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INDEPENDENT AUDITORS' REPORT

To the Members of
THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of The Jamaica Livestock Association Limited (the company), set out on pages 3 to 36, which comprise the balance sheet and consolidated balance sheet as at November 30, 2006, the group and the company statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and consistently applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether or not the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Members of
THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Report on the Financial Statements (cont'd)

Auditors' Responsibility (cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial positions of the group and the company as at November 30, 2006, and of the group's and the company's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the Companies Act, so far as concerns members of the company.

Report on additional requirements of the Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained, proper returns have been received for branches not visited by us and the financial statements are in agreement with the accounting records and returns and give the information required by the Companies Act in the manner so required.

KPMG

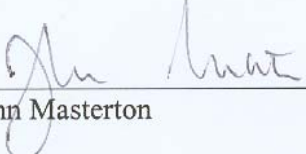
April 4, 2007

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Company Balance Sheet
November 30, 2006

	<u>Notes</u>	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Assets			
Other assets		626	357*
Investments	4	4,877	1,674
Interest in subsidiaries	5	-	59,274
Property, plant and equipment	6	225,288	92,414
Pension asset	7(a)	<u>52,111</u>	<u>46,869</u>
Total non-current assets		<u>282,902</u>	<u>200,588</u>
Cash		3,232	3,826
Accounts receivable	5, 8	63,219	55,874*
Taxation recoverable		1,829	1,788
Inventories	9	255,069	253,771
Due from subsidiaries		-	<u>34,121</u>
Total current assets		<u>323,349</u>	<u>349,380</u>
Total assets		<u>606,251</u>	<u>549,968</u>
Equity			
Share capital	10(a)	115,877	115,877
Capital reserves	10(b)	74,441	51,704
Investment revaluation reserve	10(c)	2,175	1,189
Retained earnings		<u>33,775</u>	<u>43,789</u>
Total equity		<u>226,268</u>	<u>212,559</u>
Liabilities			
Long-term liabilities	11	46,797	11,994
Deferred tax liabilities	12	25,200	23,920
Post-retirement obligation	7(b)	<u>512</u>	<u>464</u>
Total non-current liabilities		<u>72,509</u>	<u>36,378</u>
Bank overdraft	13	36,730	36,459
Current and past-due maturities of long-term liabilities	11	26,761	4,094
Due to subsidiaries	5	1,789	-
Accounts payable	14,5	240,224	254,100
Taxation payable		<u>1,970</u>	<u>6,378</u>
Total current liabilities		<u>307,474</u>	<u>301,031</u>
Total liabilities		<u>379,983</u>	<u>337,409</u>
Total equity and liabilities		<u>606,251</u>	<u>549,968</u>

The financial statements on pages 3 to 36 were approved for issue by the Board of Directors on April 4, 2007 and signed on its behalf by:

 Chairman
John Masterton

 Managing Director
Henry J. Rainford

* After reclassifications to conform to the 2006 presentation.


The accompanying notes form an integral part of the financial statements.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Consolidated Balance Sheet
November 30, 2006

	<u>Notes</u>	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Assets			
Other assets		626	626*
Investments	4	4,877	2,694
Property, plant and equipment	6	225,298	230,552
Pension asset	7(a)	<u>52,111</u>	<u>46,869</u>
Total non-current assets		<u>282,912</u>	<u>280,741</u>
Cash		3,242	3,827
Accounts receivable	5, 8	64,465	61,570*
Taxation recoverable		1,916	1,788
Inventories	9	<u>255,069</u>	<u>253,771</u>
Total current assets		<u>324,692</u>	<u>320,956</u>
Total assets		<u>607,604</u>	<u>601,697</u>
Equity			
Share capital	10(a)	115,877	115,877
Capital reserves	10(b)	74,441	74,446
Investment revaluation reserve	10(c)	2,175	2,169
Retained earnings		<u>36,635</u>	<u>54,399</u>
Total equity		<u>229,128</u>	<u>246,891</u>
Liabilities			
Long-term liabilities	11	46,797	11,994
Deferred tax liabilities	12	25,200	23,920
Post-retirement obligation	7(b)	<u>512</u>	<u>464</u>
Total non-current liabilities		<u>72,509</u>	<u>36,378</u>
Bank overdraft	13	36,730	47,870
Current and past-due maturities of long-term liabilities	11	26,761	4,094
Accounts payable	14, 5	240,506	260,086
Taxation payable		<u>1,970</u>	<u>6,378</u>
Total current liabilities		<u>305,967</u>	<u>318,428</u>
Total liabilities		<u>378,476</u>	<u>354,806</u>
Total equity and liabilities		<u>607,604</u>	<u>601,697</u>

The financial statements on pages 3 to 36 were approved for issue by the Board of Directors on April 4, 2007 and signed on its behalf by:



John Masterton Chairman



Henry J. Rainford Managing Director

* After reclassifications to conform to the 2006 presentation.

The accompanying notes form an integral part of the financial statements.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Group Statement of Changes in Equity
Year ended November 30, 2006

The Group

	Share capital (\$'000) [note 10(a)]	Share premium (\$'000) [note 10(a)]	Capital reserves (\$'000) [note10(b)]	Investment revaluation reserve (\$'000) [note 10(c)]	Retained earnings (\$'000)	Total (\$'000)
Balances at November 30, 2004	57,456	58,421	74,446	2,871	45,781	238,975
Profit for the year	-	-	-	-	12,927	12,927*
Transfer of share premium	58,421	(58,421)	-	-	-	-
Dividends (note 19)	-	-	-	-	(4,309)	(4,309)
Decrease in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(702)</u>	<u>-</u>	<u>(702)*</u>
Balances at November 30, 2005	115,877	-	74,446	2,169	54,399	246,891
Transfer of capital reserves	-	-	(5)	-	5	-
Loss for the year	-	-	-	-	(13,460)	(13,460)*
Dividends (note 19)	-	-	-	-	(4,309)	(4,309)
Increase in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>6*</u>
Balances at November 30, 2006	<u>115,877</u>	<u>-</u>	<u>74,441</u>	<u>2,175</u>	<u>36,635</u>	<u>229,128</u>
Retained in the financial statements of-						
The company	115,877	-	74,441	2,175	33,776	226,269
Subsidiary	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,859</u>	<u>2,859</u>
November 30, 2006	<u>115,877</u>	<u>-</u>	<u>74,441</u>	<u>2,175</u>	<u>36,635</u>	<u>229,128</u>
The company	115,877	-	51,704	1,189	43,789	212,559
Subsidiaries	<u>-</u>	<u>-</u>	<u>22,742</u>	<u>980</u>	<u>10,610</u>	<u>34,332</u>
November 30, 2005	<u>115,877</u>	<u>-</u>	<u>74,446</u>	<u>2,169</u>	<u>54,399</u>	<u>246,891</u>

* Total recognised losses for year \$(13,454,000) (2005: gains of \$12,225,000).

