

**Jamaica Broilers Group Limited**

**Notes to the Financial Statements**

**27 April 2002**

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**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:

	<u>Principal Activities.</u>	<u>% Ownership at 27 April 2002</u>
<b>Resident in Jamaica:</b>		
<b>Operating divisions</b>		
Best Dressed Chicken	Poultry production and feed milling	100
Best Dressed Foods	Distributors of chicken, beef and fish	100
Content Agricultural Products	Beef production	100
Hi-Pro Farm Supplies,	Feed sales/retailers of farming equipment and supplies	100
Jamaica Eggs Services	Pullet Production	100
<b>Subsidiaries</b>		
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 Ltd	Property rental	100
Energy Associates Limited	Holding and investment company	100
Jabexco Limited	Non-trading	100
Jamaica Eggs Limited	Property rental	100
Jamaica Poultry Breeders Limited	Hatching egg production	100
Levy Industries Limited and its subsidiaries	Property rental	100
Caribbean Asbestos Products	Non-trading	90
Caribbean Industrial Equipment Ltd.	Non-trading	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
<b>Resident outside of Jamaica:</b>		
International Poultry Breeders LLC, USA	Hatching egg production	90
Jabexco Cayman Limited, Cayman	Non-trading	40
JBG (UK) limited and its associates	Holding Company	100
JPH Investments Limited, U.K.	Investment company	50
Wincorp Intemational, Inc., USA its subsidiary:	Procurers and distributors of agricultural and industrial supplies	100
Consolidated Freight and Shipping, Inc.	Ocean freight consolidator	100
<b>Associated companies resident In Jamaica:</b>		
Capital & Credit Holdings Limited and Its wholly owned subsidiaries:	Holding and investment company	20
Capital & Credit Merchant Bank Ltd.	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 Broiler Group Limited over the financial and operating policies of the company.

**(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 Jamaica general 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 operating 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 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 overdraft 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 25.

**(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.

**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:

	<b>27 April</b>	<b>28 April</b>
	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditors' remuneration	9,541	10,953
Depreciation	158,482	150,232
Directors' emoluments -		
Fees	3,720	2,856
Management remuneration (included in staff costs)	29,250	43,545
Loss/(Gain) on disposal of fixed assets	8,444	(1,153)
Operating lease expense	11,413	8,885
Repairs and maintenance	147,711	161,851
Staff costs (Note 5)	886,487	984,741
	=====	=====

**5 Staff Costs**

	<b>27 April</b>	<b>28 April</b>
	<b>2,002</b>	<b>2,001</b>
	<b>\$'000</b>	<b>\$'000</b>
Wages, salaries and contractors' costs	717,442	799,188
Statutory contributions	45,539	59,137
Pension costs	13,230	17,004
Other	<u>110,276</u>	<u>109,412</u>

	886,487	984,741
Restructuring costs (Note 7)	<u>19,076</u>	<u>115,033</u>
	<u>905,563</u>	<u>1,099,774</u>
	=====	=====

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

	<b>27 April 2002 No</b>	<b>27 April 2001 No</b>
Full-time	321	425
Part-time	9	31
Contractors and their employees	<u>1,221</u>	<u>1,072</u>
	<u>1,551</u>	<u>1,528</u>
	=====	=====

<b>6 Finance Cost</b>	<b>27 April 2002 \$'000</b>	<b>28 April 2001 \$'000</b>
Interest and other investment income	7,395	15,848
Interest expense		
Bank borrowings	(111,662)	(150,686)
Finance leases	<u>(6,268)</u>	<u>(19,914)</u>
	<u>(117,930)</u>	<u>(170,600)</u>
	<u>(110,535)</u>	<u>(154,752)</u>
	=====	=====

<b>7 Exceptional Items</b>	<b>27-April 2002 \$'000</b>	<b>28 April 2001 \$'000</b>
These comprise:		
Restructuring costs	(19,076)	(115,033)



Refund from pension scheme	-	120,000
Profit on disposal of investment	20,438	-
Provision for receivables	<u>(27,993)</u>	<u>(4,362)</u>
	<u>(26,631)</u>	<u>605</u>
	=====	=====

The restructuring cost is a consequence of the implementation of a restructuring and reorganisation programme throughout the group which resulted in certain positions being made redundant.

The refund represented a portion of the Group's pension scheme surplus identified during the valuation conducted in 1999 (Note 27).

