

Jamaica Broilers Group Limited 1996

Notes to the Financial Statements

27 April 1996

1. Significant Accounting Policies

(a) Consolidation

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

	% Ownership
Resident in Jamaica:	
Aquaculture Jamaica Limited	100
Best Dressed Chicken Limited	100
Caribbean Asbestos Products Limited	90
Caribbean Industrial Equipment	90
Content Agricultural Products Limited	100
J.B. Trading Limited	100
Jabexco Limited	100
Jamaica Eggs Limited	100
Jamaica Freshwater Snapper Limited	50
Jamaica Poultry Breeders Limited	100
Levy Industries Limited	100
Master Blend Feeds Limited	100
Trafalgar Agricultural Developments Ltd	100

West Indies Nutritional Corporation Ltd 100

Resident outside of Jamaica:

Wincorp International, Inc.	100
International Poultry Breeders Limited	60
JBG (UK) Limited and its associated companies:	100
JPH Investments Limited	50
Persshore Poultry Limited	50

Associated companies:

Capital and Credit Holdings Limited and its wholly owned subsidiaries	22
Capital and Credit Merchant Bank	22
CCM Limited	22

(b) 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.

(c) Depreciation

Fixed assets are stated at cost or valuation. Depreciation is provided on the straight line basis at such rates as will write off the assets over the period of their expected useful lives. Annual rates are as follows:

	Rates %
Freehold buildings	1 - 9
Leasehold property	2 1/2
Machinery and equipment	3 - 6
Furniture and fixtures	10
Motor vehicles	20 - 33 1/3

Freehold land is not depreciated.

(d) 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.

(e) Foreign currencies

- (i) 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.
- (ii) 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.

(f) Deferred taxation

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

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

2. Turnover

The group turnover represents the price of goods and services sold to customers

after deducting discounts and allowances.

3. Exceptional Item

	27 April 1996 \$'000	29 April 1995 \$'000
These comprise:		
Bad debt expenses	-	11,917
Foreign exchange losses	<u>51,681</u>	<u>-</u>
	51,681	11,917

4. Taxation

- (a) The egg production operation of Jamaica Poultry Breeders Limited was exempt from income tax until 1989 by virtue of the provisions of the Industrial Incentives Act. With effect from 1990 the egg production and crop growing operations are exempt from income tax for ten years under the provisions of the Income Tax (Approved Farmers) Act.

The fish farming operations of Aquaculture Jamaica Limited were also exempted from income tax for a period of ten years ended April 1993. The company has applied for an extension for a period of 5 years commencing in Year of Assessment 1994.

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 \$40,000,000.

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

	27 April 1996 \$'000	29 April 1995 \$'000
Income tax at 33 1/3%	61,859	71,758
Prior year	(255)	1,708
Special capital allowances	(18,435)	(14,442)
Tax credit on bonus shares	(10,088)	(13,552)
Associated companies	<u>5,890</u>	<u>1,559</u>

38,971 **47,031**

The group tax charge for the period is disproportionate to the reported profit as a result of the tax exempt operations mentioned under (a) above and the effects of special capital allowance and tax credit on bonus shares.

The special capital allowance is subject to approval by the Ministry of Industry and Commerce and the bonus issue of shares, on which the tax credit arises, is subject to the approval of the members at the company's Annual General Meeting.

5. Dividends

	27 April	29 April
	1996	1995
	\$'000	\$'000
Proposed first interim		
5 cents (1995 - 4 cents)	15,444	13,514
Proposed second interim - 7 cents		
(1995 - 7 cents)	<u>21,622</u>	<u>21,235</u>
	<u>37,066</u>	<u>34,749</u>

The above dividends are paid out of dividends received by the company from subsidiaries which operate under the Income Tax (Approved Farmers) Act and are therefore payable gross without deduction of tax to residents of Jamaica.

The rates of dividends for the prior year have been restated to give effect to the bonus issue made during the year (note 14).

6. Earnings Per Stock Unit

The calculation of earnings per 50 cents ordinary stock unit is based on net profit and 308,880,000 ordinary stock units in issue after the bonus issue made during the year (note 14). The earnings per stock unit for the prior year have been restated accordingly.

