

**Jamaica Broilers Group Limited**

**Financial Statements  
3 May 2008**

# Jamaica Broilers Group Limited

Index

3 May 2008

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## **Independent Auditors' Report**

To the Members of  
Jamaica Broilers Group Limited

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Jamaica Broilers Group Limited and its subsidiaries (the Group), the financial statements of Jamaica Broilers Group Limited standing alone set out on pages 1 to 66, which comprise the consolidated and company balance sheets as of 3 May 2008 and the consolidated and company profit and loss accounts, statements of changes in stockholders' equity, and cash flow statements 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 these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these 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 whether 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 auditor's 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 auditor considers internal control relevant to the entity'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 entity'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.

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 accompanying financial statements give a true and fair view of the financial position of the Group and the company as of 3 May 2008, and of financial performance and cash flows of the Group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

**Report on Other Legal and Regulatory Requirements**

As required by the Jamaican 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 kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

Chartered Accountants

9 July 2008

Kingston, Jamaica

# Jamaica Broilers Group Limited

Group Profit and Loss Account

Year ended 3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	3 May 2008 \$'000	28 April 2007 \$'000
<b>Turnover</b>		20,443,685	11,490,300
Cost of sales		(17,133,295)	(8,835,842)
<b>Gross Profit</b>		3,310,390	2,654,458
Other operating income	6	192,755	139,333
Distribution costs		(398,463)	(364,081)
Administration and other expenses		(1,873,080)	(1,644,986)
<b>Operating Profit</b>		1,231,602	784,724
Finance costs	9	(328,087)	(75,716)
<b>Profit before Taxation</b>		903,515	709,008
Taxation	10	(163,199)	(196,869)
<b>NET PROFIT</b>		740,316	512,139
Dealt with in the financial statements of:			
Holding company		447,711	433,038
Subsidiaries		292,605	79,101
		740,316	512,139
		<b>Cents</b>	<b>Cents</b>
<b>Earnings per Stock Unit</b>	11	61.73	42.70

# Jamaica Broilers Group Limited

## Group Balance Sheet

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	3 May 2008 \$'000	28 April 2007 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	12	4,672,057	3,381,104
Intangible asset	13	90,943	101,781
Investments	14	114,417	345,638
Deferred income taxes	15	6,174	1,240
Post-employment benefit assets	16	119,000	131,400
		<u>5,002,591</u>	<u>3,961,163</u>
<b>Current Assets</b>			
Inventories	17	2,539,749	1,309,470
Biological assets	18	663,452	563,268
Receivables	19	1,264,158	907,322
Taxation recoverable		4,200	6,636
Financial assets at fair value through profit or loss	20	6,824	7,056
Cash and short term investments	21	804,859	665,627
		<u>5,283,242</u>	<u>3,459,379</u>
<b>Current Liabilities</b>			
Payables	22	2,455,919	1,360,150
Taxation payable		135,935	197,288
Dividends payable	23	95,942	77,953
Borrowings	24	1,699,723	983,204
		<u>4,387,519</u>	<u>2,618,595</u>
<b>Net Current Assets</b>			
		<u>895,723</u>	<u>840,784</u>
		<u>5,898,314</u>	<u>4,801,947</u>
<b>Stockholders' Equity</b>			
Share capital	25	765,137	765,137
Capital reserve	26	698,693	761,933
Retained earnings		3,277,465	2,693,055
		<u>4,741,295</u>	<u>4,220,125</u>
<b>Non-Current Liabilities</b>			
Borrowings	24	821,008	231,845
Deferred income taxes	15	328,011	342,277
Post-employment benefit obligations	16	8,000	7,700
		<u>5,898,314</u>	<u>4,801,947</u>

Approved for issue on behalf of the Board of Directors on 9 July 2008 and signed on its behalf by:

R. Danvers Williams

Director

Robert E. Levy

Director

# Jamaica Broilers Group Limited

## Group Statement of Changes in Stockholders' Equity

Year ended 3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Capital Reserve	Retained Earnings	Total
Note	'000	\$'000	\$'000	\$'000	\$'000
Balance at 29 April 2006	1,199,277	765,137	720,077	2,318,833	3,804,047
Unrealised losses on available-for-sale securities	-	-	(2,814)	-	(2,814)
Translation gain	-	-	44,670	-	44,670
Net gains recognised directly in stockholders' equity	-	-	41,856	-	41,856
Net profit	-	-	-	512,139	512,139
Total income recognised in current year	-	-	41,856	512,139	553,995
Dividends	-	-	-	(137,917)	(137,917)
	23				
<b>Balance at 28 April 2007</b>	<b>1,199,277</b>	<b>765,137</b>	<b>761,933</b>	<b>2,693,055</b>	<b>4,220,125</b>
Unrealised losses on available-for-sale securities	-	-	(1,082)	-	(1,082)
Translation loss	-	-	(62,158)	-	(62,158)
Net losses recognised directly in stockholders' equity	-	-	(63,240)	-	(63,240)
Net profit	-	-	-	740,316	740,316
Total (expense)/ income recognised in current year	-	-	(63,240)	740,316	677,076
Dividends	-	-	-	(155,906)	(155,906)
	23				
<b>Balance at 3 May 2008</b>	<b>1,199,277</b>	<b>765,137</b>	<b>698,693</b>	<b>3,277,465</b>	<b>4,741,295</b>

# Jamaica Broilers Group Limited

## Group Statement of Cash Flows

Year ended 3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	3 May 2008 \$'000	28 April 2007 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		740,316	512,139
Adjustments for:			
Depreciation	12	333,570	222,695
Amortisation	13	13,396	11,760
Loss/(gain) on disposal of property, plant and equipment	6	591	(20,212)
Fair value loss on financial assets at fair value through profit or loss		233	1,772
Changes in post-employment benefits		12,700	(33,000)
Taxation expense	10	163,199	196,869
Interest income	6	(46,140)	(60,495)
Dividend income		(2,437)	(1,539)
Unrealised foreign exchange gains		(24,941)	(17,549)
Interest expense	9	300,088	70,756
		<u>1,490,575</u>	<u>883,196</u>
Changes in operating assets and liabilities:			
Inventories		(1,230,279)	(274,580)
Biological assets		(100,184)	(55,190)
Receivables		(354,400)	(204,628)
Payables		1,095,769	451,333
Financial assets at fair value through profit or loss		-	59,057
Translation (loss)/gain on working capital of foreign subsidiaries		(63,305)	25,067
		<u>838,176</u>	<u>884,255</u>
Taxation paid		<u>(243,753)</u>	<u>(162,408)</u>
Cash provided by operating activities		<u>594,423</u>	<u>721,847</u>



# Jamaica Broilers Group Limited

## Group Statement of Cash Flows (Continued)

Year ended 3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

		<b>3 May</b>	<b>28 April</b>
		<b>2008</b>	<b>2007</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities (Page 4)</b>		594,423	721,847
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	12	(1,628,084)	(1,558,366)
Proceeds from disposal of property, plant and equipment		4,115	49,711
Purchase of intangible asset	13	(2,558)	(13,900)
Purchase of investments		-	2,185
Proceeds from sale of investments		165,903	-
Refund from pension plan	16	-	200,000
Interest received		44,452	54,197
Dividend received		2,437	1,539
Cash used in investing activities		<u>(1,413,735)</u>	<u>(1,264,634)</u>
<b>Cash Flows from Financing Activities</b>			
Long term loans repaid		(84,467)	(76,471)
Long term loans received		831,410	173,556
Interest paid		(291,094)	(73,137)
Dividends paid		(137,917)	(137,917)
Cash provided by/(used in) financing activities		<u>317,932</u>	<u>(113,969)</u>
Decrease in cash and cash equivalents		(501,380)	(656,756)
Effect of changes in exchange rates on cash and cash equivalents		16,213	7,675
Cash and cash equivalents at beginning of year		<u>(231,473)</u>	<u>417,608</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>21</b>	<u><u>(716,640)</u></u>	<u><u>(231,473)</u></u>

# Jamaica Broilers Group Limited

Company Profit and Loss Account

Year ended 3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	3 May 2008 \$'000	28 April 2007 \$'000
<b>Turnover</b>		13,635,553	10,909,861
Cost of sales		<u>(10,979,101)</u>	<u>(8,540,264)</u>
<b>Gross Profit</b>		2,656,452	2,369,597
Other operating income	6	207,926	127,552
Distribution costs		(387,766)	(315,060)
Administration and other expenses		<u>(1,633,978)</u>	<u>(1,476,884)</u>
<b>Operating Profit</b>		842,634	705,205
Finance costs	9	<u>(238,286)</u>	<u>(75,089)</u>
<b>Profit before Taxation</b>		604,348	630,116
Taxation	10	<u>(156,637)</u>	<u>(197,078)</u>
<b>NET PROFIT</b>		<u><u>447,711</u></u>	<u><u>433,038</u></u>

# Jamaica Broilers Group Limited

## Company Balance Sheet

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	3 May 2008 \$'000	28 April 2007 \$'000
<b>Non-Current Assets</b>			
Property, plant and equipment	12	1,710,474	2,482,042
Intangible asset	13	88,083	98,569
Investments	14	8,855	215,935
Interest in subsidiaries		286,602	286,602
Post-employment benefit assets	16	87,800	98,400
		<u>2,181,814</u>	<u>3,181,548</u>
<b>Current Assets</b>			
Inventories	17	1,589,637	1,244,908
Biological assets	18	314,454	261,270
Receivables	19	792,632	692,713
Subsidiaries		3,115,557	775,142
Taxation recoverable		3,522	5,958
Financial assets at fair value through profit or loss	20	6,824	7,056
Cash and short term investments	21	660,648	560,424
		<u>6,483,274</u>	<u>3,547,471</u>
<b>Current Liabilities</b>			
Payables	22	1,510,928	1,193,691
Taxation payable		129,262	192,085
Subsidiaries		626,604	542,160
Dividends payable	23	95,942	77,953
Borrowings	24	1,672,962	965,517
		<u>4,035,698</u>	<u>2,971,406</u>
<b>Net Current Assets</b>			
		<u>2,447,576</u>	<u>576,065</u>
		<u>4,629,390</u>	<u>3,757,613</u>
<b>Stockholders' Equity</b>			
Share capital	25	765,137	765,137
Capital reserve	26	137,561	136,655
Retained earnings		2,646,249	2,354,444
		<u>3,548,947</u>	<u>3,256,236</u>
<b>Non-Current Liabilities</b>			
Borrowings	24	793,339	202,743
Deferred income taxes	15	280,504	292,134
Post-employment benefit obligations	16	6,600	6,500
		<u>4,629,390</u>	<u>3,757,613</u>