## 8 Taxation

- (a) The egg production operation of Jamaica Poultry Breeders Limited was relieved 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 relieved from income tax for ten years under the provisions of the Income Tax (Approved Farmers) Act. A further five year period of relief was granted in 2000 by the Ministry of Agriculture.

Under the Income Tax Act mentioned above, the fish farming operations of Aquaculture Jamaica Limited were also relieved 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 \$34,003,000.

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

**27-April 28 April**

	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Income tax at 33 1/3%	(132,284)	(116,255)
Tax credit on bonus shares	21,416	26,770
Prior year over accrual	4,963	2,223
Special capital allowance	51,833	76,186
Overseas taxation	(1,475)	876
Associated companies	<u>(7,000)</u>	<u>9,066</u>
	(62,547)	(21,018)
	=====	=====

The group tax charge for both years is disproportionate to the reported profit as a result of the utilisation of tax losses, special capital allowance and tax credit on bonus shares.

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

Subject to agreement by the Commissioner of Income Tax, losses available for offset against future profits of local entities amount to approximately \$18,598,000 and can be carried forward indefinitely.

## **9 Earnings Per Stock Unit**

The calculation of earnings per 50 cents ordinary stock unit is based on the group net profit and 856,626,000 ordinary stock units in issue. The previous year's earnings per stock unit has been revised to take into consideration the bonus share issue during the year.

## **10 Fixed Assets**

THE GROUP								
	Freehold Land \$'000	Freehold Building \$'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 29 April 2001	80,353	986,530	51,937	991,464	95,812	299,241	137,783	2,643,120
Additions at cost	-	2,686	846	74,703	9,656	27,104	145,329	260,324
Translation	417	3,757	328	2,938	649	923	19	9,031
Disposals	(1,362)	(38,369)	(380)	(5,546)	(1,172)	(28,364)	-	(75,193)
Transfers	-	86,640	-	99,348	47,419	-	(233,407)	-
At 27 April 2002	79,408	1,041,244	52,731	1,162,907	152,364	298,904	49,724	2,837,282
Depreciation -								
At 29 April 2001	-	345,112	23,483	393,165	59,489	204,622	-	1,025,871
Charge for the year	-	22,906	4,301	68,481	29,297	33,497	-	158,482
Translation	-	1,485	178	1,658	515	1,394	-	5,230
Relieved on disposal	-	(18,072)	(370)	(3,186)	(495)	(16,397)	-	(38,520)
At 27 April 2002	-	351,431	27,592	460,118	88,806	223,116	-	1,151,063
Net Book Value -								
At 27 April 2002	79,408	689,813	25,139	702,789	63,558	75,788	49,724	1,686,219
At 28 April 2001	80,353	641,418	28,454	598,299	36,323	94,619	137,783	1,617,249

THE COMPANY								
	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 29 April 2001	37,621	379,669	10,745	833,003	73,694	258,262	63,628	1,656,622
Additions at cost	-	1,546	588	68,720	9,600	23,865	130,646	234,955

Disposals	-	-	-	(3,263)	(15)	(24,991)	-	(28,269)
Transfers	-	72,047		30,143	47,419	-	(149,609)	-
At 27 April 2002	<u>37,621</u>	<u>453,262</u>	<u>11,333</u>	<u>928,603</u>	<u>130,698</u>	<u>257,136</u>	<u>44,665</u>	<u>1,863,318</u>
Depreciation -								
At 29 April 2001	-	119,566	81	302,999	44,465	179,583	-	646,714
Charge for the year	-	6,375	415	49,385	27,318	27,330	-	110,823
Relieved on disposal	-	-	-	(2,224)	-	(13,193)	-	(15,417)
At 27 April 2002	<u>-</u>	<u>125,961</u>	<u>496</u>	<u>350,160</u>	<u>71,783</u>	<u>193,720</u>	<u>-</u>	<u>742,120</u>
Net Book Value -								
At 27 April 2002	<u>37,621</u>	<u>327,301</u>	<u>10,837</u>	<u>578,443</u>	<u>58,915</u>	<u>63,416</u>	<u>44,665</u>	<u>1,121,198</u>
At 28 April 2001	<u>37,621</u>	<u>260,083</u>	<u>10,664</u>	<u>530,004</u>	<u>29,229</u>	<u>78,679</u>	<u>63,628</u>	<u>1,009,908</u>

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 22).