The accompanying notes form an integral part of the financial statements.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Company Statement of Changes in Equity
Year ended November 30, 2006

The Company

	Share capital (\$'000) [note 10(a)]	Share premium (\$'000) [note 10(a)]	Capital reserves (\$'000) [note10(b)]	Investment revaluation reserve (\$'000) [note 10(c)]	Retained earnings (\$'000)	Total (\$'000)
Balances at November 30, 2004	57,456	58,421	51,704	2,871	40,335	210,787
Profit for the year	-	-	-	-	7,763	7,763*
Transfer of share premium	58,421	(58,421)	-	-	-	-
Dividends (note 19)	-	-	-	-	(4,309)	(4,309)
Decrease in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,682)</u>	<u>-</u>	<u>(1,682)*</u>
Balances at November 30, 2005	115,877	-	51,704	1,189	43,789	212,559
Loss for the year	-	-	-	-	(12,480)	(12,480)*
Transfers from subsidiaries	-	-	22,737	980	6,775	30,492
Dividends (note 19)	-	-	-	-	(4,309)	(4,309)
Increase in fair value of investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>6*</u>
Balances at November 30, 2006	<u>115,877</u>	<u>-</u>	<u>74,441</u>	<u>2,175</u>	<u>33,775</u>	<u>226,268</u>

* Total recognised losses for year \$12,474,000 (2005: gains of \$6,081,000).

The accompanying notes form an integral part of the financial statements.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Group Income Statement
Year ended November 30, 2006

	<u>Notes</u>	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Gross operating revenue	15	1,148,498	1,135,848
Cost of operating revenue		(799,891)	(790,101)
Gross profit		348,607	345,747
Other income:			
Interest received		4,951	983
Dividend received		19	85
Miscellaneous		11,256	7,032
Profit on disposal of property, plant and equipment		1,367	808
Gain on foreign exchange		-	199
		<u>366,200</u>	<u>354,854</u>
Expenses:			
Administration		(254,068)	(235,183)
Selling		(65,368)	(56,066)
Depreciation		(21,097)	(19,863)
		<u>(340,533)</u>	<u>(311,112)</u>
Profit from operation	16	25,667	43,742
Finance costs		(37,700)	(31,987)
(Loss)/profit before taxation		(12,033)	11,755
Taxation	17	(1,427)	1,172
(Loss)/profit for the year	18	<u>(13,460)</u>	<u>12,927</u>
Earnings per stock unit	20	<u>(23.43¢)</u>	<u>22.50¢</u>

The accompanying notes form an integral part of the financial statements.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Company Income Statement
Year ended November 30, 2006

	<u>Notes</u>	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Gross operating revenue	15	1,148,498	1,135,848
Cost of operating revenue		(<u>799,891</u>)	(<u>941,099</u>)
Gross profit		348,607	194,749
Other income:			
Interest received		4,693	7,217
Dividend received		19	38
Miscellaneous		11,256	56,374
Profit on disposal of property, plant and equipment		<u>1,117</u>	<u>308</u>
		<u>365,692</u>	<u>258,686</u>
Expenses:			
Administration		(252,763)	(163,745)
Depreciation		(21,037)	(10,040)
Selling		(<u>65,368</u>)	(<u>59,405</u>)
		<u>(339,168)</u>	<u>(233,190)</u>
Profit from operation	16	26,524	25,496
Finance costs		(<u>37,694</u>)	(<u>16,677</u>)
(Loss)/profit before taxation		(11,170)	8,819
Taxation	17	(<u>1,310</u>)	(<u>1,056</u>)
(Loss)/profit for the year	18	<u>(12,480)</u>	<u>7,763</u>

The accompanying notes form an integral part of the financial statements.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Group Statement of Cash Flows
Year ended November 30, 2006

	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the year	(13,460)	12,927
Adjustments for:		
Depreciation	21,097	19,863
Profit on disposal of property, plant and equipment	(1,367)	(808)
Pension asset	(5,242)	(3,645)
Post-retirement obligation	48	48
Deferred taxation (net)	1,280	(4,248)
Income tax expense	234	2,878
Interest income	(4,951)	(973)
Interest expense	<u>37,700</u>	<u>31,987</u>
	35,339	58,029
Change in accounts receivable	(2,895)	(8,039)
Change in taxation recoverable	(128)	-
Change in inventories	(1,298)	(59,273)
Change in accounts payable	(20,838)	92,273
Director's loan	<u>1,258</u>	<u>(6,181)</u>
	11,438	76,809
Interest paid	(37,700)	(30,214)
Income tax paid	<u>(4,642)</u>	<u>-</u>
Net cash (used)/provided by operating activities	<u>(30,904)</u>	<u>46,595</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,951	973
Additions to property, plant and equipment	(15,843)	(33,780)
Acquisition of investments	(2,177)	(349)
Proceeds from disposal of property, plant and equipment	<u>1,367</u>	<u>2,513</u>
Net cash used by investing activities	<u>(11,702)</u>	<u>(30,643)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdraft	(11,140)	(21,369)
Loan (net)	57,470	11,029
Dividends paid	<u>(4,309)</u>	<u>(4,309)</u>
Net cash provided/(used) by financing activities	<u>42,021</u>	<u>(14,649)</u>
Net (decrease)/increase in cash	(585)	1,303
Cash at beginning of the year	<u>3,827</u>	<u>2,524</u>
Cash at end of the year	<u><u>3,242</u></u>	<u><u>3,827</u></u>