7. Fixed Assets

	THE GROUP							Total
	Freehold Land	Freehold Buildings	Leasehold Property	Machinery and Equipment	Furniture & Fixtures	Motor Vehicles	Capital Work in Progress	
At Cost or Valuation -								
At 30 April 1995	73,786	668,953	52,321	396,268	32,168	74,325	107,802	1,405,623
Additions at cost	195	12,246	507	94,406	11,441	43,850	138,457	301,102
Translation	-	-	513	2,740	1,224	1,323	11,390	17,190
Disposals	-	-	-	(865)	-	(29)	(1,780)	(2,674)
Transfers	10,562	43,876	(21,102)	57,929	199	587	(92,051)	-
At 27 April 1996	<u>84,543</u>	<u>725,075</u>	<u>32,239</u>	<u>550,478</u>	<u>45,032</u>	<u>120,056</u>	<u>163,818</u>	<u>1,721,241</u>
Depreciation -								
At 30 April 1995	-	200,400	11,670	124,195	14,069	25,664	-	375,998
Charge for the year	-	13,502	2,301	22,667	10,756	20,127	-	69,353
Translation	-	-	168	1,465	1,196	836	-	3,664
At 27 April 1996	<u>-</u>	<u>213,902</u>	<u>14,139</u>	<u>148,327</u>	<u>26,020</u>	<u>46,627</u>	<u>-</u>	<u>449,015</u>
Net Book Value -								
At 27 April 1996	84,543	511,173	18,100	402,151	19,012	73,429	163,818	1,272,226
At 29 April 1995	73,786	468,553	40,651	272,073	18,099	48,661	107,802	1,029,625

	THE COMPANY						Total
	Freehold Land	Freehold Buildings	Machinery and Equipment	Furniture and Fixtures	Motor Vehicles	Capital Work in Progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At Cost or Valuation							
At 30 April 1995	37,621	247,291	316,201	22,655	63,091	46,239	733,098
Additions at cost	-	2,163	48,848	9,325	39,426	121,880	221,642

Disposals	-	-	-	-	(1)	(1,780)	(1,781)
Transfers	-	5,542	1,986	-	-	(7,528)	-
At 27 April 1996	<u>37,621</u>	<u>254,996</u>	<u>367,035</u>	<u>31,980</u>	<u>102,516</u>	<u>158,811</u>	<u>952,959</u>
Depreciation -							
At 30 April 1995	-	76,566	95,785	8,868	19,130	-	200,349
Charge for the year	-	4,466	17,311	3,240	18,207	-	43,224
At 27 April 1996	<u>-</u>	<u>81,032</u>	<u>113,096</u>	<u>12,108</u>	<u>37,337</u>	<u>-</u>	<u>243,573</u>
Net Book Value							
At 27 April 1996	<u>37,621</u>	<u>173,964</u>	<u>253,939</u>	<u>19,872</u>	<u>65,179</u>	<u>158,811</u>	<u>709,386</u>
At 29 April 1995	<u>37,621</u>	<u>170,725</u>	<u>220,398</u>	<u>13,806</u>	<u>43,960</u>	<u>46,239</u>	<u>532,749</u>

Fixed assets, excluding furniture and fixtures and motor vehicles, 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 with the exception of assets having a fixed option price.

All other assets and subsequent additions are stated at cost. The gains arising on the above revaluations have been credited to capital reserve (note 15).

Included in fixed assets are motor vehicles costing \$83,901,000 (1995 - \$48,387,000) which have been acquired under finance leases.

8. Investments

The Group		The Company	
27 April	29 April	27 April	29 April
1996	1995	1996	1995
\$'000	\$'000	\$'000	\$'000

Associated Companies

At cost	53,612	49,086	7,564	7,564
Group's share of reserves	15,414	6,115	11,653	5,362
Quoted Securities -				
At cost (market value \$2,647,000: 1995:\$3,813,000)	142	142	142	142
Other unquoted shares at cost	<u>7,389</u>	<u>1,211</u>	<u>7,389</u>	<u>1,211</u>
	<u>76,557</u>	<u>56,554</u>	<u>26,748</u>	<u>14,279</u>

9. Interest in Subsidiaries

	The Company	
	27 April	29 April
	1996	1995
	\$'000	\$'000
Shares at cost and valuation of bonus shares received	52,885	52,885
Accumulated post acquisition profits of subsidiaries	<u>164,405</u>	<u>122,335</u>
	<u>217,290</u>	<u>175,220</u>

10. National Housing Trust

Contributions to the Nation Housing Trust not included in these financial statements are recoverable in the years 2001 to 2005 as follows:

The Group	\$243,539
The Company	<u>\$190,229</u>

11. Inventories

	The Group		The Company	
	27 April	29 April	27 April	29 April
	1996	1995	1996	1995
	\$'000	\$'000	\$'000	\$'000

Poultry, cattle and fish	271,384	188,490	171,311	135,127
Pullets, processed broilers, beef and fish	41,473	36,963	39,303	35,010
Finished feeds and fertilizers	14,362	8,630	13,317	8,630
Grain and feed ingredients	99,966	80,905	49,941	43,298
Equipment and supplies	119,594	82,691	86,957	59,263
Goods in transit	9,555	11,314	9,555	11,314
	<u>556,334</u>	<u>408,993</u>	<u>370,384</u>	<u>292,642</u>

12. Bank Overdraft

Overdraft facilities 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 16).