Approved for issue on behalf of the Board of Directors on 9 July 2008 and signed on its behalf by:

R. Danvers Williams

Director

Robert E. Levy

Director

# Jamaica Broilers Group Limited

## Company Statement of Changes in Stockholders' Equity

Year ended 3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Number of Shares	Share Capital	Capital Reserve	Retained Earnings	Total
Note	'000	\$'000	\$'000	\$'000	\$'000
Balance at 29 April 2006	1,199,277	765,137	137,101	2,059,323	2,961,561
Unrealised losses on available-for-sale securities	-	-	(446)	-	(446)
Net loss recognised directly in stockholders' equity	-	-	(446)	-	(446)
Net profit	-	-	-	433,038	433,038
Total (expense)/income recognised in current year	-	-	(446)	433,038	432,592
Dividends	-	-	-	(137,917)	(137,917)
<b>Balance at 28 April 2007</b>	<b>1,199,277</b>	<b>765,137</b>	<b>136,655</b>	<b>2,354,444</b>	<b>3,256,236</b>
Unrealised gains on available-for-sale securities	-	-	906	-	906
Net gain recognised directly in stockholders' equity	-	-	906	-	906
Net profit	-	-	-	447,711	447,711
Total income recognised in current year	-	-	906	447,711	448,617
Dividends	-	-	-	(155,906)	(155,906)
<b>Balance at 3 May 2008</b>	<b>1,199,277</b>	<b>765,137</b>	<b>137,561</b>	<b>2,646,249</b>	<b>3,548,947</b>

# Jamaica Broilers Group Limited

## Company Statement of Cash Flows

Year ended 3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

	Note	3 May 2008 \$'000	28 April 2007 \$'000
<b>Cash Flows from Operating Activities</b>			
Net profit		447,711	433,038
Adjustments for:			
Depreciation	12	188,809	167,979
Amortisation	13	13,044	11,253
Loss on disposal of property, plant and equipment	6	1,110	904
Fair value loss on financial assets at fair value through profit or loss		233	1,772
Changes in post-employment benefits		10,700	(29,000)
Taxation expense	10	156,637	197,078
Interest income	6	(38,556)	(51,995)
Dividend income	6	(142,927)	(68,205)
Unrealised foreign exchange gains		(16,340)	(6,899)
Interest expense	9	210,287	70,129
		<u>830,708</u>	<u>726,054</u>
Changes in operating assets and liabilities:			
Inventories		(344,729)	(270,451)
Biological assets		(53,184)	8,037
Receivables		(97,483)	(176,421)
Subsidiaries		(396,855)	97,190
Payables		317,237	389,912
Financial assets at fair value through profit or loss		-	59,057
		<u>255,694</u>	<u>833,378</u>
Taxation paid		<u>(231,091)</u>	<u>(148,596)</u>
Cash provided by operating activities		<u>24,603</u>	<u>684,782</u>

# Jamaica Broilers Group Limited

## Company Statement of Cash Flows

### Year ended 3 May 2008 (Continued)

(expressed in Jamaican dollars unless otherwise indicated)

		<b>3 May</b>	<b>28 April</b>
		<b>2008</b>	<b>2007</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities (Page 9)</b>		24,603	684,782
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	12	(1,281,974)	(1,483,124)
Proceeds from disposal of property, plant and equipment		4,508	7,991
Purchase of intangible asset	13	(2,558)	(13,900)
Proceeds from sale of investments		138,081	-
Refund from pension plan	16	-	200,000
Interest received		36,636	50,522
Dividend received		142,927	68,205
Cash used in investing activities		<u>(962,380)</u>	<u>(1,170,306)</u>
<b>Cash Flows from Financing Activities</b>			
Long term loans repaid		(73,609)	(57,734)
Long term loans received		828,810	146,000
Interest paid		(201,292)	(71,949)
Dividends paid		<u>(137,917)</u>	<u>(137,917)</u>
Cash provided by/(used in) financing activities		<u>415,992</u>	<u>(121,600)</u>
Decrease in cash and cash equivalents		(521,785)	(607,124)
Effect of changes in exchange rates on cash and cash equivalents		12,170	3,538
Cash and cash equivalents at beginning of year		<u>(329,851)</u>	<u>273,735</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	21	<u><u>(839,466)</u></u>	<u><u>(329,851)</u></u>

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 1. Identification

Jamaica Broilers Group Limited (the company) is a company limited by shares, incorporated and domiciled in Jamaica. Its registered office is located at Content, McCooks Pen, St. Catherine. The company was incorporated in 1958.

The principal activities of the company and its subsidiaries (the Group) include the production and distribution of poultry, beef, fish, animal feeds and agricultural items (Note 2(b)).

During the year, one of the company's subsidiaries, JB Ethanol Limited, commenced the processing and sale of fuel grade ethanol.

The company is listed on the Jamaica Stock Exchange.

## 2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

The consolidated financial statements of Jamaica Broilers Group Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) under the historical cost convention, as modified by the revaluation of certain financial assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

### ***Standard, interpretation and amendment to published standards effective in current year that are relevant to the Group's operations***

- IFRS 7, Financial instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. This standard does not have any impact on the classification and valuation of the Group's financial instruments. IFRS 7 supersedes IAS 30 (Disclosures in the Financial Statements of Banks and Similar Financial Institutions) and the disclosure requirements of IAS 32 (Financial Instruments: Presentation).
- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

***Interpretations and amendment to published standard effective in current year that are not relevant to the Group's operations***

- IFRIC 11, IFRS 2 – Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007).
- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006).
- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006).

### ***Standard early adopted by the Group***

IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.

### ***Standards, interpretations and amendments to published standards not yet effective and have not been early adopted by the Group***

- IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 1 January 2008, earlier application is permitted). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply IFRIC 14 from 4 May 2008, but it is not expected to have a material impact on the Group's financial statements.
- IFRIC 13, Customer Loyalty Programmes (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The Group will apply IFRIC 13 from 3 May 2009.
- IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements (effective for annual periods beginning on or after 1 July 2009). The revised IFRS replaces IFRS 3 (as issued in 2004) and comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Earlier application is permitted, provided that IAS 27 (as amended in 2008) is applied at the same time. The Group will apply these amendments from 1 May 2010.

The main changes the revised IFRS 3 and amended IAS 27 will make to existing requirements or practice include: partial acquisitions, step acquisitions, acquisition-related costs, contingent consideration and transactions with non-controlling interests.



# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (a) Basis of preparation (continued)

#### ***Standards, interpretations and amendments to published standards not yet effective and have not been early adopted by the Group (continued)***

- IAS 23 (Amendment), Borrowing Costs (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply IAS 23 (Amended) from 4 May 2008.
- IAS 1 Presentation of Financial Statements (Revised) (effective for annual periods beginning on or after 1 January 2009). The main objective in revising IAS 1 was to aggregate information in the financial statements on the basis of shared characteristics. IAS 1 will affect the presentation of owner changes in equity and of comprehensive income. It will not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRS. IAS 1 will require an entity to present, in a statement of changes in stockholders' equity, all owner changes in stockholders' equity. All non-owner changes in stockholders' equity (i.e. comprehensive income) will be required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). Components of comprehensive income will not be permitted to be presented in the statement of changes in stockholders' equity. Management is currently assessing the impact of these changes. The Group will apply IAS 1 (Revised) from 3 May 2009.

#### ***Interpretation and amendments to published standards issued that are not yet effective and not relevant to the Group's operations***

The Group has concluded that the following amendments and interpretation which are published and not yet effective are not relevant to its operations:

- IFRIC 12, Services Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).
- IAS 32 Financial Instruments: Presentation/IAS 1 Presentation of Financial Statements (Amendments) – Puttable Financial Instruments and Obligations Arising on Liquidation (effective for annual periods beginning on or after 1 January 2009).

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (b) Consolidation

#### Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 2. Summary of Significant Accounting Policies (Continued)

### (b) Consolidation (continued)

Subsidiaries (continued)

The consolidated financial statements include the financial statements of the company and its operating divisions and subsidiaries as follows:

	<u>Principal Activities</u>	<u>% Ownership at 3 May 2008</u>
<b>Resident in Jamaica:</b>		
<b>Operating divisions</b>		
Best Dressed Chicken	Poultry production and feed milling, feed sales / retailers of farming equipment and supplies	100
Best Dressed Foods	Distributors of chicken, beef and fish	100
Content Agricultural Products	Beef production	100
Jamaica Eggs Services	Pullet production	100
<b>Subsidiaries</b>		
Aquaculture Jamaica Limited and its wholly owned subsidiaries:		
Aqualapia Limited	Fish farming	100
Jamaica Freshwater Snapper Limited	Fish farming	100
T.Hart Farms Limited	Fish farming	100
Best Dressed Chicken Limited	Non-trading	100
Content Agricultural Products Limited	Property rental	100
Energy Associates Limited	Holding and investment company	100
CE Jamaica Inc.	Non-trading	100
EAL/ERI Co-generation Partners, LP	Generation of electricity	100
ERI Jam, LLC (subsidiary of ERI Services (St. Lucia) Limited)	Non-trading	100
JB Ethanol Limited (subsidiary of ERI Services (St. Lucia) Limited)	Ethanol production	100
Jabexco Limited	Non-trading	100
Jamaica Eggs Limited	Non-trading	100
Jamaica Poultry Breeders Limited	Hatching egg production	100
Levy Industries Limited	Property rental	100
Master Blend Feeds Limited	Property rental	100
JB. Trading Limited	Non-trading	100
Trafalgar Agriculture Development Limited	Non-trading	100
<b>Resident outside of Jamaica:</b>		
Atlantic United Insurance Company Limited, St. Lucia	Captive insurance	100
ERI Services (St. Lucia) Limited	Holding company	100
International Poultry Breeders LLC, U.S.A.	Hatching egg production	90
Jabexco Cayman Limited, Cayman	Non-trading	40
Wincorp International, Inc., U.S.A. and its subsidiary:	Procurers and distributors of agricultural and industrial supplies	100
Consolidated Freight and Shipping, Inc.	Ocean freight consolidator	100

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

### (d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met in relation to the Group's activities as described below:

#### Sales of goods

Sales are recognised upon delivery of products, customer acceptance of the products and collectibility of the related receivables is reasonably assured.

#### Interest income

Interest income is recognised in the profit and loss account for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investments and accrued discount on other discounted instruments.

#### Dividend income

Dividend income is recognised when the right to receive payment is established.