The accompanying notes form an integral part of the financial statements.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Company Statement of Cash Flows
Year ended November 30, 2006

	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss)/profit for the year	(12,480)	7,763
Adjustments for:		
Depreciation	21,037	10,040
Profit on disposal of property, plant and equipment	(1,117)	(308)
Pension asset	(5,242)	(3,645)
Post-retirement obligation	48	48
Deferred taxation	1,280	(1,822)
Income tax expense	30	2,878
Interest income	(4,693)	(7,217)
Interest expense	<u>38,096</u>	<u>16,677</u>
	36,959	24,414
Change in accounts receivable	(7,614)	(13,965)
Change in taxation recoverable	(41)	(106)
Change in inventories	(1,298)	(110,238)
Due from subsidiaries	34,121	(28,955)
Change in accounts payable	(15,134)	153,747
Due to subsidiaries	1,789	(8,409)
Director's loan	<u>1,258</u>	<u>6,181</u>
	50,040	22,669
Interest paid	(38,096)	(14,904)
Income taxes paid	<u>(4,438)</u>	<u>-</u>
Net cash provided by operating activities	<u>7,506</u>	<u>7,765</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	4,693	7,217
Additions to property, plant and equipment	(15,858)	(27,734)
Acquisition of investments	(2,217)	(350)
Proceeds from disposal of property, plant and equipment	1,117	2,013
Transfer to property, plant and equipment	(138,053)	(4,274)
Interest in subsidiaries	<u>59,274</u>	<u>5,572</u>
Net cash used by investing activities	<u>(91,044)</u>	<u>(17,556)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank overdraft	271	837
Loan (net)	57,470	14,889
Dividends paid	(4,309)	(4,309)
Capital reserve transferred from subsidiaries	22,737	-
Retained earnings transferred from subsidiaries	<u>6,775</u>	<u>-</u>
Net cash provided by financing activities	<u>82,944</u>	<u>11,417</u>
Net (decrease)/ increase in cash	(594)	1,626
Cash at beginning of the year	<u>3,826</u>	<u>2,200</u>
Cash at end of the year	<u>3,232</u>	<u>3,826</u>

The accompanying notes form an integral part of the financial statements.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements
November 30, 2006

1. The company

The company is incorporated under the laws of Jamaica. The registered office is located at Newport East, Kingston.

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 feeds, the operation of wharf and grain off-loading facilities.

The operations of JLA Feeds Limited and JLA Hatchery Limited are carried out by the company with effect from September 1, 2005. All of the property, assets and rights of JLA Feeds Limited and JLA Hatchery Limited have been transferred and vested in The Jamaica Livestock Association Limited by virtue of a court order dated November 9, 2006.

On November 9, 2006, the Supreme Court of Judicature of Jamaica sanctioned a Scheme of Arrangement whereby:

- (a) The whole of the undertaking and all of the property, assets and rights of JLA Feeds Limited as now existing (including without limitation all of its interest in the lands registered at Volume 1118 Folios 706 and 707) shall, by virtue of this Order, and without further act or deed be transferred to and vested in The Jamaica Livestock Association Limited for all the estate and interest of JLA Feeds Limited therein subject to all mortgages, charges and encumbrance, if any, now affecting the same or any part of parts thereof and that from the date hereof all the liabilities and obligations of JLA Feeds Limited as now existing shall by virtue of this Order and without further act or deed, be transferred and become the liabilities and obligations of The Jamaica Livestock Association Limited;
- (b) The whole of the undertaking and all of the property, assets and rights of JLA Hatchery Limited as now existing (including without limitation all of its interest in the lands registered at Volume 1153 Folio 914) shall, by virtue of this Order, and without further act or deed be transferred to and vested in The Jamaica Livestock Association Limited for all the estate and interest of JLA Hatchery Limited therein subject to all mortgages, charges and encumbrance, if any, now affecting the same or any part of parts thereof and that from the date hereof all the liabilities and obligations of JLA Hatchery Limited as now existing shall by virtue of this Order and without further act or deed, be transferred and become the liabilities and obligations of The Jamaica Livestock Association Limited;
- (c) All proceedings (if any) pending by or against JLA Feeds Limited and/or JLA Hatchery Limited be continued by or against The Jamaica Livestock Association Limited; and
- (d) JLA Feeds Limited and JLA Hatchery Limited and The Jamaica Livestock Association Limited do each within 7 days after the date of this Order cause an Office Copy of this Order to be delivered to the Registrar of Companies for registration and at the expiration of six (6) months from the date of this Order that JLA Feeds Limited and JLA Hatchery Limited shall be deemed to be dissolved without winding up and the Registrar of Companies shall place all documents registered with him/her and relating to JLA Feeds Limited and JLA Hatchery Limited on the file kept by him/her in relation to The Jamaica Livestock Association Limited and the file relating to JLA Feeds Limited and JLA Hatchery Limited shall be consolidated with the file relating to The Jamaica Livestock Association Limited accordingly.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

1. The company (cont'd)

At the end of the year, the group had in its employment 207 (2005: 155) persons, including part-time employees.

2. Basis of preparation, statement of compliance and consolidation

(a) Basis of preparation and statement of compliance

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations adopted by the International Accounting Standards Board (IASB) and comply with the provisions of the Companies Act.

The significant accounting policies used in the preparation of the financial statements are summarised below and conform in all material respects to IFRS and the Companies Act.

The financial statements are prepared on the historical cost basis, except that available-for-sale investments are stated at fair value.

The financial statements are presented in Jamaica dollars, which is the functional currency of the group.

Use of estimates and judgements:

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Residual value and expected useful life of property, plant and equipment:

The residual value and the expected useful life of an asset is reviewed at least at each financial year-end and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

2. Basis of preparation, statement of compliance and consolidation (cont'd)

(a) Basis of preparation and statement of compliance

Use of estimates and judgements (cont'd):

(ii) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individual significant receivables with similar characteristics, such as credit risks.