Included in fixed assets for the group are motor vehicles and equipment costing \$161,034,000 (2001 - \$164,767,000), which have been acquired under finance leases (Note 23).

## 11 Investments

	<u>The Group</u>		<u>The Company</u>	
	<u>27 April</u> <u>2002</u> <u>\$'000</u>	<u>28 April</u> <u>2001</u> <u>\$'000</u>	<u>27 April</u> <u>2002</u> <u>\$'000</u>	<u>28 April</u> <u>2001</u> <u>\$'000</u>
Associated Companies -				

At cost	7,887	7,887	7,887	7,887
Group's share of reserves	189,396	144,396	189,396	144,396
Quoted Securities -				
At cost (market value - \$3,219,000:				
2001 - \$19,395,000)	131	142	131	142
Co-generation project	6,677	12,128	-	-
Other unquoted shares at cost	623	623	623	623
	<u>204,714</u>	<u>165,176</u>	<u>198,037</u>	<u>153,048</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.

## 12 Deferred Expenditure

	<u>The Group</u>		<u>The Company</u>	
	<u>27 April</u>	<u>28 April</u>	<u>27 April</u>	<u>28 April</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>		<u>\$'000</u>
This comprises -				
Lease acquisition agreement	16,671	17,540	16,671	17,540
Others	1,181	1,760	-	-
	<u>17,852</u>	<u>19,300</u>	<u>16,671</u>	<u>17,540</u>
	=====	=====	=====	=====

The lease acquisition agreement arose on the purchase of T. Hart Farms Limited. The cost incurred is being amortised over the remaining life of the lease.

## 13 Interest in Subsidiaries

<u>The Company</u>	
<u>27 April</u>	<u>28 April</u>
<u>2002</u>	<u>2001</u>
<u>\$'000</u>	<u>\$'000</u>

Shares at cost and valuation of bonus shares received	80,980	80,980
Accumulated post acquisition profits of subsidiaries	<u>340,221</u>	<u>204,816</u>
	<u>421,201</u>	<u>285,796</u>
	=====	=====

#### 14 Inventories

	<u>The Group</u>		<u>The Company</u>	
	<u>27-April</u>	<u>28 April</u>	<u>27-April</u>	<u>28 April</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Poultry, cattle and fish	280,697	303,480	139,915	175,889
Pullets, processed broilers, beef and fish	204,144	121,397	160,533	81,403
Finished feeds and fertilizers	19,626	15,556	13,624	14,891
Grain and feed ingredients	154,311	189,620	119,281	124,576
Inventories for resale and spares	217,827	249,934	182,351	227,158
Goods in transit and others	<u>78,437</u>	<u>36,983</u>	<u>67,767</u>	<u>26,181</u>
	<u>955,042</u>	<u>916,970</u>	<u>683,471</u>	<u>650,098</u>
	=====	=====	=====	=====

#### 15 Receivables

	<u>The Group</u>		<u>The Company</u>	
	<u>27 April</u>	<u>28 April</u>	<u>27 April</u>	<u>28 April</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Trade receivables	581,220	491,234	454,895	360,248
Receivables from directors	5,504	5,504	5,504	5,504
Prepayments	12,981	46,160	8,328	33,347
Other receivables	<u>123,146</u>	<u>134,649</u>	<u>78,017</u>	<u>120,666</u>
	<u>722,851</u>	<u>677,547</u>	<u>546,744</u>	<u>519,765</u>
Less: Provision for doubtful debts	<u>(55,830)</u>	<u>(91,868)</u>	<u>(51,293)</u>	<u>(71,832)</u>
	<u>667,021</u>	<u>585,679</u>	<u>495,451</u>	<u>447,933</u>
	=====	=====	=====	=====

#### 16 Related Party Transactions

(a) The following related party transactions and balances arose in the ordinary course of business and were conducted at arm's length.

	<b>27 April 2002 \$'000</b>	<b>28 April 2001 \$'000</b>
Capital & Credit Merchant Bank Limited- Interest received	1650	-
	=====	=====

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

	<b><u>The Group and The Company</u></b>	
	<b>27 April 2002 \$'000</b>	<b>28 April 2001 \$'000</b>
Portland Corporation Limited	2,992	3,102
Jamaica Broilers Employees Trust	10,207	1,280
	<u>13,199</u>	<u>4,382</u>
	=====	=====

(c) Included in cash and deposits are amounts totalling \$45,689,000 (2001 - \$Nil) on deposit with Capital & Credit Merchant Bank Limited.

