

LATIN AMERICAN AGRIBUSINESS
DEVELOPMENT CORPORATION S.A.

AND LAAD CARIBE S.A.

(Republic of Panama Corporations)

AGENCY FOR INTERNATIONAL DEVELOPMENT
LOAN NUMBERS 538-T-005 AND 538-T-014

OCTOBER 31, 1984

LATIN AMERICAN AGRIBUSINESS DEVELOPMENT
CORPORATION S.A. AND LAAD CARIBE S.A.
(Republic of Panama Corporations)

CROSS-REFERENCE SHEET

<u>A.I.D. audit requirements per Attachment C of Implementation Letter No. 1 (No. 1.a. for loan number 538-T-014) to the A.I.D. Loan Agreement</u>		<u>Response by Independent Accountants</u>
No. I	- Sufficient scope	See - Report of Independent Accountants dated December 21, 1984
No. II 1.	- Short-form report	See - Report of Independent Accountants dated December 21, 1984
No. II 2.a.	- Generally accepted auditing standards	See - Report of Independent Accountants dated December 21, 1984 and accompanying letter report
No. II 2.b.	- Results of certain audit procedures	See - Accompanying letter report
No. II 2.c.	- Significant accounting principles and practices	See - Report of Independent Accountants dated December 21, 1984
No. II 2.d.	- Management and internal controls	See - Accompanying letter report
No. II 2.e.	- Significant and unusual accounts and transactions	See - Report of Independent Accountants dated December 21, 1984
No. II 2.f.	- Compliance and/or non-compliance with Loan Agreement	See - Accompanying letter report
No. II 2.g.	- Nature of procedures and practices for determining that A.I.D. loan proceeds are used for authorized purposes	See - Accompanying letter report



3500 ONE BISCAYNE TOWER
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December 21, 1984

To the Board of Directors and Stockholders of
Latin American Agribusiness Development
Corporation S.A.

We are pleased to summarize below our comments with respect to various aspects of our examination of the consolidated financial statements of Latin American Agribusiness Development Corporation S.A. (LAAD) and its subsidiaries, LAAD Americas S.A. (LAAD-A), LAAD de Centroamerica S.A. (LAAD-CA), LAAD Marketing Company, Inc. (LAAD-M) and LAAD Caribe S.A. (LAAD-Caribe) (the Companies) for the year ended October 31, 1984. The comments are furnished in accordance with the requirements of your Loan Agreements number 538-T-005 and 538-T-014 with the United States of America, acting through the Agency for International Development (A.I.D.), and as specifically stipulated in Article IV, Sections 4.09 and 4.10 of the Loan Agreement and Section IV.F.2. and Attachment C of Implementation Letter No. 1 to the Loan Agreement for loan number 538-T-005 and Annex 2, Section B.5.(b.) of the Loan Agreement and Section III.F. and Attachment C of Implementation Letter No.1.a. for loan number 538-T-014.

As a result of our examination referred to above, we have reported under date of December 21, 1984 that, in our opinion, the consolidated financial statements present fairly the financial position of LAAD and its subsidiaries at October 31, 1984, the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles consistently applied.

The objective of our examination of the foregoing financial statements was to express an opinion on the fairness of the consolidated financial statements. In expressing our opinion we are responsible for making an examination in accordance with auditing standards generally accepted in the United States of America which includes such tests of the accounting records and other supporting evidence and such observation and review of the system of internal accounting control as we consider necessary. The responsibilities and functions of the independent accountant in a normal examination of financial statements are explained and his objectives are described in Section 110 of Statement on Auditing Standards No. 16 issued by the Auditing Standards Executive Committee of the American Institute of Certified Public Accountants.

REVIEW OF INTERNAL CONTROLS

As part of our examination, we made a study and evaluation of the Companies' systems of internal accounting control to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the Companies' financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the systems of internal accounting control taken as a whole.

The management of LAAD and its subsidiaries is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the third preceding paragraph would not necessarily disclose all material weaknesses in the systems. Accordingly, we do not express an opinion on the systems of internal accounting control of LAAD and its subsidiaries taken as a whole. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

CERTAIN AUDIT PROCEDURES APPLIED

Having satisfied ourselves as to the general effectiveness of the Companies' organization and procedures in providing appropriate internal accounting controls, we relied thereon for substantiation of the accuracy of the majority of the transactions, although, in the course of the examination, a representative number of transactions came under our scrutiny.

No restrictions were imposed on the method or extent of our examination and we were given access to all records, documents and other supporting data and were furnished with all information and explanations which we required. Full cooperation was received from the officers and employees of the Companies.