### (e) Foreign currency translation

#### (i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency.

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (e) Foreign currency translation (continued)

#### (iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities of foreign subsidiaries are translated into Jamaican dollars at year end rates and items affecting the profit and loss account are translated at average rates.
- All resulting exchange differences are recognised as a separate component of stockholders' equity.

### (f) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

#### (i) Current taxation

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

#### (ii) Deferred taxation

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred tax assets are recognised where it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

The tax effects of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

### (g) Property, plant and equipment

Property, plant and equipment are stated at historical cost, less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items. Land is carried at cost and is not depreciated. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Group or the cost of the item can be measured reliably.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (g) Property, plant and equipment (continued)

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their estimated useful lives. The expected useful lives are as follows:

Freehold buildings	11 – 100 years
Leasehold property	Life of lease
Plant, machinery and equipment	4 – 33 years
Furniture and fixtures	10 years
Motor vehicles	3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by comparing the proceeds with the carrying amount and are recognised in other income in the profit and loss account.

Repairs and maintenance expenditure are charged to the profit and loss account during the financial period in which they are incurred.

### (h) Intangible assets

#### (i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the acquisition date. Goodwill on acquisition of subsidiaries is included in intangible assets. Separately recognised goodwill is tested for impairment and carried at cost less accumulated impairment. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

An excess of the identifiable net assets acquired over the acquisition cost is treated as negative goodwill. Negative goodwill related to expected post-acquisition losses is taken to the profit and loss account during the period the future losses are recognised. Negative goodwill which does not relate to expected future losses is recognised as income immediately.

#### (ii) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated useful life of ten years for software on a straight line basis.

Costs associated with developing or maintaining computer software programmes are recognised as an expense as incurred.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (i) Impairment of non-financial assets

Property, plant and equipment and other non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### (j) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables, available-for-sale and held to maturity. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

#### (i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated as fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date. These assets are classified as current assets in the balance sheet.

#### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as 'trade and other receivables' in the balance sheet.

#### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity.

#### (iv) Available-for sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of them within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Available-for-sale financial assets are subsequently carried at fair value.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (j) Financial assets (continued)

#### (iv) Available-for sale financial assets (continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in stockholders' equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in stockholders' equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in stockholders' equity are included in the profit and loss account as other income. Interest on available-for-sale securities calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same and discounted cash flow analysis making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of a security below its cost is considered an indicator that the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously not recognised in profit or loss – is removed from stockholders' equity and recognised in the profit and loss account. Impairment losses recognised in the profit and loss account on equity instruments are not reversed through the profit and loss account. Impairment provisioning of trade receivables is described in Note 2(o).

#### Financial liabilities

The Group's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. These liabilities are classified as current and non-current liabilities.



# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (k) Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value.

Fair values are obtained from quoted market prices in active markets, including recent market transactions. Changes in the fair value of derivative instruments are recognised immediately in the profit and loss account.

### (l) Interest in subsidiaries

Interests in subsidiaries are stated at cost.

### (m) Employee benefits

#### (i) Pension obligations

The Group operates a defined benefit plan, the assets of which are generally held in separate trustee-administered funds. The pension obligations are determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

An overseas subsidiary operates a defined contribution plan. The subsidiary's contributions are based primarily on employee participation. Once the contributions have been paid, the subsidiary has no further legal or constructive obligations.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (m) Employee benefits (continued)

#### (ii) Other post-employment benefits

The Group also provides supplementary medical and life insurance benefits to qualifying employees upon retirement. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. These obligations are valued annually by independent qualified actuaries.

#### (iii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

#### (iv) Leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

#### (v) Profit-sharing and performance incentives

The Group recognises a liability and an expense for performance incentives and profit-sharing based on a formula that takes into consideration the profit before taxation after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

### (n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined as follows:

(i) Processed broilers, beef and fish at accumulated cost of growing and processing, or landed cost.

(ii) Finished feeds and fertilisers at cost of production.

(iii) All other items of inventory at landed cost or purchase price.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (o) Biological assets

Biological assets which include fish, cattle, poultry, and flocks in field including breeder, layer and pullets are stated at cost as no reliable measure for determining fair value has been identified. Cost is determined as the accumulated cost of livestock, feed, medication, and in respect of breeder flocks, accumulated production costs.

### (p) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account in administration and other expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited in the profit and loss account.

### (q) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand, short term deposits and investments with original maturity dates of ninety days or less, net of short term loans and bank overdrafts.

### (r) Trade payables

Trade payables are stated at cost.

### (s) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

### (t) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, if it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 2. Summary of Significant Accounting Policies (Continued)

### (u) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are recognised at the inception of the lease at the lower of the fair value of the leased asset or the present value of minimum lease payments. Each lease payment is allocated between the liability and interest charges so as to produce a constant rate of charge on the lease obligation. The interest element of the lease payments is charged to the profit and loss account over the lease period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

### (v) Dividends paid

Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved by the company's stockholders.

Dividends for the year that are declared after the balance sheet date are dealt with in the subsequent events note.

### (w) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year.

## 3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board approves written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. The Board has established functions/committees for managing and monitoring risks, as follows:

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 3. Financial Risk Management (Continued)

### (i) Treasury Function

The Treasury function is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group. The Treasury function identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

### (ii) Audit Committee

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The most important types of risk are credit risk, liquidity risk and market risk. Market risk includes currency risk, interest rate and other price risk.

### (a) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit exposures arise principally from the Group's receivables from customers and investment activities. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of related counterparties.

#### ***Credit review process***

The Group has an established credit process which involves regular analysis of the ability of borrowers and other counterparties to meet repayment obligations.

### (i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Customers of the Group include wholesalers, farm store and feed customers, and chicken and fish farmers. There is a credit policy in place under which each wholesaler and feed customer is analysed individually for creditworthiness prior to the Group offering them a credit facility. Customers are assigned credit limits, which represent the maximum credit allowable. The Group has procedures in place to restrict customer orders if the orders will exceed their credit limits. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group on a prepayment basis.

Credit risk relating to fish farmers is significantly reduced based on contracts the Group has with farmers who grow fish. Fingerlings, feed and medication are supplied to these farmers and the amounts treated as receivables. These farmers are then obliged to sell the harvested fish at an agreed price to the Group; at which time the receivables are offset.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Credit risk (continued)

#### *Credit review process (continued)*

#### (i) Trade and other receivables (continued)

The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored. Sales to farm store customers are settled in cash or by the use of major credit cards.

Credit risk is managed for ethanol sales by obtaining letters of credit from reputable overseas financial institutions.

The Group establishes a provision for impairment that represents its estimate of incurred losses in respect of trade and other receivables. Impairment is assessed for each customer balance over 30 days.

The Group's average credit period on the sale of goods is up to 30 days. The Group has provided fully for all receivables where collectibility is deemed doubtful. This is generally in relation to balances over 120 days.

#### (ii) Investments

The Group limits its exposure to credit risk by investing mainly in liquid securities, with counterparties that have high credit quality and Government of Jamaica securities. Accordingly, management does not expect any counterparty to fail to meet its obligations.

#### *Maximum exposure to credit risk*

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Credit risk exposures are as follows:				
Investments	114,417	345,638	8,855	215,935
Receivables	1,264,158	907,322	792,632	692,713
Financial assets at fair value through profit or loss	6,824	7,056	6,824	7,056
Cash and short term investments	804,859	665,627	660,648	560,424
	<u>2,190,258</u>	<u>1,925,643</u>	<u>1,468,959</u>	<u>1,476,128</u>

The above table represents a worst case scenario of credit risk exposure to the Group and company at 3 May 2008 and 28 April 2007.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Credit risk (continued)

#### *Ageing analysis of trade receivables that are past due but not impaired*

Trade receivables that are less than 30 days past due are not considered impaired. Trade receivables over 30 days are considered impaired.

#### *Ageing analysis of trade receivables that are past due and impaired*

As of 3 May 2008, trade receivables of \$101,755,000 (2007 - \$75,045,000) and \$92,737,000 (2007 - \$66,964,000) for the Group and company respectively were impaired. The amount of the provision was \$45,958,000 (2007 - \$51,237,000) and \$36,941,000 (2007 - \$43,120,000) for the Group and company, respectively. The impairment recognised represents an estimate of incurred losses in respect of trade receivables. The main components of the provision for impairment are a specific loss component that relates to individually significant exposures, and a collective loss component based on the time value of money. The impaired receivables mainly relate to wholesalers who are in unexpected difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered.

	The Group		The Company	
	3 May 2008	28 April 2007	3 May 2008	28 April 2007
	\$'000	\$'000	\$'000	\$'000
31 to 60 days	15,922	7,051	15,922	7,051
61 to 90 days	13,939	9,453	11,939	9,453
Over 91 days	71,894	58,541	64,876	50,460
	<u>101,755</u>	<u>75,045</u>	<u>92,737</u>	<u>66,964</u>

#### *Movement on the provision for impairment of trade receivables*

The movement on the provision for impairment of trade receivables was as follows:

	The Group		The Company	
	3 May 2008	28 April 2007	3 May 2008	28 April 2007
	\$'000	\$'000	\$'000	\$'000
At 28 April 2007	51,237	47,949	43,120	41,972
Provision for receivables impairment	23,909	13,569	19,161	9,722
Receivables written off during the year as uncollectible	(29,188)	(6,573)	(25,340)	(5,302)
Unused amounts reversed	-	(3,708)	-	(3,272)
At 3 May 2008	<u>45,958</u>	<u>51,237</u>	<u>36,941</u>	<u>43,120</u>

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Credit risk (continued)

#### *Movement on the provision for impairment of trade receivables (continued)*

The creation and release of provision for impaired receivables have been included in expenses in the profit and loss account. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than those listed above that were individually impaired.

#### *Exposure to credit risk for trade receivables*

The following table summarises the Group's and company's credit exposure for trade receivables at their carrying amounts, as categorised by the customer sector:

	The Group		The Company	
	3 May 2008	28 April 2007	3 May 2008	28 April 2007
In Jamaica -				
Supermarket chains	104,400	87,709	104,400	87,709
Wholesalers and retail distributors	369,246	361,035	369,246	361,035
Hotels	21,749	14,482	21,749	14,482
Contract farmers	87,549	79,605	-	-
Other	11,067	21,657	11,067	19,515
	594,011	564,488	506,462	482,741
Overseas customers	333,466	133,575	29,778	43,310
	927,477	698,063	536,240	526,051
Less: Provision for impairment and doubtful debts	(45,958)	(51,237)	(36,941)	(43,120)
	881,519	646,826	499,299	482,931

Overseas customers mainly relate to customers in the United States of America and Europe.



# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (a) Credit risk (continued)

#### *Exposure to credit risk for investments*

The following table summarises the Group's and company's credit exposure for investments at their carrying amounts, as categorised by issuer:

	The Group		The Company	
	3 May 2008	28 April 2007	3 May 2008	28 April 2007
Government of Jamaica	100,936	328,409	70,274	203,564
Financial institutions	377,121	254,763	258,660	254,763
Other	8,855	7,129	8,855	7,129
	486,912	590,301	337,789	465,456
Interest receivable	13,805	10,994	8,963	6,136
	<u>500,717</u>	<u>601,295</u>	<u>346,752</u>	<u>471,592</u>

### (b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions.

#### **Liquidity risk management process**

The Group's liquidity management process, as carried out within the Group and monitored by the Treasury function, includes:

- (i) Monitoring future cash flows on a daily basis and liquidity on a weekly basis. This incorporates an assessment of expected cash flows.
- (ii) Maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any unforeseen interruption to cash flow;
- (iii) Maintaining committed lines of credit;
- (iv) Optimising cash returns on investment;
- (v) Managing the concentration and profile of debt maturities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the Group. It is unusual for companies ever to be completely matched since business transacted is often of uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Financial liabilities cash flows

The tables below summarise the maturity profile of the Group's and company's financial liabilities at 3 May 2008 and 28 April 2007 based on contractual undiscounted payments.

	The Group				Total
	Within 3	3 to 12	1 to 5	Over	
	Months	Months	Years	5 Years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 3 May 2008</b>					
Payables	2,455,919	-	-	-	2,455,919
Borrowings	1,102,161	650,682	205,297	1,010,337	2,968,477
<b>Total financial liabilities (contractual maturity dates)</b>	<b>3,558,080</b>	<b>650,682</b>	<b>205,297</b>	<b>1,010,337</b>	<b>5,424,396</b>

	The Group				Total
	Within 3	3 to 12	1 to 5	Over 5	
	Months	Months	Years	Years	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>As at 28 April 2007</b>					
Payables	1,360,150	-	-	-	1,360,150
Borrowings	792,999	204,160	76,789	290,410	1,364,358
<b>Total financial liabilities (contractual maturity dates)</b>	<b>2,153,149</b>	<b>204,160</b>	<b>76,789</b>	<b>290,410</b>	<b>2,724,508</b>

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

Financial liabilities cash flows (continued)

	<b>The Company</b>				
	<b>Within 3</b>	<b>3 to 12</b>	<b>1 to 5</b>	<b>Over</b>	<b>Total</b>
	<b>Months</b>	<b>Months</b>	<b>Years</b>	<b>5 Years</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 3 May 2008</b>					
Payables	1,510,928	-	-	-	1,510,928
Borrowings	1,074,530	650,862	170,141	1,010,337	2,905,870
<b>Total financial liabilities</b> <b>(contractual maturity dates)</b>	<b>2,585,458</b>	<b>650,862</b>	<b>170,141</b>	<b>1,010,337</b>	<b>4,416,798</b>

	<b>The Company</b>				
	<b>Within 3</b>	<b>3 to 12</b>	<b>1 to 5</b>	<b>Over 5</b>	<b>Total</b>
	<b>Months</b>	<b>Months</b>	<b>Years</b>	<b>Years</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 28 April 2007</b>					
Payables	1,193,691	-	-	-	1,193,691
Borrowings	776,926	201,600	40,024	290,410	1,308,960
<b>Total financial liabilities</b> <b>(contractual maturity dates)</b>	<b>1,970,617</b>	<b>201,600</b>	<b>40,024</b>	<b>290,410</b>	<b>2,502,651</b>

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short term investments.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

#### *Off-balance sheet items – Contingent liabilities and commitments*

- (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 has guaranteed a loan facility of US\$210,000 with American Banking Company DBA Ameris for one of its subsidiaries, International Poultry Breeders, LLC.
- (c) The company has guaranteed a line of credit of up to US\$500,000 with an overseas bank for Wincorp International Corporation, a subsidiary.
- (d) The company has guaranteed up to US\$500,000 with an overseas financial institution for JB Ethanol Limited, a subsidiary.
- (e) The company has guaranteed \$388,000,000 in favour of various financial institutions for loans undertaken.
- (f) The Group and the company had capital commitments in respect of projects being undertaken of \$955,788,000 (2007 - \$374,220,000).
- (g) The Group has obligations under long term operating leases for premises. Future minimum lease payments under such commitments are as follows:

	<b>The Group</b>	
	<b>3 May 2008</b>	<b>28 April 2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Not later than 1 year	7,837	7,720
Later than 1 year and not later than 5 years	21,208	31,316
	<u>29,045</u>	<u>39,036</u>

- (h) The Group is subject to various claims, disputes and legal proceedings, in the normal course of business. Provisions are made for such matters when in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group and the amount can be reasonably estimated.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

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## 3. Financial Risk Management (Continued)

### (c) Market risk

The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates, interest rates and commodity prices. Market risk is monitored by the Group's Treasury function which carries out research and monitors the price movement of financial assets on the local and international markets. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

### (i) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in US dollars.

The Group's and the company's balance sheet at 3 May 2008 includes aggregate net foreign liabilities of approximately US\$32,897,000 (2007 – US\$12,621,000) and US\$27,439,000 (2007 – US\$15,198,000) in respect of transactions arising in the ordinary course of business respectively.

### **Foreign currency sensitivity**

The following tables indicate the currencies to which the Group and company had significant exposure on their monetary assets and liabilities and forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 3% change in foreign currency rates. The sensitivity of the profit is as a result of foreign exchange gains/losses on translation of US dollar-denominated investments classified as available for sale, trade receivables, and foreign exchange losses/gains on translation of US dollar-denominated borrowings. Profit is more sensitive to movements in currency/US dollar exchange rates in 2007/08 than 2006/07 because of the increased amount of US-dollar denominated borrowings. The sensitivity of stockholders' equity arose mainly from foreign exchange losses/gains on translation of US dollar-denominated investment securities classified as available-for-sale and investments in foreign subsidiaries. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (i) Currency risk (continued)

	The Group					
	% Change in Currency Rate	Effect on Net Profit	Effect on Equity	% Change in Currency Rate	Effect on Net Profit	Effect on Equity
		3 May 2008	3 May 2008		28 April 2007	28 April 2007
	2008	\$'000	\$'000	2007	\$'000	\$'000
Currency: USD	3	(75,654)	72,225	3	(35,739)	29,009

	The Company					
	% Change in Currency Rate	Effect on Net Profit	Effect on Equity	% Change in Currency Rate	Effect on Net Profit	Effect on Equity
		3 May 2008	3 May 2008		28 April 2007	28 April 2007
	2008	\$'000	\$'000	2007	\$'000	\$'000
Currency: USD	3	(60,817)	2,138	3	(37,100)	6,116

#### (ii) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk mainly arises from its long term investments. This risk is managed by analysing the economic environment and obtaining fixed rate loans when interest rates are expected to rise and floating rate loans when interest rates are expected to fall. The policy also requires it to manage the maturities of interest bearing financial assets and liabilities.

#### Investments

At 3 May 2008 and 28 April 2007, the Group's and the company's investments were fixed rate instruments.

#### Borrowings

At 3 May 2008 and 28 April 2007, the Group's and the company's borrowings were fixed rate instruments.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### (ii) Interest rate risk (continued)

##### Interest rate sensitivity

The following table indicates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, on the Group's and company's stockholders' equity. There is no impact of profit and loss account as all borrowings were at fixed rates.

The sensitivity of stockholders' equity is calculated by revaluing fixed rate available-for-sale financial assets for the effects of the assumed changes in interest rates.

	<u>The Group</u>	
	Effect on Equity 3 May 2008 \$'000	Effect on Equity 28 April 2007 \$'000
<b>Change in basis points:</b>		
-2%	4,485	6,671
+2%	(3,856)	(5,752)

#### (iii) Equity security and commodity price risk

Price 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 instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for sale or fair value through profit or loss. However, at 3 May 2008, the carrying amount of the Group's equity securities was \$13,509,000 (2007 - \$14,185,000) and therefore the Group is not significantly exposed to equities price risk.

The Group and the company are also exposed to price risk relating to corn, soya bean meal and ethanol.

The Group and the company enter into commodity contracts or related financial instruments in respect of its future usage requirements.

To manage price risk in the ethanol operation, purchases and related sales are effected on the same bases to the extent possible to create a natural hedge. In the few instances in which a mismatch occurs a short term financial hedging instrument may be used to minimize attendant risks.

To manage price risk on imported corn and soya bean meal, short term commodity instruments are used.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for its stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital as well as meet externally imposed capital requirements. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total stockholders' equity. The Board of Directors also monitors the level of dividends to ordinary stockholders.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'stockholders' equity' as shown in the consolidated balance sheet plus net borrowings.

During 2008, the Group's strategy, which was unchanged from 2007, was to maintain the gearing ratio below 1:1. The gearing ratios at 3 May 2008 and 28 April 2007 were as follows:

	<b>The Group</b>	
	<b>3 May 2008</b>	<b>28 April 2007</b>
	<b>\$'000</b>	<b>\$'000</b>
Net borrowings	1,076,669	317,949
Total capital	4,354,134	3,011,004
Gearing ratio	1:3	1:9

There were no changes to the Group's approach to capital management during the year.

The company and its subsidiaries complied with all externally imposed capital requirements to which they were subjected.



# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

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## 4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

### (a) Critical judgments in applying the Group's accounting policies

In the process of applying the Group's accounting policies, management has made no significant judgements regarding the amounts recognised in the financial statements.

### (b) Key sources of estimation uncertainty

#### *Income taxes*

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were originally recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. There were no significant estimates included in the income tax and deferred tax provision.

#### *Post-employment benefits*

Accounting for some post employment benefits requires the use of actuarial techniques to make a reliable estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods. These actuarial assumptions are based on management's best estimates of the variables that will determine the ultimate cost of providing post-employment benefits and comprise both demographic and financial assumptions. Variations in the financial assumptions can cause material adjustments in the next financial year, if it is determined that the actual experience differed from the estimate (Note 16).