13. Deferred Expenditure

This includes costs that will be incurred by a subsidiary to restore inventories acquired under a three year contract that commenced October 1994. Upon termination of the contract, inventories will be restored equal in quantity to that which existed at the commencement of the agreement. The amount is being amortised over the period.

14. Share Capital

	27 April 1996 \$'000	29 April 1995 \$'000
Authorised -		
320,000,000 (1995 - 200,000,000)		
Ordinary shares of 50 cents each	<u>160,000</u>	<u>100,000</u>
Issued and fully paid -		
308,880,000 (1995 - 193,050,000)		
Ordinary stock of 50 cents	<u>154,440</u>	<u>96,525</u>

At the Annual General Meeting held on 23 October 1995, the authorised share capital of the company was increased to \$160,000,000 by the creation of 120,000,000 ordinary shares of 50 cents each, such shares to rank pari passu with the existing ordinary shares of the company.

Of this amount, 115,830,000 were then issued as bonus shares by the capitalization of \$57,915,000 from retained earnings on the basis of three shares for every five stock units held as at 8 November 1995.

The issued shares were then converted into stock units of 50 cents each.

15. Capital Reserve

	The Group 27 April 1996	The Company 27 April 1996
At beginning of year -		
Share premium	165,499	165,499
Realised capital gains	9,388	3,364
Unrealised surplus on revaluations	533,465	221,621
Reserve on consolidation	17,377	-
Gain on translation of financial statements of foreign subsidiaries	<u>40,362</u>	<u>16,194</u>
	766,091	406,678
Movement during the year -		
Translation gain	<u>37,434</u>	<u>-</u>
At end of year	<u>803,525</u>	<u>406,678</u>
Consisting of -		
Share premium	165,499	165,499
Realised capital gains	9,388	3,364
Unrealised surplus on revaluations	533,465	221,621
Reserve on consolidation	17,377	-

Gains on translation of financial
statements of foreign subsidiaries

77,796	16,194
<u>803,525</u>	<u>406,678</u>

16. Long Term Liabilities

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

	The Group		The Company	
	27 April 1996 \$'000	29 April 1995 \$'000	27 April 1996 \$'000	29 April 1995 \$'000
(a) Victoria Mutual Building Society Mortgage 1990/2000 -28%	691	770	691	770
(b) Trafalgar Development Bank 1988/97				
13%	-	542	-	542
16%	203	407	203	407
24%	-	387	-	387
32%	1,181	2,878	1,181	2,878
(c) Overseas Private Investment Corporation US\$1.9M- 1990/97 - 6%	32,548	45,801	32,548	45,801
(d) West Indies Trust Company Limited Mortgage - 21%	-	423	-	-
(e) Jamaica Agricultural Development Foundation 1987/98- 15%	444	1,077	444	1,077
1998 - 31%	702	1,007	702	1,007
(f) Agricultural Credit Bank 1987/96 -14%	5,963	10,026	4,713	8,276
(g) National Development Bank 1989/98 - 14%	2,250	3,250	2,250	3,250

(h) American Banking Company - 9%	99,411	-	-	-
(i) Sundry mortgages and loans	<u>256</u>	<u>261</u>	<u>16</u>	<u>16</u>
	143,649	66,829	42,748	64,411
Less: Current portion included in short term liabilities	<u>33,641</u>	<u>8,589</u>	<u>26,643</u>	<u>8,045</u>
	<u>110,008</u>	<u>58,240</u>	<u>16,105</u>	<u>56,366</u>

Loans, guarantees and other banking facilities extended by Overseas Private Investment Corporation, Citibank N.A., National Commercial Bank Jamaica Limited and Bank of Nova Scotia Jamaica Limited to the group are secured by debentures governed by an intercreditor agreement between the parties. Guarantees by the holding company on behalf of all subsidiary companies have been provided and the interest of the parties noted on the insurance policies. See note 12.

17. Lease Obligations

During the year the company, in the ordinary course of business, entered into finance lease arrangements for motor vehicles. Future payments under these lease commitments are as follows:

	\$'000
1996/1997	40,444
1997/1998	25,325
1998/1999	<u>7,938</u>
Total minimum lease payments	73,707
Less: Future finance charges	<u>23,650</u>
Present value of minimum lease payments	50,057
Less: Current portion included in payables	<u>25,341</u>
	<u>24,716</u>

18. Commitments

Capital

Commitments for capital expenditure at 27 April 1996 not provided for in these financial statements amounted to approximately \$7,700,000. (1995:\$58,700,000)

19. Pension Scheme

The company and its subsidiaries participate in a defined benefit contributory pension scheme which is open to all permanent employees and is managed by an outside agency. The basis of contribution by employer and employee varies within the group. Benefits under the scheme are based on average salary for the last three years. During the year contributions made by the group were \$9,444,000 (1995 - \$7,298,000). An actuarial valuation in 1994 revealed that the scheme was adequately funded to meet increased benefits approved by the Trustees.