(iii) Pension and other post-employment benefits:

The amounts recognised in the balance sheet and revenue and expenses accounts for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

The assumed expected return on plan assets considers the long-term historical returns, asset allocation and future estimates of long-term investment returns. The discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the terms of the company's obligation. In the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of the expected rate of increase in medical costs is determined based on inflationary factors. Any changes in these assumptions will impact the amounts recorded in the financial statements for these obligations.

(iv) Net realisable value of inventories:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the year to the extent that such events confirm conditions existing at the end of the year.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

It is reasonably possible, based on existing knowledge, that outcomes with the next financial year that are different from these assumptions would require material adjustment to the carrying amounts reflected in the financial statements.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

2. Basis of preparation, statement of compliance and consolidation (cont'd)

(b) Basis of consolidation:

Subsidiaries are entities controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

The consolidated financial statements include the financial statements of the company and its wholly-owned subsidiaries made up to November 30, 2006. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

The company and its subsidiaries, which are incorporated in Jamaica, are collectively referred to as "the group". The subsidiaries and their main activities are as follows:

<u>Subsidiaries</u>	<u>2006</u>	<u>2005</u>	<u>Main activities</u>
JLA Feeds Limited	100%	100%	See note 1
JLA Hatchery Limited	100%	100%	See note 1
Henmor Limited	100%	100%	Transportation

3. Significant accounting policies

(a) Property, plant and equipment:

Property, plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses [see accounting policy (j)]. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied in the part will flow to the company and its cost can be reliably measured.

The cost of day-to-day servicing of property, plant and equipment is recognised in profit or loss as incurred.

(b) Depreciation:

Property, plant and equipment, 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, computers	20%
Wharf and grain off-loading facilities	2 ¹ / ₂ %

The depreciation methods, useful lives and residual values are reassessed at the reporting date.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

3. Significant accounting policies (cont'd)

(c) Inventories:

Inventories, including biological assets for which fair value cannot be reliably determined, 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.

(d) Investments:

Quoted equities are classified as available-for-sale and are stated at fair value. Fair value is determined as the quoted bid price. Any resultant gain/loss arising from changes in fair value is taken to an investment revaluation reserve, unless the investment is disposed of or impaired, in which case, it is included in the group income statement.

(e) 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.

(f) Revenue:

Revenue from the sale of goods is recognised in the group income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recorded if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(g) Employee benefits:

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations were conducted in accordance with IAS 19, and the financial statements reflect the group's post-employment benefit asset and obligations as computed by the actuary. In carrying out their audit, the auditors make use of the work of the actuary and the actuary's report.

(i) Defined benefit pension plans:

The group participates in a defined benefit pension plan, the assets of which are held separately from those of the group.

The group's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of plan assets is deducted. The discount rate is the yield on long-term government securities that have maturity dates approximating the terms of the company's obligation. The calculation is performed by an independent qualified actuary using the projected unit credit method.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

3. Significant accounting policies (cont'd)

(i) Defined benefit pension plans (cont'd):

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense in the consolidated income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the group income statement.

To the extent that any cumulative unrecognised actuarial gain or loss exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets, that portion is recognised in the consolidated income statement over the expected average remaining working lives of the employees participating in the plan. Otherwise, the actuarial gain or loss is not recognised.

Where the calculation results in a benefit to the group, the recognised asset is limited to the net total of any unrecognised actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

(ii) Post-retirement health and life insurance benefits:

The group provides post retirement life insurance benefits to retirees. The obligation with respect to this benefit is calculated on a basis similar to that for the defined benefit pension plan.

(h) Taxation:

Income tax on the consolidated profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

3. Significant accounting policies (cont'd)

(i) Provisions:

A provision is recognised in the balance sheet when the group has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(j) Impairment:

The carrying amounts of the group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the group income statement.

(i) Calculation of recoverable amount

The recoverable amount of the group's receivables is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

An impairment loss in respect of an available-for-sale investment is calculated by reference to its current fair value.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of a receivable is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

The reversal of an impairment loss is recognised in the income statement, except for available-for-sale equity securities which is recognised directly in equity.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

3. Significant accounting policies (cont'd)

(k) Accounts receivables:

Trade and other receivables are stated at amortised cost less impairment losses [see accounting policy (j)].

(l) Accounts payable:

Trade and other payables are stated at amortised cost.

(m) Cash:

Cash comprises cash and bank balances. For purposes of the statement of cash flows, bank overdraft is treated as a financing activity.

(n) Preference share capital:

Preference share capital is classified as equity as it is non-redeemable and dividend thereon is partly discretionary. Ordinary 'A' shareholders have no right to receive dividends. Dividends are recognised when declared as distributions within equity.

(o) Related parties:

A party is related to the company if:

(i) directly or indirectly the party:

- controls, is controlled by, or is under common control with the company;
- has an interest in the company that gives it significant influence over the company; or
- has joint control over the company.

(ii) the party is a member of the key management personnel of the company.

(iii) the party is a close member of the family of any individual referred to in (i) or (ii) above.

(iv) the party is a post-employment benefit plan for the benefit of employees of the company, or any entity that is a related party of the company.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Balances and transactions with related parties are disclosed in note 5.

(p) Expenses:

(i) Finance cost:

Finance cost comprises bank and loan interest, recognised on the accrual basis using the effective interest method.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

3. Significant accounting policies (cont'd)

(p) Expenses (cont'd):

(ii) Operating lease payments:

Payments made under operating leases are recognised in the income statement on the straight-line basis over the term of the lease.

(q) Segment reporting:

The group is organised into three business segments which provide products that are subject to risks and returns dissimilar to each other:

- (i) *Animal feed* – milling, manufacture and sale of animal feeds;
- (ii) *Poultry* – production and sale of day old chicks and eggs;
- (iii) *Merchandise* – sale of animal health products, hardware, lumber and farm equipment.