## 5. Segmental Financial Information

The Group is organised into four primary business segments:

- |                            |   |  |
|----------------------------|---|--|
| (a) Poultry Operations     | - | The rearing of poultry for fertile egg production and for sale, as well as processed broilers and energy supply. |
| (b) Feed and Farm Supplies | - | The manufacture and sale of animal feeds, and the retailing of agricultural items.                               |
| (c) Fish Operations        | - | The grow out, processing and sale of fish.   |
| (d) Ethanol Operations     |   | The processing and export sale of fuel grade ethanol.  |

Other operations of the Group include the sale of feed ingredients and cattle rearing.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 5. Segmental Financial Information (Continued)

	2008						Group \$'000
	Poultry Operations \$'000	Feed and Farm Supplies \$'000	Fish Operations \$'000	Ethanol Operations \$'000	Other \$'000	Eliminations \$'000	
	External revenues	8,066,452	4,648,076	502,602	6,032,899	1,193,656	
Revenue from other segments	51,959	319,519	-	-	558,615	(930,093)	-
Total revenue	<u>8,118,411</u>	<u>4,967,595</u>	<u>502,602</u>	<u>6,032,899</u>	<u>1,752,271</u>	<u>(930,093)</u>	<u>20,443,685</u>
Segment result	<u>1,156,004</u>	<u>445,532</u>	<u>(79,255)</u>	<u>321,104</u>	<u>142,387</u>	<u>-</u>	<u>1,985,772</u>
Unallocated corporate expenses							<u>(754,170)</u>
Operating profit							<u>1,231,602</u>
Finance costs							<u>(328,087)</u>
Profit before tax							<u>903,515</u>
Taxation							<u>(163,199)</u>
Net profit							<u>740,316</u>
Segment assets	<u>5,720,989</u>	<u>1,245,653</u>	<u>568,056</u>	<u>2,893,862</u>	<u>817,489</u>	<u>(6,395,350)</u>	<u>4,850,699</u>
Unallocated corporate assets							<u>5,435,134</u>
Total assets							<u>10,285,833</u>
Segment liabilities	<u>2,389,640</u>	<u>598,547</u>	<u>537,165</u>	<u>2,597,056</u>	<u>462,206</u>	<u>(5,955,635)</u>	<u>628,979</u>
Unallocated corporate liabilities							<u>4,915,559</u>
Total liabilities							<u>5,544,538</u>
Other segment items-							
Capital expenditure	<u>604,674</u>	<u>5,388</u>	<u>59,313</u>	<u>896,726</u>	<u>61,983</u>	<u>-</u>	<u>1,628,084</u>
Amortisation	<u>9,747</u>	<u>664</u>	<u>1,064</u>	<u>-</u>	<u>1,921</u>	<u>-</u>	<u>13,396</u>
Depreciation	<u>219,561</u>	<u>1,342</u>	<u>22,957</u>	<u>59,570</u>	<u>30,140</u>	<u>-</u>	<u>333,570</u>

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

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## 5. Segmental Financial Information (Continued)

	2007					
	Poultry Operations	Feed and Farm Supplies	Fish Operations	Other	Eliminations	Group
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenues	6,510,721	3,478,510	514,853	986,216	-	11,490,300
Revenue from other segments	39,029	278,466	-	430,583	(748,078)	-
Total revenue	<u>6,549,750</u>	<u>3,756,976</u>	<u>514,853</u>	<u>1,416,799</u>	<u>(748,078)</u>	<u>11,490,300</u>
Segment result	<u>858,400</u>	<u>462,802</u>	<u>(23,412)</u>	<u>80,078</u>	<u>-</u>	<u>1,377,868</u>
Unallocated corporate expenses						<u>(593,144)</u>
Operating profit						<u>784,724</u>
Finance costs						<u>(75,716)</u>
Profit before tax						<u>709,008</u>
Taxation						<u>(196,869)</u>
Net profit						<u>512,139</u>
Segment assets	<u>4,078,020</u>	<u>1,054,018</u>	<u>587,558</u>	<u>2,311,313</u>	<u>(2,054,046)</u>	<u>5,976,863</u>
Unallocated corporate assets						<u>1,443,679</u>
Total assets						<u>7,420,542</u>
Segment liabilities	<u>972,013</u>	<u>585,461</u>	<u>503,316</u>	<u>380,146</u>	<u>(1,677,002)</u>	<u>763,934</u>
Unallocated corporate liabilities						<u>2,436,483</u>
Total liabilities						<u>3,200,417</u>
Other segment items- Capital expenditure	<u>530,116</u>	<u>5,498</u>	<u>29,299</u>	<u>35,047</u>	<u>-</u>	<u>599,960</u>
Unallocated capital expenditure						<u>958,406</u>
						<u>1,558,366</u>
Amortisation	<u>8,557</u>	<u>583</u>	<u>934</u>	<u>1,686</u>	<u>-</u>	<u>11,760</u>
Depreciation	<u>170,396</u>	<u>1,096</u>	<u>25,202</u>	<u>26,001</u>	<u>-</u>	<u>222,695</u>

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 6. Other Operating Income

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Dividend income	2,437	1,539	142,927	68,205
Fair value losses on financial assets at fair value through profit or loss	(233)	(4,681)	(233)	(4,681)
Insurance claim	24,645	29,249	12,184	-
Interest income	46,140	60,495	38,556	51,995
(Loss)/gain on sale of property, plant and equipment	(591)	20,212	(1,110)	(904)
Reinsurance commissions	-	14,926	-	-
Settlement	101,743	-	-	-
Other	18,614	17,593	15,602	12,937
	<u>192,755</u>	<u>139,333</u>	<u>207,926</u>	<u>127,552</u>

During the year one of the company's subsidiaries received a settlement from a customer failing to discharge its obligation under a contract.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

(expressed in Jamaican dollars unless otherwise indicated)

## 7. Expenses by Nature

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Auditors' remuneration	15,847	13,497	8,023	7,015
Advertising and promotions	221,145	179,985	219,729	178,570
Amortisation of intangible assets (Note 13)	13,396	11,760	13,044	11,253
Bad debts	20,827	10,881	17,135	7,171
Cleaning and sanitation	64,236	40,474	63,312	40,467
Computer expenses	120,363	106,747	113,953	103,264
Cost of inventories recognised as expense	12,278,658	6,187,588	8,342,067	6,616,117
Fuel	1,216,739	223,621	41,293	29,930
Depreciation (Note 12)	333,570	222,695	188,809	167,979
Donations and subscriptions	42,434	42,235	40,133	42,058
Insurance	273,412	170,724	218,497	151,942
Occupancy – rent and utilities	833,013	494,515	465,761	371,134
Legal and professional fees	90,059	79,520	73,326	72,157
Packaging	258,411	238,880	258,411	238,880
Repairs and maintenance	501,172	419,543	417,381	303,435
Security	99,915	75,539	88,083	71,931
Seasoning	43,647	24,701	43,647	24,701
Staff costs (Note 8)	2,063,633	1,881,554	1,679,911	1,555,905
Stationery	39,574	30,142	31,708	14,846
Supplies	92,136	65,107	83,438	65,091
Taxes and licenses	20,985	2,828	20,531	2,787
Travelling and entertainment	96,979	57,260	71,582	52,503
Trucking	301,958	234,913	256,480	191,366
Fiftieth anniversary celebrations	103,526	-	103,526	-
Other expenses	259,203	30,200	141,065	11,706
	<u>19,404,838</u>	<u>10,844,909</u>	<u>13,000,845</u>	<u>10,332,208</u>

Expenses by nature include the total of cost of sales, distribution costs, administration and other expenses.

The profit and loss account includes net foreign exchange losses of \$24,978,000 (2007 – \$87,000) for the Group.

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## 8. Staff Costs

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Wages, salaries and contractors' costs	1,667,622	1,595,547	1,369,119	1,307,819
Payroll taxes – Employer's portion	98,302	86,018	83,433	74,117
Pension costs - defined contribution plan	2,972	2,524	-	-
Pension costs - defined benefit plan (Note 16)	14,900	600	12,800	1,300
Post-retirement medical benefits (Note 16)	900	1,100	800	900
Termination costs	10,135	20,819	2,301	19,041
Other	268,802	174,946	211,458	152,728
	<u>2,063,633</u>	<u>1,881,554</u>	<u>1,679,911</u>	<u>1,555,905</u>

## 9. Finance Costs

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Foreign exchange losses	27,999	4,960	27,999	4,960
Interest expense	300,088	70,756	210,287	70,129
	<u>328,087</u>	<u>75,716</u>	<u>238,286</u>	<u>75,089</u>

## 10. 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 were 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 2006 by the Ministry of Finance and Planning.

# Jamaica Broilers Group Limited

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## 10. Taxation (Continued)

(b) Taxation is based on the profit for the year adjusted for tax purposes and comprises:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Current tax at 33 $\frac{1}{3}$ %	184,399	238,957	170,504	236,247
Prior year (over)/under-provision	(2,000)	2,370	(2,237)	2,348
Deferred taxation (Note 15)	(19,200)	(44,458)	(11,630)	(41,517)
	<u>163,199</u>	<u>196,869</u>	<u>156,637</u>	<u>197,078</u>

(c) The tax on the Group's and company's profit differs from the theoretical amount that would arise using the applicable tax rate of 33 $\frac{1}{3}$ %, as follows:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Profit before taxation	<u>903,515</u>	<u>709,008</u>	<u>604,348</u>	<u>630,116</u>
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	301,172	236,336	201,449	210,039
Adjusted for:				
Income not subject to tax	(161,506)	(89,392)	(50,292)	(28,304)
Deferred tax not recognised on tax losses	43,755	33,182	-	-
Exchange losses on subsidiary's loan recognised in stockholders' equity	(24,706)	-	-	-
Prior year (over)/under-provision - current tax	(2,000)	2,370	(2,237)	2,348
Prior year under-provision - deferred taxation	-	8,087	-	8,087
Expenses not deductible for tax purposes and other allowances	6,484	6,286	7,717	4,908
Income tax expense	<u>163,199</u>	<u>196,869</u>	<u>156,637</u>	<u>197,078</u>

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits of certain local subsidiaries amount to approximately \$70,933,000 (2007 – \$59,118,000).

## 11. Earnings Per Stock Unit

The calculation of earnings per ordinary stock unit is based on the Group net profit and 1,199,277,000 ordinary stocks units in issue.