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

	<b>27 April 2002 \$'000</b>	<b>28 April 2001 \$'000</b>
Amounts due from related parties	8,971	8,950
Amounts due to related parties	(140)	(4,880)

Interest and other expenses paid to related parties	9,343	164
	=====	=====

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

	<b>27 April</b>	<b>28 April</b>
	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Loan balances net	4,659	6,348
Legal and professional fees	100	6,276
	=====	=====

#### 17 Cash and Deposits

	<u>The Group</u>		<u>The Company</u>	
	<b>27 April</b>	<b>28 April</b>	<b>27 April</b>	<b>28 April</b>
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and in hand	221,616	121,907	126,260	71,744
Short term deposits	49,709	83,233	49,314	82,855
	<u>271,325</u>	<u>205,140</u>	<u>175,574</u>	<u>154,599</u>
	=====	=====	=====	=====

The weighted average effective interest rate on short term deposits was 11% (2001 - 12%).

#### 18 Payables

	<u>The Group</u>		<u>The Company</u>	
	<b>27 April</b>	<b>28 April</b>	<b>27 April</b>	<b>28 April</b>
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade payables	372,052	458,993	275,248	381,117
Accrued charges	180,113	155,483	154,941	128,590
Statutory contributions payable	3,247	8,667	2,824	7,282
Other payables	79,258	169,241	87,002	164,235
	<u>634,670</u>	<u>792,384</u>	<u>520,015</u>	<u>681,224</u>



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**19 Dividends**

	<b>The Group and The Company</b>	
	<b>27 April 2002 \$'000</b>	<b>28 April 2001 \$'000</b>
Interim dividend paid		
Nil cents (2001 - 4 cents) per share	-	25,699
Interim dividend proposed -		
7 cents (2001- 5 cents) per share	<u>59,964</u>	<u>32,123</u>
	<u>59,964</u>	<u>57,822</u>
	=====	=====

**20 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 23).

**21 Share Capital**

	<b>27 April 2002 \$'000</b>	<b>28 April 2001 \$'000</b>
Authorised -		
866,000,000 (2001- 650,000,000) Ordinary shares of 50 cents each	433,000	325,000
	=====	=====
Issued and fully paid -		
856,626,000 (2001 - 642,470,000) Ordinary shares of 50 cents each	428,313	321,235

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It was resolved during the year that the authorized share capital of the company be increased to \$433,000,000 by the creation of 216,000,000 ordinary shares of 50 cents each, such shares to rank pari passu with the existing ordinary shares of the company. From the authorised shares, 214,156,000 ordinary shares were then issued as bonus shares by the capitalisation of \$107,078,000 from retained earnings on the basis of one share for every three stock units held as at 11 December 2001.

## 22 Capital Reserve

	<u>The Group</u>		<u>The Company</u>	
	<u>27-April</u> 2002 \$'000	<u>28 April</u> 2001 \$'000	<u>27 April</u> 2002 \$'000	<u>28 April</u> 2001 \$'000
At beginning of year -				
Share premium,	165,499	165,499	165,499	165,499
Realised capital gains	23,869	23,869	17,845	17,845
Unrealised surplus on revaluations	533,465	533,465	221,621	221,621
Reserve on consolidation	25,507	25,507	-	-
Gains on translation of financial statements of foreign subsidiaries	127,113	99,687	16,194	16,194
	<u>875,453</u>	<u>848,027</u>	<u>421,159</u>	<u>421,159</u>
Movements during the year -				
Translation gain	34,713	27,426	-	-
At end of year	<u>910,166</u>	<u>875,453</u>	<u>421,159</u>	<u>421,159</u>
	=====	=====	=====	=====
Consisting of -				
Share premium	165,499	165,499	165,499	165,499
Realised capital gains	23,869	23,869	17,845	17,845
Unrealised surplus on revaluations	533,465	533,465	221,621	221,621
Reserve on consolidation	25,507	25,507	-	-
Gains on translation of financial				

statements of foreign subsidiaries	<u>161,826</u>	<u>127,113</u>	<u>16,194</u>	<u>16,194</u>
	<u>910,166</u>	<u>875,453</u>	<u>421,159</u>	<u>421,159</u>
	=====	=====	=====	=====