4. Investments

	<u>The Company</u>		<u>The Group</u>	
	<u>2006</u> (S'000)	<u>2005</u> (S'000)	<u>2006</u> (S'000)	<u>2005</u> (S'000)
Available-for-sale:				
Quoted securities	<u>4,877</u>	<u>1,674</u>	<u>4,877</u>	<u>2,694</u>

5. 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:

	<u>2006</u> (S'000)	<u>2005</u> (S'000)
Directors:		
Accounts receivable	200	200
Accounts payable	<u>292</u>	<u>323</u>

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
 November 30, 2006

5. Related party balances and transactions (cont'd)

(a) cont'd:

	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
The Company:		
Companies held by directors:		
Accounts receivable	2,757	206
Accounts payable	<u>201</u>	<u>-</u>
Subsidiaries:		
Investment in	-	5
Advances to/(from) (see note below)	<u>-</u>	<u>59,269</u>
	<u>-</u>	<u>59,274</u>
Due from subsidiaries	-	34,121
Due to subsidiaries	<u>1,789</u>	<u>-</u>
The Group:		
	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Directors:		
Accounts receivable	200	200
Accounts payable	<u>292</u>	<u>323</u>
Companies held by directors:		
Accounts receivable	2,757	206
Accounts payable	<u>201</u>	<u>-</u>

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 (2005: 18%) calculated on the opening balance and repayment terms have not yet been determined.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
 November 30, 2006

5. Related party balances and transactions (cont'd)

- (b) The income statement includes the following income earned from, and expenses incurred in, transactions with the parent company, fellow subsidiaries, and directors/companies held by directors in the ordinary course of business:

The Company and the Group:

	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Subsidiaries:		
Purchases	-	511,110
Management fees received	-	529
Commission received	-	48,498
Truckage charge	<u>-</u>	<u>30,224</u>

The Company and the Group:

Directors:		
Sales	<u>404</u>	<u>660</u>
Companies held by directors:		
Sales	15,848	18,638
Purchases	2,948	1,900
Travel expenses	2,519	1,691
Lease rental charges	<u>2,747</u>	<u>1,566</u>

Key management personnel compensation comprised:

	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Post-employment benefits	496	512
Short-term employee benefits	<u>11,134</u>	<u>8,863</u>

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

6. Property, plant and equipment

The Company:

	<u>Freehold land and buildings</u> (\$'000)	Furniture, fixtures, computers, plant, machinery and <u>vehicles</u> (\$'000)	Wharf and grain off-loading <u>facilities</u> (\$'000)	<u>Total</u> (\$'000)
At cost:				
November 30, 2004	65,629	51,291	-	116,920
Transfers	-	7,643	-	7,643
Additions	15,608	12,126	-	27,734
Disposal	<u>-</u>	<u>(1,930)</u>	<u>-</u>	<u>(1,930)</u>
November 30, 2005	81,237	69,130	-	150,367
Group transfers	35,771	83,217	148,626	267,614
Additions	1,118	14,740	-	15,858
Disposal	<u>-</u>	<u>(2,559)</u>	<u>-</u>	<u>(2,559)</u>
November 30, 2006	<u>118,126</u>	<u>164,528</u>	<u>148,626</u>	<u>431,280</u>
Depreciation:				
November 30, 2004	13,856	30,913	-	44,769
Transfers	-	3,369	-	3,369
Charge for the year	2,050	7,990	-	10,040
Eliminated on disposal	<u>-</u>	<u>(225)</u>	<u>-</u>	<u>(225)</u>
November 30, 2005	15,906	42,047	-	57,953
Group transfers	4,757	79,854	44,950	129,561
Charge for the year	2,943	12,823	5,271	21,037
Eliminated on disposal	<u>-</u>	<u>(2,559)</u>	<u>-</u>	<u>(2,559)</u>
November 30, 2006	<u>23,606</u>	<u>132,165</u>	<u>50,221</u>	<u>205,992</u>
Net book values:				
November 30, 2006	<u>94,520</u>	<u>32,363</u>	<u>98,405</u>	<u>225,288</u>
November 30, 2005	<u>65,331</u>	<u>27,083</u>	<u>-</u>	<u>92,414</u>
November 30, 2004	<u>51,773</u>	<u>20,378</u>	<u>-</u>	<u>72,151</u>

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

6. Property, plant and equipment (cont'd)

The Group:

	<u>Freehold land and buildings</u> (\$'000)	<u>Furniture, fixtures, computers, plant, machinery, equipment and vehicles</u> (\$'000)	<u>Wharf and grain off-loading facilities</u> (\$'000)	<u>Total</u> (\$'000)
At cost:				
November 30, 2004	99,537	142,221	148,626	390,384
Additions	17,392	16,388	-	33,780
Disposals	<u>-</u>	<u>(3,171)</u>	<u>-</u>	<u>(3,171)</u>
November 30, 2005	116,929	155,438	148,626	420,993
Additions	1,118	14,725	-	15,843
Disposals	<u>-</u>	<u>(2,678)</u>	<u>-</u>	<u>(2,678)</u>
November 30, 2006	<u>118,047</u>	<u>167,485</u>	<u>148,626</u>	<u>434,158</u>
Depreciation:				
November 30, 2004	18,180	114,185	39,679	172,044
Charge for the year	2,404	12,188	5,271	19,863
Eliminated on disposals	<u>-</u>	<u>(1,466)</u>	<u>-</u>	<u>(1,466)</u>
November 30, 2005	20,584	124,907	44,950	190,441
Charge for the year	2,943	12,883	5,271	21,097
Eliminated on disposals	<u>-</u>	<u>(2,678)</u>	<u>-</u>	<u>(2,678)</u>
November 30, 2006	<u>23,527</u>	<u>135,112</u>	<u>50,221</u>	<u>208,860</u>
Net book values:				
November 30, 2006	<u>94,520</u>	<u>32,373</u>	<u>98,405</u>	<u>225,298</u>
November 30, 2005	<u>96,345</u>	<u>30,531</u>	<u>103,676</u>	<u>230,552</u>
November 30, 2004	<u>81,357</u>	<u>28,036</u>	<u>108,947</u>	<u>218,340</u>

The revalued amount of land, buildings, plant and machinery was deemed as the assets' cost on transition to IFRS, in accordance with IFRS 1, *First-time adoption of IFRS*. The surplus arising on revaluation, inclusive of depreciation no longer required, is included in capital reserves (note 10).

