years tax -	-	405
	======	=======

Taxation losses, subject to agreement by the Commissioner of Taxpayer Audit and Assessment, available for relief against future taxable profits amounted to approximately $39,566,000 (2001: $36,419,000) and $41,415,000 (2001: $48,180,000) for the company and the group respectively.

14 Net profit for the year

Of the net loss for the year, profit of $2,552,000 (2001: profit of $13,816,000) are dealt with in the financial statements of the holding company.

15 Dividends

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

These dividends are an allowable charge for taxation purposes in accordance with the provisions of the Income Tax Act.

16 (Loss)/earnings per stock unit

The calculation of (loss)/earnings per stock unit is based on the group's net (loss)/ profit for the year of $2,785,000 (2001: $19,370,000) and the number of preference stock units in issue.

17 National HousingTrust contributions

Contributions to the National Housing Trust up to July 31, 1979 amounting to $47,134 for the company and $55,780 for the group, which 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 of the company and the group who have satisfied certain minimum service requirements.

The benefits are computed on the basis of final year's 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 2000 disclosed a surplus. The next actuarial valuation is due as at December 2003.

Contributions for the year were $1,484,000 (2001: $1,366,000) for the company and $1,924,000 (2001: $1,801,000) for the group.

19 Lease commitments

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

	The Company		The Group	
	2002 ($'000)	2001 ($'000)	2002 ($'000)	2001 ($'000)
Within one year	1,796	979	1,796	979
Subsequent years	2,000	4,412	2,000	4,412
	3,796	5,391	3,796	5,391
	=====	=====	=====	=====

Lease rentals during the year amounted to $1,613,000 (2001: $3,373,000) for the company and $1,613,000 (2001: $3,608,000) for the group.

20 Contingency

The company has indicated that it will continue to provide such financial assistance that one of its subsidiaries may require to meet its obligations.

21 Financial instruments

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of the financial statements, financial assets have been determined to include cash, accounts receivable, taxation recoverable and investments. Financial liabiities include bank overdraft, accounts payable and loans payable.

(a) Financial instrument risks

Exposure to credit, interest rate, foreign currency, market, liquidity and cash flow risks arises in the ordinary course of the company's and the group's business.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The company and the group generally do not require collateral in respect of trade receivables. Management has a credit policy in place to minimize exposure to credit risk. Credit evaluations are performed on all customers requiring credit.

At balance sheet date, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market rates. Bank overdraft and loans are subject to a fixed rate which may be varied by appropriate notice from the lender. The company's and the goup's exposure to interest rate risk is limited to its cash, bank overdraft and loan balances.

(iii) Foreign currency risk:

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The company and the group incur foreign currency risk primarily on purchases that are denominated in a currency other than the Jamaica dollar.

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

		The Company		The Group	
		2002 ($'000)	2001 ($'000)	2002 ($'000)	2001 ($'000)
Net asset/(liabilities)	- US$	232	78	(1,150)	(1,652)
Net liabilities	- CDN$	(41)	53	(41)	53
Net liabilities	- £	(9)	-	(9)	-
		=====	==	=======	=======

(iv) Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The company and the group have no significant exposure to market risk as the financial instruments subject to this risk are not material.

(v) Liquidity risk

Liquidity risk, also referred to as funding risk, is the risk that the company and the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed facilities. Due to the dynamic nature of the underlying businesses, the management of the company and the group aims at maintaining flexibility in funding by keeping commited lines of credit available.

(vi) Cash flow risk:

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The company manages this risk by ensuring, as far as possible, that fluctuations in cash flows relating to monetary financial assets and liabilities are matched. to mitigate any significant adverse cash flows.

(b) Fair value

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed upon between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists.

Determination of fair value

The fair value of cash, accounts receivable, accounts payable, due to subsidiaries and bank overdraft are assumned to approximate to their carrying value, due to their short-term nature. The fair value of unquoted securities, debentures, long-term receivable and long-term liabilities cannot be determined due to the unavailability of quoted market prices or other relevant market information.

The fair value of investments in quoted securities is based on the prevailing market prices at November 30, 2002 as disclosed in note 7.

22 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

	2002 ($'000)	2001 ($'000)
Subsidiaries:		
Investment in	5	5
Advances to (see note below)	57,906	33,310
Advances from	4,358	7,133
Directors:		
Accounts receivable	62	98
Companies held by directors:		
Accounts receivable	2,139	3,231
Accounts payable	1,410	-

The Group

	2002 ($'000)	2001 ($'000)
Directors:		
Accounts receivable	62	98
Companies held by directors:		
Accounts receivable	2,139	3,231
Accounts payable	1,410	-

Note :Advances to subsidiary are in connection with the construction of a wharf and grain off-loading facilities. They bear interest at 18% per annum (2001: interest-free) calculated on the opening balance 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 in the ordinary course of business:

The Company

	2002 ($'000)	2001 ($'000)
Subsidiaries:		
Purchases	369,878	382,271
Management fees received	500	500
Commission received	15,855	16,134
Interest charge	6,317	15
Truckage charge	-	264
Directors:		
Sales	913	2,166
Legal and professional fees	2,045	-
Companies held by directors:		
Sales	9,057	60,997
Purchases	544	433
Travel expenses	981	933
Lease rental charges	1,005	1,005
Advertising	4,350	2,128
Other related parties:		
Legal and professional fees	-	793
	=======	=======

The Group

	2002 ($'000)	2001 ($'000)
Directors:		
Sales	913	2,166
Legal and professional fees	2,045	-
Companies held by directors:		
Sales	9,057	60,997
Purchases	603	433
Travel expenses	981	933
Lease rental charges	1,005	1,240
Advertising	4,350	2,128
Other related parties:		
Legal and professional fees	-	793
	======	=======