# Jamaica Broilers Group Limited

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## 12. Property, Plant and Equipment

	The Group							
	2008							
	Freehold Land \$'000	Freehold Buildings \$'000	Leasehold Property \$'000	Plant, Machinery & Equipment \$'000	Furniture & Fixtures \$'000	Motor Vehicles \$'000	Capital Work in Progress \$'000	Total \$'000
At Cost -								
At 28 April 2007	111,546	1,335,908	68,106	1,996,932	428,665	379,344	987,483	5,307,984
Additions	-	50,103	285	70,797	24,400	41,939	1,440,560	1,628,084
Translation	815	697	214	4,766	103	868	-	7,463
Disposals	-	-	-	(6,003)	(11,878)	(16,757)	-	(34,638)
Transfers/reclassifications	-	188,580	-	1,037,807	639,215	2,850	(1,868,452)	-
At 3 May 2008	112,361	1,575,288	68,605	3,104,299	1,080,505	408,244	559,591	6,908,893
Depreciation -								
At 28 April 2007	-	440,741	40,397	903,481	270,139	272,122	-	1,926,880
Charge for the year	-	52,444	2,419	162,062	76,384	40,261	-	333,570
Translation	-	389	206	4,573	353	569	-	6,090
Relieved on disposals	-	-	-	(6,003)	(10,600)	(13,101)	-	(29,704)
At 3 May 2008	-	493,574	43,022	1,064,113	336,276	299,851	-	2,236,836
Net Book Value -								
At 3 May 2008	112,361	1,081,714	25,583	2,040,186	744,229	108,393	559,591	4,672,057



# Jamaica Broilers Group Limited

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## 12. Property, Plant and Equipment (Continued)

	The Group							Total
	2007							
	Freehold Land	Freehold Buildings	Leasehold Property	Plant, Machinery & Equipment	Furniture & Fixtures	Motor Vehicles	Capital Work in Progress	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At Cost -								
At 29 April 2006	44,006	1,122,334	67,949	1,818,997	367,929	355,812	21,497	3,798,524
Additions	67,740	9,193	-	71,076	39,938	48,164	1,322,255	1,558,366
Translation	600	513	157	16,390	85	555	-	18,300
Disposals	(800)	(12,382)	-	(23,946)	(4,295)	(25,783)	-	(67,206)
Transfers/reclassifications	-	216,250	-	114,415	25,008	596	(356,269)	-
At 28 April 2007	111,546	1,335,908	68,106	1,996,932	428,665	379,344	987,483	5,307,984
Depreciation -								
At 29 April 2006	-	413,190	37,724	798,118	232,987	256,601	-	1,738,620
Charge for the year	-	32,347	2,530	113,094	39,291	35,433	-	222,695
Translation	-	257	143	2,447	65	359	-	3,271
Relieved on disposals	-	(5,053)	-	(10,178)	(2,204)	(20,271)	-	(37,706)
At 28 April 2007	-	440,741	40,397	903,481	270,139	272,122	-	1,926,880
Net Book Value -								
At 28 April 2007	111,546	895,167	27,709	1,093,451	158,526	107,222	987,483	3,381,104

# Jamaica Broilers Group Limited

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## 12. Property, Plant and Equipment (Continued)

	The Company							Total
	2008							
	Freehold Land	Freehold Buildings	Leasehold Property	Machinery & Equipment	Furniture & Fixtures	Motor Vehicles	Capital Work in Progress	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At Cost -								
At 28 April 2007	78,183	723,233	15,890	1,313,162	374,287	324,739	983,180	3,812,674
Additions	-	86	-	21,967	23,767	31,840	1,204,314	1,281,974
Disposals	-	-	-	(5,371)	(11,878)	(14,273)	-	(31,522)
Transfers/reclassifications	-	-	-	9,050	-	(2,980)	(1,865,186)	(1,859,116)
At 3 May 2008	78,183	723,319	15,890	1,338,808	386,176	339,326	322,308	3,204,010
Depreciation -								
At 28 April 2007	-	179,425	1,778	668,598	241,787	239,044	-	1,330,632
Charge for the year	-	18,106	139	89,125	50,405	31,034	-	188,809
Relieved on disposals	-	-	-	(370)	(10,447)	(10,330)	-	(21,147)
Transfers	-	-	-	(4,318)	(153)	(287)	-	(4,758)
At 3 May 2008	-	197,531	1,917	753,035	281,592	259,461	-	1,493,536
Net Book Value -								
At 3 May 2008	78,183	525,788	13,973	585,773	104,584	79,865	322,308	1,710,474

# Jamaica Broilers Group Limited

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## 12. Property, Plant and Equipment (Continued)

	The Company							Total
	2007							
	Freehold Land	Freehold Buildings	Leasehold Property	Machinery & Equipment	Furniture & Fixtures	Motor Vehicles	Capital Work in Progress	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
At Cost -								
At 29 April 2006	10,443	522,860	15,890	1,168,846	315,892	312,427	14,248	2,360,606
Additions	67,740	-	-	40,619	37,619	36,555	1,300,591	1,483,124
Disposals	-	-	-	(1,985)	(4,232)	(24,839)	-	(31,056)
Transfers/reclassifications	-	200,373	-	105,682	25,008	596	(331,659)	-
At 28 April 2007	78,183	723,233	15,890	1,313,162	374,287	324,739	983,180	3,812,674
Depreciation -								
At 29 April 2006	-	164,832	1,639	584,697	206,038	227,608	-	1,184,814
Charge for the year	-	14,593	139	84,594	37,890	30,763	-	167,979
Relieved on disposals	-	-	-	(693)	(2,141)	(19,327)	-	(22,161)
At 28 April 2007	-	179,425	1,778	668,598	241,787	239,044	-	1,330,632
Net Book Value -								
At 28 April 2007	78,183	543,808	14,112	644,564	132,500	85,695	983,180	2,482,042

Included in property, plant and equipment for the Group are motor vehicles and equipment with net book value of \$nil (2007 - \$1,325,000), which are being acquired under finance leases.

An amount of \$15,918,000 (2007 - \$958,406,000) is included in capital work-in-progress which represents costs incurred in relation to the construction of an Ethanol Production Facility. An amount of \$1,859,116,000 was transferred to JB Ethanol Limited during the year.

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## 13. Intangible Asset

	<u>The Group</u>	<u>The Company</u>
	<u>Computer Software</u>	<u>Computer Software</u>
	<u>\$'000</u>	<u>\$'000</u>
Cost -		
At 29 April 2006	114,724	110,302
Additions	<u>13,900</u>	<u>13,900</u>
At 28 April 2007	128,624	124,202
Additions	<u>2,558</u>	<u>2,558</u>
At 3 May 2008	<u>131,182</u>	<u>126,760</u>
Amortisation -		
At 29 April 2006	15,083	14,380
Charge for the year	<u>11,760</u>	<u>11,253</u>
At 28 April 2007	26,843	25,633
Charge for the year	<u>13,396</u>	<u>13,044</u>
At 3 May 2008	<u>40,239</u>	<u>38,677</u>
Net Book Value -		
3 May 2008	<u>90,943</u>	<u>88,083</u>
28 April 2007	<u>101,781</u>	<u>98,569</u>

# Jamaica Broilers Group Limited

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## 14. Investments

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Available-for-sale-				
Government of Jamaica securities	100,936	129,703	-	-
Quoted equities	6,231	4,506	6,231	4,506
Unquoted equities	2,624	2,623	2,624	2,623
	<u>109,791</u>	<u>136,832</u>	<u>8,855</u>	<u>7,129</u>
Held-to-maturity -				
Government of Jamaica securities	-	198,706	-	203,564
Interest receivable	4,626	10,100	-	5,242
	<u>114,417</u>	<u>345,638</u>	<u>8,855</u>	<u>215,935</u>

The weighted average effective interest rate on Government of Jamaica securities was 11.75% (2007 – 12.44%).

## 15. Deferred Income Taxes

Deferred income taxes are calculated on all temporary differences under the liability method using an effective tax rate of 33½ %.

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Deferred tax assets	(6,174)	(1,240)	-	-
Deferred tax liabilities	328,011	342,277	280,504	292,134
	<u>321,837</u>	<u>341,037</u>	<u>280,504</u>	<u>292,134</u>

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Balance at start of year	341,037	385,495	292,134	333,651
Credited to profit and loss account (Note 10)	(19,200)	(44,458)	(11,630)	(41,517)
Balance as at end of year	<u>321,837</u>	<u>341,037</u>	<u>280,504</u>	<u>292,134</u>

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## 15. Deferred Income Taxes (Continued)

The deferred tax assets and liabilities at the end of the year are as follows:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Deferred income tax assets -				
Accrued vacation	7,242	12,635	6,354	11,797
Tax losses unused	23,645	19,706	-	-
Unrealised foreign exchange losses	3,100	-	4,054	-
Other	9,571	11,969	9,171	6,479
	<u>43,558</u>	<u>44,310</u>	<u>19,579</u>	<u>18,276</u>
Deferred income tax liabilities -				
Accelerated tax depreciation	315,579	330,353	270,029	275,794
Pension and other post-employment benefits	33,933	41,633	27,066	30,633
Unrealised foreign exchange gains	-	2,154	-	1,938
Other	15,883	11,207	2,988	2,045
	<u>365,395</u>	<u>385,347</u>	<u>300,083</u>	<u>310,410</u>
Net deferred tax liability	<u>321,837</u>	<u>341,037</u>	<u>280,504</u>	<u>292,134</u>

The deferred tax credited in the profit and loss account comprises the following temporary differences:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Accelerated tax depreciation	(14,774)	21,962	(5,765)	18,952
Accrued vacation	5,393	(1,426)	5,443	(2,612)
Post-employment benefits	(7,700)	(55,267)	(3,567)	(57,100)
Tax losses	(3,939)	(11,818)	-	-
Unrealised foreign exchange losses/gains	(5,254)	544	(5,992)	328
Other temporary differences	7,074	1,547	(1,749)	(1,085)
	<u>(19,200)</u>	<u>(44,458)</u>	<u>(11,630)</u>	<u>(41,517)</u>

Deferred income tax liabilities have not been provided for in respect of the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totalled \$631,216,000 (2007 - \$338,611,000).

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable.

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## 15. Deferred Income Taxes (Continued)

These balances include the following:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Deferred tax assets -				
Deferred tax assets to be recovered after more than 12 months	31,281	19,706	-	-
Deferred tax assets to be recovered within 12 months	21,013	24,604	19,579	18,276
	<u>52,294</u>	<u>44,310</u>	<u>19,579</u>	<u>18,276</u>
Deferred tax liabilities -				
Deferred tax liabilities to be recovered after more than 12 months	366,337	371,986	297,095	306,427
Deferred tax liabilities to be recovered within 12 months	7,794	13,361	2,988	3,983
	<u>374,131</u>	<u>385,347</u>	<u>300,083</u>	<u>310,410</u>
Net deferred tax liability	<u>321,837</u>	<u>341,037</u>	<u>280,504</u>	<u>292,134</u>

## 16. Post-employment Benefits

Amounts recognised in the balance sheet are as follows:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Pension scheme benefits	119,000	131,400	87,800	98,400
Post-employment medical benefits	<u>(8,000)</u>	<u>(7,700)</u>	<u>(6,600)</u>	<u>(6,500)</u>
Amounts recognised in the profit and loss account (Note 8) -				
Pension scheme benefits	14,900	600	12,800	1,300
Post-employment medical benefits	900	1,100	800	900
	<u>15,800</u>	<u>1,700</u>	<u>13,600</u>	<u>2,200</u>

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## 16. Post-employment Benefits (Continued)

### (a) Pension scheme benefits

The Group participates in a defined benefit scheme, which is open to all permanent employees and administered by an external agency. The plan provides benefits to members based on average earnings for the final two years service or the two years in which the highest salaries of the employee have been earned. The defined benefit scheme is valued by independent actuaries annually using the Projected Unit Credit Method. The latest actuarial valuation was carried out as at 30 April 2008.