Freehold land and buildings include land amounting to \$39,049,000 (2005: \$22,752,000) for the company and \$39,049,000 (2005: \$38,823,000) for the group.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

7. Employee benefits

A contributory defined-benefit 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 November 2004 disclosed a surplus.

The company and group also provide post-retirement life insurance benefits to employees.

(a) Pension asset:

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Present value of funded obligations	(100,481)	(81,567)
Fair value of plan assets	154,111	139,200
Unrecognised actuarial gains	(1,519)	(10,764)
Asset recognised in balance sheet	<u>52,111</u>	<u>46,869</u>

The plans asset consists of the following:

Quoted equities	10,837	7,405
Government of Jamaica instruments	110,289	100,045
Debt instruments	15,300	15,524
Other receivables	17,399	15,197
Cash and cash equivalents	<u>286</u>	<u>1,029</u>
	<u>154,111</u>	<u>139,200</u>

Plan assets include a loan (note 14) to the company of \$14.2 million (2005: \$14.2 million).

(i) Movements in the net asset recognised in the balance sheet:

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Balance at beginning of year	46,869	43,224
Contributions paid	2,953	2,677
Credit recognised in the income statement	<u>2,289</u>	<u>968</u>
Balance at end of year	<u>52,111</u>	<u>46,869</u>

(ii) Credit recognised in the income statement

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Current service costs	(1,246)	(788)
Interest on obligations	(10,348)	(10,429)
Expected return on plan assets	13,883	12,186
Change in limitation on asset	<u>-</u>	<u>(1)</u>
	<u>2,289</u>	<u>968</u>
Actual return on plan assets	<u>10%</u>	<u>10%</u>

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

7. Employee benefits (cont'd)

(a) Pension asset (cont'd):

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<u>2006</u>	<u>2005</u>
Discount rate	12.0%	12.5%
Expected return on plan assets	10.0%	10.0%
Future salary increases	9.5%	9.5%
Future pension increases	<u>3.5%</u>	<u>3.5%</u>

(b) Post-retirement obligation:

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Present value of obligations	791	660
Unrecognised actuarial losses	(279)	(196)
Liability recognised in balance sheet	<u>512</u>	<u>464</u>

(i) Movements in the net liability recognised in the balance sheet:

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Balance at beginning of year	464	417
Contributions paid	(65)	(62)
Current service and interest costs	<u>113</u>	<u>109</u>
Balance at end of year	<u>512</u>	<u>464</u>

(ii) Expense recognised in the income statement:

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
Current service costs	31	32
Interest on obligations	<u>82</u>	<u>77</u>
	<u>113</u>	<u>109</u>

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	<u>2006</u>	<u>2005</u>
Discount rate	12.0%	12.5%
Life insurance cost increase	<u>9.5%</u>	<u>9.5%</u>

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

8. Accounts receivable

	<u>The Company</u>		<u>The Group</u>	
	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Trade receivables	30,173	23,147	30,173	23,147
Deposits and prepaid expenses	8,961	10,633	8,961	12,085
Other receivables	<u>33,693</u>	<u>29,204</u>	<u>34,939</u>	<u>33,827</u>
	72,827	62,984	74,073	69,059
Provision for doubtful debts	(9,608)	(7,110)	(9,608)	(7,489)
	<u>63,219</u>	<u>55,874</u>	<u>64,465</u>	<u>61,570</u>

Deposits and prepaid expenses includes \$5,917,000 (2005: \$6,145,000) representing deposits on property (note 24).

Bad debt expense amounted to \$1,898,000 (2005: \$2,235,000).

9. Inventories

	<u>Company and Group</u>	
	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Raw materials and supplies	55,662	38,854
Merchandise and animal health products	130,017	109,133
Hardware and lumber	22,776	24,768
Feeds	13,936	10,700
Eggs	6,337	7,200
Meats	149	40
Spare parts	2,339	390
Packing material	7,681	6,569
Inventory in transit	<u>16,172</u>	<u>56,117</u>
	<u>255,069</u>	<u>253,771</u>

10. Share capital and reserves

(a) Share capital:

	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Authorised:		
8,000 ordinary "A" shares at no par value		
120,000,000 7 ¹ / ₂ % cumulative participating preference shares at no par value		
Stated capital – issued and fully paid:		
6,981 ordinary "A" shares at no par	3	3
57,452,523 preference stock units at no par	<u>115,874</u>	<u>115,874</u>
	<u>115,877</u>	<u>115,877</u>

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

10. Share capital and reserves (cont'd)

Under the Companies Act 2004 ("the Act"), which became effective on February 1, 2005, all shares in issue are deemed to be shares without a par (or nominal) value, unless the company, by ordinary resolution, elects to retain its shares with a par value. The company did not make an election to retain par. The share capital is comprised of the sum of the par value of shares in issue and share premium.

(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 7½% 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:

Capital reserves represent the unrealised surplus on the previous revaluation of property, plant and equipment now deemed as cost (note 6).

(c) Investment revaluation reserve:

This represents the unrealised gain arising on the change in fair value of available-for-sale investments.

11. Long-term liabilities

	<u>Company and Group</u>	
	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)
(a) 23.75% loan	-	788
(b) 16.45% loan	11,617	15,300
(c) 15% loan	50,000	-
(d) 8.30% loan	8,005	-
(e) 19.75% loan	<u>3,936</u>	<u>-</u>
	73,558	16,088
Less: current and past due maturities	<u>(26,761)</u>	<u>(4,094)</u>
	<u>46,797</u>	<u>11,994</u>

(a) This loan was fully repaid during the year.