### 23 Long Term Liabilities

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

	<u>The Group</u>		<u>The Company</u>	
	<u>27 April</u>	<u>28 April</u>	<u>27 April</u>	<u>28 April</u>
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
(a) Citi-Merchant Bank Ltd - 3 year Bond - 20%	200,000	-	200,000	-
(b) American Banking Company				-
US\$2.37M - 1996/2006 - 9%	24,379	69,453	-	-
(c) Citibank N.A. -1999/2004 - 10 - 29%	13,421	53,066	13,421	53,066
(d) Citibank N.A. - US\$4.5M - 4.9%	215,221	-	215,221	-
(e) Jamaica Exporters Association Limited				
US\$500,000 2005 -3%	23,913	22,847	23,913	22,847
(f) Bank of Nova Scotia Economic Growth Fund-8.5%	19,800	25,469	3,487	25,469
(g) Development Bank of Jamaica 2003/2008 - 9.5%	46,000	30,000	-	-
(h) Sundry mortgages and loans	42,960	56,445	22,935	5,198
	<u>585,694</u>	<u>257,280</u>	<u>478,977</u>	<u>106,580</u>
Finance Lease Obligations				
2001/2002-2004/2005 - various rates	28,304	42,222	26,791	38,599
	<u>613,998</u>	<u>299,502</u>	<u>505,768</u>	<u>145,179</u>
Less: Current portion of long term liabilities	<u>58,391</u>	<u>89,132</u>	<u>30,309</u>	<u>60,686</u>
	<u>555,607</u>	<u>210,370</u>	<u>475,459</u>	<u>84,493</u>
	=====	=====	=====	=====

Loans, guarantees and other banking facilities extended by Bank of Nova Scotia Jamaica Limited, Citibank N.A., and National Commercial Bank Jamaica Limited to the group are secure 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 20).

The Bank of Nova Scotia Jamaica Limited Economic Growth Fund loan, issued through the Development Bank of Jamaica, is secured by existing and new debentures and collateral security held by the bank creating charges over the assets of Best Dressed Chicken Division and Master Blend Feeds Limited.

The Citi-Merchant Bank Ltd 3 year Bond is guaranteed by promissory notes.

The loan extended by Bank of Nova Scotia Jamaica Limited under a non-revolving facility was secured by existing debentures and collateral security held by the bank creating charges over the assets of Best Dressed Chicken Division.

The Development Bank of Jamaica Limited loan is repayable by 21 consecutive quarterly installments commencing March 2003. It is guaranteed by a promissory note to the value of the loan.

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 and Citibank N.A, the company and the group are required to maintain certain financial ratios. At 27 April 2002, the company was in compliance with these requirements.

#### **24 National Housing Trust**

Contributions to the National Housing Trust not included in these financial statements are recoverable in the years 2002 to 2005 as follows:

The Group	\$243,000
The Company	\$190,000
	=====

#### **25 Financial instruments**

**(a) Currency risk**

The consolidated balance at 27 April 2002 includes aggregate net foreign liabilities of approximately US\$13,900,000 (2001 - US\$10,600,000) 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 11)

**26 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 LLC.
- (b) The company had capital commitments at year end of \$Nil in respect of projects undertaken (2001-\$12,000,000)
- (c) The group has obligations under long term operating leases for premises. Future minimum lease

payments for such commitment are as follows:

	<b>27 April</b>	<b>28 April</b>
	<b>2002</b>	<b>2001</b>
	<b>\$'000</b>	<b>\$'000</b>
Year ending April 2002	-	9,601
2003	6,839	6,390
2004	4,201	3,870
2005	120	-
	<u>11,160</u>	<u>19,867</u>
	=====	=====

## **27 Pension and Superannuation Schemes**

The Group participates in a defined benefit contributory pension scheme which is open to all permanent employees and is administered by an external agency. The basis of contribution by employer and employee is in line with actuarial recommendations. 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 31 December, 1999 revealed a surplus of assets over past and future service liabilities amounting to \$182,600,000 from which a refund of \$120,000,000 was made to the employer in 2001 (Note 7).

A further actuarial valuation as at 31 October 2001 of the scheme, revealed that there is a past service surplus of \$181,700,000.

## **28 Subsequent Events**

- (a) Subsequent to the year end, the company acquired the ordinary shares of Aqualapia Limited for a purchase price of \$32,349,000. The agreement required cash payments by completion date and a \$11,000,000 four year negotiable Promissory Note attracting interest at 10% per annum.
- (b) In May 2002, the company received \$100,000,000 representing refund of pension surplus from the main pension scheme.