The defined benefit asset recognised in the balance sheet was determined as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>
Fair value of plan assets	1,395,100	1,129,900	1,252,100	1,021,000
Present value of obligations	(893,900)	(813,500)	(802,300)	(735,100)
	501,200	316,400	449,800	285,900
Unrecognised actuarial gains	(382,200)	(185,000)	(362,000)	(187,500)
	<u>119,000</u>	<u>131,400</u>	<u>87,800</u>	<u>98,400</u>

Pension plan assets include investment in ordinary stock units of the company with a fair value of \$27,370,000 (2007 - \$21,403,000).

The movement in the defined benefit asset during the year was as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>
At start of year	131,400	298,200	98,400	269,400
Refund to company	-	(200,000)	-	(200,000)
Amounts recognised in the profit and loss account (Note 8)	(14,900)	(600)	(12,800)	(1,300)
Contributions paid	2,500	33,800	2,200	30,300
At end of year	<u>119,000</u>	<u>131,400</u>	<u>87,800</u>	<u>98,400</u>



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## 16. Post-employment Benefits (Continued)

### (a) Pension scheme benefits (continued)

The movement in the present value of obligations was as follows:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
At start of year	813,500	683,600	735,100	621,300
Current service cost	69,100	65,800	61,800	58,900
Interest cost	104,100	78,800	94,000	71,500
Benefits paid	(15,100)	(31,500)	(14,400)	(29,800)
Annuities purchased	-	(23,000)	-	(21,700)
Actuarial (gain)/loss on obligations	(77,700)	39,800	(74,200)	34,900
At end of year	<u>893,900</u>	<u>813,500</u>	<u>802,300</u>	<u>735,100</u>

The movement in the fair value of plan assets was as follows:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
At start of year	1,129,900	1,206,900	1,021,000	1,096,900
Members' contribution	39,300	31,800	35,000	28,600
Employer's contribution	2,500	33,800	2,200	30,300
Expected return on plan assets	114,300	106,200	103,200	95,100
Annuities purchased	-	(23,000)	-	(21,700)
Refund to company	-	(200,000)	-	(200,000)
Benefits paid	(15,100)	(31,500)	(14,400)	(29,800)
Actuarial gain on plan assets	124,200	5,700	105,100	21,600
At end of year	<u>1,395,100</u>	<u>1,129,900</u>	<u>1,252,100</u>	<u>1,021,000</u>

# Jamaica Broilers Group Limited

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## 16. Post-employment Benefits (Continued)

### (a) Pension scheme benefits (continued)

The amount recognised in the profit and loss account is determined as follows:

	The Group		The Company	
	3 May 2008	28 April 2007	3 May 2008	28 April 2007
	\$'000	\$'000	\$'000	\$'000
Current service cost	29,100	33,900	26,800	30,300
Interest cost	104,100	78,800	94,000	71,500
Expected return on plan assets	(114,300)	(106,200)	(103,200)	(95,100)
Net actuarial gains recognised in year	(4,000)	(5,900)	(4,800)	(5,400)
Total included in staff costs (Note 8)	14,900	600	12,800	1,300
Actual return on plan assets	238,500	111,900	208,300	116,700

The principal actuarial assumptions used were as follows:

	3 May 2008	28 April 2007
Discount rate	13.0%	12.0%
Expected return on plan assets	12.5%	10.0%
Future salary increases	10.0%	9.0%
Future pension increases	5.0%	5.0%
Remaining working lives - years	18.0	17.0

### (b) Post-employment medical benefits

In addition to pension benefits, the Group offers qualifying retirees medical and life insurance benefits. Funds are not built up to cover the obligations under these retirement benefit schemes. The method of accounting and frequency of valuations are similar to those used for the defined benefit pension scheme. In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long term increase in health costs of 12% per year (2007 - 11% per year).

# Jamaica Broilers Group Limited

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## 16. Post-employment Benefits (Continued)

### (b) Post-employment medical benefits (continued)

The liability recognised in the balance sheet was determined as follows:

	The Group		The Company	
	3 May 2008	28 April 2007	3 May 2008	28 April 2007
	\$'000	\$'000	\$'000	\$'000
Present value of unfunded obligations	8,500	8,500	7,500	6,800
Unrecognised actuarial losses	(500)	(800)	(900)	(300)
	<u>8,000</u>	<u>7,700</u>	<u>6,600</u>	<u>6,500</u>

The movement in the liability during the year was as follows:

	The Group		The Company	
	3 May 2008	28 April 2007	3 May 2008	28 April 2007
	\$'000	\$'000	\$'000	\$'000
At start of year	7,700	7,500	6,500	6,200
Amounts recognised in the profit and loss account (Note 8)	900	1,100	800	900
Contributions paid	(600)	(900)	(700)	(600)
At end of year	<u>8,000</u>	<u>7,700</u>	<u>6,600</u>	<u>6,500</u>

The movement in the present value of obligations was as follows:

	The Group		The Company	
	3 May 2008	28 April 2007	3 May 2008	28 April 2007
	\$'000	\$'000	\$'000	\$'000
At start of year	8,500	9,000	6,800	7,600
Interest cost	900	1,100	800	900
Benefits paid	(800)	(800)	(700)	(600)
Actuarial (gain)/loss on obligation	(100)	(800)	600	(1,100)
At end of year	<u>8,500</u>	<u>8,500</u>	<u>7,500</u>	<u>6,800</u>

# Jamaica Broilers Group Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

## 16. Post-employment Benefits (Continued)

(b) Post-employment medical benefits (continued)

The amount recognised in the profit and loss account is as follows:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Interest cost, included in staff costs (Note 8)	900	1,100	800	900

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	The Group		The Company	
	3 May 2008 \$'000 Decrease	28 April 2007 \$'000 Increase	3 May 2008 \$'000 Decrease	28 April 2007 \$'000 Increase
Effect on the aggregate of current service cost and interest cost	100	100	90	90
Effect on the defined benefit obligation	600	600	540	540
	700	700	630	630

(c) Distribution of pension plan assets -

	The Group			
	3 May 2008 \$'000	3 May 2008 %	28 April 2007 \$'000	28 April 2007 %
Equities	381,100	27	372,600	33
Property	265,900	19	240,900	21
Government securities and reverse repurchase agreements	530,400	38	386,511	34
Corporate bonds	71,600	5	57,400	5
Leased assets	55,900	4	39,700	4
Other	90,200	6	32,789	3
	1,395,100	100	1,129,900	100

# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

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## 16. Post-employment Benefits (Continued)

(c) Distribution of pension plan assets (continued) -

	<b>The Company</b>			
	<b>3 May 2008</b>	<b>3 May 2008</b>	<b>28 April 2007</b>	<b>28 April 2007</b>
	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>%</b>
Equities	308,655	27	336,689	33
Property	215,354	19	217,682	21
Government securities and reverse repurchase agreements	429,574	38	349,259	34
Corporate bonds	57,989	5	51,868	5
Leased assets	45,274	4	-	-
Other	73,054	7	65,502	7
	<u>1,129,900</u>	<u>100</u>	<u>1,021,000</u>	<u>100</u>

(d) Other pension plan disclosures -

Expected contributions to post-employment plan for the year ending 3 May 2009 are \$2,850,000 and \$2,540,000 for the Group and company respectively.

The expected return on plan assets is based on market expectation of inflation plus a margin for real returns on a balanced portfolio.

### ***Pension scheme benefits***

The five-year trend for the defined benefit obligation and experience adjustments is as follows:

	<b>The Group</b>				
	<b>2008 \$'000</b>	<b>2007 \$'000</b>	<b>2006 \$'000</b>	<b>2005 \$'000</b>	<b>2004 \$'000</b>
Fair value of plan assets	1,395,100	1,129,900	1,206,900	1,185,200	920,600
Present value of defined benefit obligation	(893,900)	(813,500)	(683,600)	(525,300)	(415,300)
Surplus	501,200	316,400	523,300	659,900	505,300
Experience adjustments to plan liabilities	19,900	(39,800)	5,500	12,300	13,100
Experience adjustments to plan assets	124,200	(5,700)	144,900	(134,900)	(374,400)

# Jamaica Broilers Group Limited

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3 May 2008

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## 16. Post-employment Benefits (Continued)

(d) Other pension plan disclosures (continued)-

### *Pension scheme benefits (continued)*

	<b>The Company</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Fair value of plan assets	1,252,100	1,021,000	1,096,900	1,076,000	829,500
Present value of defined benefit obligation	(802,300)	(735,100)	(621,300)	(476,900)	(374,100)
Surplus	449,800	285,900	475,600	599,100	455,400
Experience adjustments to plan liabilities	(77,700)	33,900	(12,700)	5,600	3,900
Experience adjustments to plan assets	105,100	(21,600)	153,000	(130,700)	(338,600)

### *Post-employment medical benefits*

	<b>The Group</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of unfunded obligation	7,500	8,500	9,000	8,600	8,600
Experience adjustments to plan liabilities	(700)	1,100	800	780	770

	<b>The Company</b>				
	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Present value of unfunded obligation	7,500	6,800	7,600	7,300	7,300
Experience adjustments to plan liabilities	(700)	1,100	1,300	1,250	1,300

# Jamaica Broilers Group Limited

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## 17. Inventories

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Alcohol and ethanol	101,389	-	-	-
Grain and feed ingredients	572,912	418,501	557,355	396,239
Inventories for resale and spares	602,631	515,872	540,634	492,878
Processed broilers, beef and fish	418,300	290,064	402,381	272,891
Goods in transit and others	854,589	98,169	97,837	94,314
	2,549,821	1,322,606	1,598,207	1,256,322
Less: Provision for obsolescence	(10,072)	(13,136)	(8,570)	(11,414)
	<u>2,539,749</u>	<u>1,309,470</u>	<u>1,589,637</u>	<u>1,244,908</u>