(b) The loan is repayable in equal monthly instalments of J\$283,333, the final instalment being due on April 30, 2010.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

11. Long-term liabilities (cont'd)

- (c) The loan is repayable semi-annually in the amount of \$10,000,000. Interest is payable every three months, with the final instalment being due on December 28, 2008.
- (d) The loan is repayable in equal monthly instalments of US\$2,727 plus interest, the final instalment being due on August 6, 2010.
- (e) The loan is repayable in equal monthly instalments of \$97,917 plus interest, the final instalment being due on February 18, 2010.

The bank overdraft of the company (note 13) is secured by mortgages on certain freehold properties of the company and by a second and third debenture over certain fixed and floating assets.

Loans (a) and (e) are secured by a lien on a motor vehicle.

Loans (b), (c), and (d) are secured by promissory notes.

12. Deferred tax assets and liabilities

The Company and the Group:

Deferred tax liabilities:

Deferred tax liabilities are attributable to the following:

	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Pension asset	17,370	15,621
Property, plant and equipment	10,393	9,044
Retirement benefit obligation	(171)	(155)
Accounts payable	-	(590)
Unrealised loss on foreign exchange	(866)	-
Tax value of loss carry-forwards utilised	<u>(1,526)</u>	<u>-</u>
	<u>25,200</u>	<u>23,920</u>

Movement in temporary differences during the year:

	<u>Balance at</u> <u>December 1, 2005</u> (\$'000)	<u>Recognised</u> <u>in income</u> (\$'000)	<u>Balance at</u> <u>November 30, 2006</u> (\$'000)
Pension asset	15,621	1,749	17,370
Property, plant and equipment	9,044	1,349	10,393
Retirement benefit obligation	(155)	(16)	(171)
Accounts payable	(590)	590	-
Unrealised loss on foreign exchange	-	(866)	(866)
Tax value of loss carry-forwards utilised	<u>-</u>	<u>(1,526)</u>	<u>(1,526)</u>
	<u>23,920</u>	<u>1,280</u>	<u>25,200</u>

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

13. Bank overdraft

The bank overdraft of the company and the group is secured as disclosed in note 11, and as at November 30, 2006, bore interest at a variable rate of 20-20.5% (2005: 20.75% – 21.75%) for the company and the group.

14. Accounts payable

	<u>Company</u>		<u>Group</u>	
	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Trade payables	169,404	184,195	169,404	184,195
Other payables and accruals	<u>70,820</u>	<u>69,905</u>	<u>71,102</u>	<u>75,891</u>
	<u>240,224</u>	<u>254,100</u>	<u>240,506</u>	<u>260,086</u>

Included in 2006 other payables for the company and the group is a short-term loan of \$14.2 million (2005:\$14.2) million (note 7) bearing interest of 15% from the Jamaica Livestock Association Pension Plan and short-term loans from a director and a company owned by a director of \$37.5 million (US\$560,000) (2005: \$36.2 million) bearing interest of 10% per annum and an additional 10% for late payments.

15. Gross operating revenue

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

16. Disclosure of expenses

Profit from operations is stated after charging:

	<u>The Company</u>		<u>The Group</u>	
	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
Staff costs	85,197	63,319	85,197	63,319
Directors' emoluments:				
Fees	350	365	350	365
Management remuneration	8,549	6,122	8,549	6,122
Auditors' remuneration	<u>3,000</u>	<u>2,000</u>	<u>3,270</u>	<u>2,000</u>

17. Taxation

Taxation is based on the net profit for the year adjusted for tax purposes and is comprised as follows:

	<u>Company</u>		<u>Group</u>	
	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
(i) Current taxation:				
Income tax @ 33½%	-	2,878	-	2,878
Prior year adjustment	30	-	147	-

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

17. Taxation (cont'd)

	<u>Company</u>		<u>Group</u>	
	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
(ii) Deferred taxation:				
Tax benefit of unused tax losses	-	-	-	(86)
Origination and reversal of temporary differences	<u>1,280</u>	<u>(1,822)</u>	<u>1,280</u>	<u>(3,964)</u>
	<u>1,310</u>	<u>1,056</u>	<u>1,427</u>	<u>(1,172)</u>

The actual expense differed from the "expected" tax expense for those years as follows:

	<u>Company</u>		<u>Group</u>	
	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)	<u>2006</u> (\$'000)	<u>2005</u> (\$'000)
(Loss)/profit before taxation	<u>(11,170)</u>	<u>8,819</u>	<u>(12,033)</u>	<u>11,755</u>
Computed "expected" tax expense @ 33 $\frac{1}{3}$ %	(3,723)	2,940	(4,011)	3,918
Difference between profit for financial statements and tax reporting purposes on -				
Depreciation charge and capital allowances	3,679	(2,907)	3,627	3,452
Tax losses unutilised	-	(20)	-	(86)
Other	<u>1,354</u>	<u>1,043</u>	<u>1,811</u>	<u>(8,456)</u>
Actual taxation expense	<u>1,310</u>	<u>1,056</u>	<u>1,427</u>	<u>(1,172)</u>

Taxation losses, subject to agreement by the Commissioner of Taxpayer Audit and Assessment, available for relief against future taxable profits amounted to approximately \$4,578,000 (2005: \$Nil) and \$4,709,000 (2005: \$27,409) for the company and the group respectively.

In his April 2005 budget presentation, the Minister of Finance and Planning announced that, instead of indefinitely, the carry forward of tax losses would be restricted to five years, with effect from January 1, 2006. Up to April 4, 2007, enabling legislation has not been passed into law. The financial statements, therefore, do not reflect any change in current treatment of taxation losses.

18. Net (loss)/profit for the year

Of the loss for the year, loss of \$12,480,000 (2005: profit of \$7,763,000) are dealt with in the financial statements of the holding company.

19. Dividends

This represents amounts paid on the 7 $\frac{1}{2}$ % 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.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

20. Earnings per stock unit

The calculation of earnings per stock unit is based on the group's net loss for the year of \$13,460,000 (2005: profit of \$12,927,000) and the 57,452,523 preference stock units in issue.

21. National Housing Trust 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 income statement, were recoverable in the years 2002/4.