It is not feasible to describe, in a brief report, all of the procedures undertaken in our examination of the consolidated financial statements of LAAD and its subsidiaries; however, certain tests applied during our examination, the results of which we found to be satisfactory, are summarized below:

1. We read the minutes of the Stockholders' and Boards of Directors' meetings of LAAD, LAAD-A, LAAD-CA, LAAD-M and LAAD Caribe and of the Loan and Investment Committee of LAAD, LAAD-CA and LAAD-Caribe as set forth in the minute books of the Companies through December 7, 1984; officials of the Companies having advised us that the minutes of all such meetings through that date were set forth therein.
2. We read the provisions of all major contracts and agreements (including the A.I.D. Loan Agreements) furnished to us by officials of the Companies.
3. Reconciliations of all bank accounts as shown by the books as at October 31, 1984 were reviewed and balances in these accounts at October 31, 1984 were compared with those confirmed directly to us by the depositories. Transactions in the cash accounts were tested.
4. We confirmed marketable securities held on behalf of the Companies directly with the brokerage firm as of October 31, 1984.
5. Certain foreign loans receivable and other receivables, selected by us by means considered appropriate in the circumstances, were confirmed by direct correspondence with the debtors. We satisfied ourselves as to the adequacy of the related allowance for possible losses by reviewing subsequent collections, by reviewing financial statements and collateral of selected debtors and through discussions with officials of the companies.
6. The term debt payable to A.I.D. and loans payable to banks as at October 31, 1984 were confirmed directly with A.I.D. and the banks.
7. We inquired into the existence of contingent liabilities, such as endorsements, guarantees, pending lawsuits and other claims which might become actual liabilities. We satisfied ourselves that all liabilities of any consequence disclosed as a result of our examination were disclosed in the financial statements at October 31, 1984.

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8. We performed audit tests of other transactions reflected in the financial statements as at October 31, 1984.

COMPLIANCE AND/OR NONCOMPLIANCE WITH LOAN
AGREEMENTS AND IMPLEMENTATION LETTER NO. 1
(NO. 1.a. FOR LOAN NUMBER 538-T-014)

During our examination of the consolidated financial statements of LAAD and its subsidiaries, we reviewed the provisions of the A.I.D. Loan Agreements and Implementation Letters. We advise you that in the course of our examination we obtained no knowledge of any default by the Companies in the performance of any of the covenants and warranties as required by the appropriate sections of the respective Loan Agreements. Additional comments on compliance are as follows:

1. The balance of outstanding loans and equity investments to sub-borrowers was approximately \$212,000 less than the outstanding capital requirements loan balance to A.I.D. at October 31, 1984.
2. As indicated in the November 13, 1981 letter to this office from Mr. J. Peter Bittner, A.I.D. Office of Development Resources Bureau for Latin America and the Caribbean, A.I.D. is aware of the difficulty experienced by LAAD-Caribe in obtaining audited financial statements from sub-borrowers in Haiti. Consequently, A.I.D. does not consider LAAD-Caribe in violation of applicable compliance requirements of the loan agreements to obtain audited financial statements.
3. We could not determine whether the Companies have complied with the following sections and subsections of the general covenants and warranties of the respective loan agreements inasmuch as these general covenants and warranties are not readily measurable in terms of our expertise or the nature of said covenant and warranties is such, that only the parties involved would be in a position to determine compliance:

Loan number 538-T-005

Article IV - Sections 4.01 (except for the last 3 items of subsection (a) relating to financial, accounting and administrative practices) 4.03, 4.04, 4.07, 4.08(b), 4.11 and 4.12.

Article V - Section 5.03(a)14.

Loan number 538-T-014

Article VI - Sections 6.1, 6.3,
6.4(a)(XII), 6.4(d) and
6.4(f)

Annex 2, Article B - Sections B.1, B.2
(except for items of sub-
section (a) relating to
financial and management
practices), B.5(a), B.5(c),
B.6, B.7 and B.8

NATURE OF PROCEDURES AND PRACTICES FOR
DETERMINING THAT A.I.D. LOAN PROCEEDS
ARE USED FOR AUTHORIZED PURPOSES

In order to comply with A.I.D. Audit Requirements number II 2.g., additional work was performed by us. Our examination, as summarized briefly in the preceding paragraphs, was made primarily for the purpose of forming an opinion on the consolidated financial statements of LAAD and its subsidiaries taken as a whole. The additional work is performed specifically to comply with this A.I.D. audit requirement and is supplemental to our primary examination performed in accordance with generally accepted auditing standards. Such work includes the examination, on a test basis, of sub-borrowers' accounting records and of documents supporting the end uses of A.I.D. funds and physical inspection of certain fixed assets acquired with said funds. We have found no unusual transactions or deviations from the provisions in the loan agreements.

LAAD determines that subloans financed from A.I.D. funds are used for the purpose authorized through direct contact with sub-borrowers and through examination of sub-borrowers' accounting records and physical inspection of capital expenditures made by said sub-borrowers.

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If there are any further points regarding the scope of our examination or relating to the accounts of the Companies, on which you wish additional information, we shall be pleased to discuss them with you at your convenience.

Yours very truly,

Price Waterhouse

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