## 18. Biological Assets

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Cattle	38,398	44,333	38,398	44,333
Fish	131,757	108,973	-	-
Poultry	493,297	409,962	276,056	216,937
	<u>663,452</u>	<u>563,268</u>	<u>314,454</u>	<u>261,270</u>

The movement in biological assets was determined as follows:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
At start of year	563,268	508,078	261,270	269,307
Increases due to purchases	3,238,147	3,075,537	2,985,667	2,587,987
Decreases due to sales	(3,137,963)	(3,020,347)	(2,932,483)	(2,596,024)
At end of year	<u>663,452</u>	<u>563,268</u>	<u>314,454</u>	<u>261,270</u>

# Jamaica Broilers Group Limited

Notes to the Financial Statements

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## 19. Receivables

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Trade receivables	927,477	698,063	536,240	526,051
Less: Provision for impairment and doubtful debts	(45,958)	(51,237)	(36,941)	(43,120)
	881,519	646,826	499,299	482,931
Contract farmers' receivables	87,061	38,629	87,061	38,629
Deposits	1,142	14,237	862	14,237
G.C.T recoverable	70,527	5,636	15,045	5,636
Insurance claims receivable	2,142	6,554	2,142	2,460
Prepayments	146,026	98,070	123,682	86,513
Staff receivables	25,190	19,778	25,004	19,778
Other	62,145	89,186	51,131	54,123
	1,275,752	918,916	804,226	704,307
Less: Provision for doubtful debts	(11,594)	(11,594)	(11,594)	(11,594)
	<u>1,264,158</u>	<u>907,322</u>	<u>792,632</u>	<u>692,713</u>

## 20. Financial Assets at Fair Value through Profit or Loss

This represents quoted shares designated at fair value on initial recognition.

Changes in fair values of financial assets at fair value through profit or loss are included in other operating income in the profit and loss account (Note 6).

## 21. Cash and Short Term Investments

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Cash at bank and in hand	418,559	409,970	322,751	304,767
Short term investments	377,121	254,763	328,934	254,763
	795,680	664,733	651,685	559,530
Interest receivable	9,179	894	8,963	894
	<u>804,859</u>	<u>665,627</u>	<u>660,648</u>	<u>560,424</u>



# Jamaica Broilers Group Limited

Notes to the Financial Statements

3 May 2008

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## 21. Cash and Short Term Investments (Continued)

The weighted average effective interest rate on short term deposits was 7.50% (2007 – 7.45%). These deposits have an average maturity of 14 days (2007 – 21 days).

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Cash and short term investments	727,422	665,627	583,212	560,424
Short term borrowings and bank overdraft (Note 24)	(1,444,062)	(897,100)	(1,422,678)	(890,275)
	<u>(716,640)</u>	<u>(231,473)</u>	<u>(839,466)</u>	<u>(329,851)</u>

Short term borrowings and bank overdraft include interest payable of \$17,079,000 (2007 - \$11,187,000) for the Group and company.

## 22. Payables

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
Accrued charges	258,724	288,337	214,726	262,535
Contractors retention payable	1,869	12,749	983	12,749
Ethanol Project payables	-	134,411	-	134,411
Statutory contributions payable	22,987	16,828	22,488	16,438
Staff related payables	12,226	24,033	10,299	24,033
Trade payables	1,999,865	741,136	1,108,255	632,072
Unclaimed cheques	35,434	29,458	34,159	29,458
Other	124,814	113,198	120,018	81,995
	<u>2,455,919</u>	<u>1,360,150</u>	<u>1,510,928</u>	<u>1,193,691</u>

# Jamaica Broilers Group Limited

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## 23. Dividends

	<u>The Group and The Company</u>	
	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>
First interim – 5.0 cents per stock unit ( 2007 – 5.0 cents), paid	59,964	59,964
Second interim – 8.0 cents per stock unit (2007 – 6.5 cents), declared	<u>95,942</u>	<u>77,953</u>
	<u><u>155,906</u></u>	<u><u>137,917</u></u>

## 24. Borrowings

	<u>The Group</u>		<u>The Company</u>	
	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>
Non-Current -				
Borrowings	<u>821,008</u>	<u>231,845</u>	<u>793,339</u>	<u>202,743</u>
Current -				
Short term borrowings and bank overdraft	1,426,984	885,913	1,405,599	879,088
Current portion of non-current borrowings	245,225	83,614	239,849	72,832
Interest payable	<u>27,514</u>	<u>13,677</u>	<u>27,514</u>	<u>13,597</u>
	<u>1,699,723</u>	<u>983,204</u>	<u>1,672,962</u>	<u>965,517</u>
	<u><u>2,520,731</u></u>	<u><u>1,215,049</u></u>	<u><u>2,466,301</u></u>	<u><u>1,168,260</u></u>

# Jamaica Broilers Group Limited

Notes to the Financial Statements

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## 24. Borrowings (Continued)

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

	<b>The Group</b>		<b>The Company</b>	
	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>
(a) Bank of Nova Scotia/Development Bank of Jamaica -13%	12,100	20,167	12,100	20,167
(b) Development Bank of Jamaica – 9.5%	2,285	11,128	-	-
(c) Citibank N.A. – 6.4%	20,304	34,808	20,304	34,808
(d) Citibank N.A. /Development Bank of Jamaica – 13%	171,006	220,600	171,006	220,510
(e) Various financial institutions - 13%	299,065	-	299,065	-
(f) Various financial institutions – 14%	318,522	-	318,522	-
(g) The National Export-Import Bank of Jamaica Limited – 12%	223,270	-	223,270	-
(h) Sundry mortgages and loans	30,760	28,756	-	90
	<u>1,077,312</u>	<u>315,459</u>	<u>1,044,267</u>	<u>275,575</u>
Less: Transaction costs	(11,079)	-	(11,079)	-
	<u>1,066,233</u>	<u>315,459</u>	<u>1,033,188</u>	<u>275,575</u>
Less: Current portion of non current borrowings	(245,225)	(83,614)	(239,849)	(72,832)
	<u>821,008</u>	<u>231,845</u>	<u>793,339</u>	<u>202,743</u>

Negative pledges have been issued in respect of 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.

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 3 May 2008, the Group and the company were in compliance with these requirements.

# Jamaica Broilers Group Limited

Notes to the Financial Statements

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## 25. Share Capital

	Number of Stock Units '000	Ordinary Stock Units \$'000
3 May 2008	1,199,277	765,137
28 April 2007	1,199,277	765,137

The total authorised number of ordinary shares is 1,209,324,000 shares (2007 – 1,209,324,000).

The stock units in 2007 and 2008 are stated in these financial statements without a nominal or par value.

## 26. Capital Reserve

	The Group		The Company	
	3 May 2008 \$'000	28 April 2007 \$'000	3 May 2008 \$'000	28 April 2007 \$'000
At start of year -				
Realised capital gains	32,618	32,618	3,227	3,227
Unrealised surplus on revaluations	399,975	399,975	139,198	139,198
Fair value gain on available-for-sale securities	3,121	5,935	2,916	3,362
Translation loss on subsidiary assumed	-	-	(8,686)	(8,686)
Gains on translation of financial statements of foreign subsidiaries	326,219	281,549	-	-
	761,933	720,077	136,655	137,101
Movements dsuring the year -				
Fair value (loss)/gain on available for sale securities	(1,082)	(2,814)	906	(446)
Translation (loss)/gain	(62,158)	44,670	-	-
At end of year	698,693	761,933	137,561	136,655
Consisting of -				
Realised capital gains	32,618	32,618	3,227	3,227
Unrealised surplus on revaluations	399,975	399,975	139,198	139,198
Fair value gains on available-for-sale securities	2,039	3,121	3,822	2,916
Translation loss on subsidiary assumed	-	-	(8,686)	(8,686)
Gains on translation of financial statements of foreign subsidiaries	264,061	326,219	-	-
	698,693	761,933	137,561	136,655

# Jamaica Broilers Group Limited

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## 27. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions.

Related parties include fellow subsidiaries, directors and key management.

(i) The following transactions were carried out with related parties:

	<u>The Company</u>	
	<b>3 May</b>	<b>28 April</b>
	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>
With fellow subsidiaries-		
Dividend income	140,491	67,800
Interest and other expenses paid	46,449	47,437
Interest and other income earned	2,738	16,350
Purchases	1,911,222	1,640,597
Sales	325,333	246,272
Rental expense	7,020	7,020
	<u>2,433,253</u>	<u>2,025,476</u>

	<u>The Group</u>		<u>The Company</u>	
	<b>3 May</b>	<b>28 April</b>	<b>3 May</b>	<b>28 April</b>
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
With directors and key management -				
Salaries, profit sharing and other short-term employee benefits	197,143	169,977	186,441	159,275
Statutory contributions	519	561	125	125
Pension benefits	1,716	4,396	1,302	4,028
Professional fees paid	3,993	7,985	3,993	7,985
	<u>203,371</u>	<u>182,919</u>	<u>191,861</u>	<u>171,413</u>
Directors' emoluments -				
Fees	14,840	17,700	14,840	17,700
Management remuneration (included above)	113,271	78,114	113,271	80,498

# Jamaica Broilers Group Limited

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## 27. Related Party Transactions and Balances (Continued)

(ii) Year end balances with directors and key management are as follows:

	<u>The Group</u>		<u>The Company</u>	
	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>	<b>3 May 2008 \$'000</b>	<b>28 April 2007 \$'000</b>
Loan	1,405	2,107	1,405	2,107
Receivables	<u>5,461</u>	<u>1,505</u>	<u>4,787</u>	<u>983</u>

The loan is interest free and repayable within three years. Receivables are repayable within 3 months.

## 28. Fair Value of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Market price is used to determine fair value where an active market (such as a recognised stock exchange) exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a significant number of the financial assets and liabilities held and issued by the Group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates.

The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

- (i) Investment securities at fair value through profit or loss are measured at fair value by reference to quoted prices when available. If quoted market prices are not available, then fair values are estimated on the basis of pricing models, or discounted cash flows. Fair value is equal to the carrying amount of these items;
- (ii) Investment securities classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, then fair values are based on pricing models or other recognised valuation techniques.
- (iii) The fair value of financial liabilities approximates to carrying value as the contractual cash flows are at current market interest rates that are available to the Group for similar financial instruments;
- (iv) The amounts included in the financial statements for receivables, cash and short term investments, payables and short term borrowings reflect their fair values due to the short term maturity of these instruments; and
- (v) Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.