22. Lease commitments

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

	<u>The Company</u>		<u>The Group</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>(\$'000)</u>	<u>(\$'000)</u>	<u>(\$'000)</u>	<u>(\$'000)</u>
Within one year	5,677	9,851	5,677	9,851
Subsequent years	<u>12,653</u>	<u>24,168</u>	<u>12,653</u>	<u>24,168</u>
	<u>18,330</u>	<u>34,019</u>	<u>18,330</u>	<u>34,019</u>

Lease rentals during the year amounted to \$10,062,000 (2005: \$9,343,000) for the company and the group.

23. Contingencies

The company has indicated that it will continue to provide such financial assistance that two subsidiaries may require to meet their obligations.

The company and subsidiaries were assessed, by the Taxpayer Audit & Assessment Department, for additional taxes along with penalties and interest in respect of non-compliance to the GCT and Income Tax Act between January 2003 and August 2005. The company is currently disputing the assessment.

24. Capital commitment

At November 30, 2006, \$18,152,000 (2005: \$18,152,000) has been committed for capital expenditure in respect of which deposits amounting to \$5,917,000 (2005: \$6,145,000) are included in accounts receivable (note 8).

25. Financial instruments

A financial instrument is any contract that gives rise to 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, due from subsidiaries and investments. Financial liabilities include bank overdraft, accounts payable, due to subsidiaries and loans payable.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

25. Financial instruments (cont'd)

(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 minimise 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 group'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:

	<u>The Company</u>		<u>The Group</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Net asset/(liabilities) - US\$	2,190	(1,311)	2,190	(1,311)
Net liabilities - CDN\$	(68)	(54)	(68)	(54)
Net assets - £	-	6	-	6
Net liabilities - Euro	(<u>35</u>)	<u>-</u>	(<u>35</u>)	<u>-</u>

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

26. Financial instruments (cont'd)

(a) Financial instrument risks:

(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, or 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 committed 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 from and to subsidiaries and bank overdraft are assumed to approximate to their carrying values, 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, 2006 as disclosed in note 4.

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

26. Segment reporting (cont'd)

	November 30, 2005				
	<u>Merchandise</u>	<u>Poultry</u>	<u>Feeds</u>	<u>Eliminations</u>	<u>Total</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Segment assets	503,099	21,852	130,764	(100,887)	554,828
Unallocated assets					<u>46,869</u>
Total assets					<u>601,697</u>
Segment liabilities	337,409	4,902	117,217	(105,186)	354,342
Unallocated liabilities					<u>464</u>
Total liabilities					<u>354,806</u>
Capital expenditure	<u>28,143</u>	<u>1,277</u>	<u>4,360</u>	<u>-</u>	<u>33,780</u>
Depreciation	<u>10,674</u>	<u>765</u>	<u>8,424</u>	<u>-</u>	<u>19,863</u>
Other non-cash expenses	<u>(3,303)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,303)</u>

Segment reporting is presented in respect of the group's business segments. The primary format business segments are based on the company's management and internal reporting structure.

Inter-segment transactions are eliminated in arriving at the group's total.

There are no geographical segments to disclose as the group operates in the local market only.

27. Adoption of new and revised standards and interpretations

During the year, the company adopted the following revised and new IFRS:

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 21 (effective January 1, 2005)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 32 (revised 2003)	Financial Instruments: Presentation
IAS 36 (revised 2003)	Impairment of Assets
IAS 38 (revised 2003)	Intangible Assets
IAS 39 (revised 2003 and 2004)	Financial instruments: Recognition and Measurement
IFRS 2 (effective January 1, 2005)	Share-based Payment
IFRS 4 (effective January 1, 2005)	Insurance Contracts
IFRS 5 (effective January 1, 2005)	Non-Current Assets Held for Sale and Discontinued Operations

Of the above standards, only IAS 1, IAS 8 and IAS 24 affected the financial statements as follows:

- (i) IAS 1, resulted in additional disclosures and in changes to the format of the income statement;

THE JAMAICA LIVESTOCK ASSOCIATION LIMITED

Notes to the Financial Statements (Continued)
November 30, 2006

27. Adoption of new and revised standards and interpretations (cont'd)

- (ii) IAS 8, resulted in disclosure of new standards adopted and those issued but not yet effective;
- (iii) IAS 24, resulted in disclosure of key management compensation (see note 5);

At the date of authorisation of the financial statements, there were certain standards and interpretations which were in issue but were not yet effective. The standards and interpretations, which are effective for accounting periods beginning on or after the dates indicated below, and the dates are as follows:

IFRS 6	Exploration for Evaluating of Mineral Resources	January 1, 2006
IFRS 7	Financial Instruments: Disclosure	January 1, 2007
IFRIC 4	Determining whether an Arrangement Contains a Lease	January 1, 2006
IFRIC 5	Rights to Interest Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	January 1, 2006
IFRIC 6	Liabilities arising from Participating in a Specific Market – Waste, Electrical and Electronic Equipment	December 1, 2006
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyper-Inflationary Economies	March 1, 2006
IAS 19 Amendments	Actuarial Gains & Losses, Group Plans and Disclosures	January 1, 2006
IAS 39 Amendments	The Fair Value Option	January 1, 2006
IAS 39 Amendments	Financial Instrument Cash Flow Hedge Accounting for Forecast Intra-group Transactions	January 1, 2006
IAS 39 Amendments	Financial Guarantee Contracts	January 1, 2006
IFRIC 8	Scope of IFRS 2	May 1, 2006
IFRIC 9	Reassessment of Embedded Derivatives	June 1, 2006
IFRIC 10	Interim Financial Reporting	November 1, 2006
IFRIC 11	Group and Treasury Share Transactions	March 1, 2007
IFRS 8	Operating Segments	January 1, 2009
IFRIC 12	Service Concession Arrangement	January 1, 2008

The adoption of IFRS 7 and IAS 19 Amendments is expected to result in additional disclosures for financial instruments and employee benefits. Except for these additional disclosures, the adoption of these standards and interpretations are not expected to have a material impact on the reporting results and financial position financial statements.