# LAAD

1987 ANNUAL REPORT

# Latin American Agribusiness Development Corporation S.A.

The Latin American Agribusiness Development Corporation S.A. (LAAD) is a private investment and development company. Its shareholders are sixteen leading agribusiness and financial corporations. LAAD finances and develops agribusiness projects in Latin America involving all phases of production, processing, storage, services, technology and marketing in the fields of agriculture, livestock, forestry and fishing.

Latin American Agribusiness Development Corporation S.A. (LAAD) es una compañía privada de inversiones y desarrollo. Sus accionistas son dieciseis corporaciones agroindustriales y financieras. LAAD financia y desarrolla proyectos agroindustriales en América Latina, abarcando todas las fases de producción, procesamiento, almacenamiento, servicios, tecnología y de mercadeo en los campos de la agricultura, ganadería, silvicultura y la pesca.

## LAAD Financial Highlights Consolidated Data October 31,

| FOR THE YEAR | 1987 | 1986 | 1985 | 1984 | 1983 | 1982 | 1981 | 1980 | 1979 | 1978 |
|---|---|---|---|---|---|---|---|---|---|---|
| Operating income ('000) | **$ 2,262** | $ 2,425 | $ 2,409 | $ 2,352 | $ 2,346 | $ 2,246 | $ 1,708 | $ 1,227 | $ 1,202 | $ 802 |
| Net Income ('000) | **$ 1,512** | $ 1,678 | $ 1,661 | $ 1,602 | $ 1,305 | $ 1,138 | $ 1,060 | $ 709 | $ 704 | $ 511 |
| Earnings per Share of Common Stock* | **$ 2,263** | $ 2,415 | $ 2,290 | $ 2,231 | $ 1,802 | $ 1,575 | $ 1,453 | $ 904 | $ 931 | $ 667 |
| Return on Average Net Worth | **11.0%** | 12.8% | 13.0% | 14.0% | 12.7% | 12.3% | 12.8% | 9.4% | 10.0% | 8.0% |
| Operating Expenses to Gross Profit** | **42%** | 38% | 41% | 36% | 33% | 33% | 34% | 40% | 39% | 43% |
| **AT YEAR END** | | | | | | | | | | |
| Assets ('000) | **$45,477** | $43,160 | $47,486 | $46,746 | $44,024 | $41,921 | $36,889 | $32,362 | $29,974 | $20,106 |
| Net Worth ('000) | **$14,052** | $13,442 | $12,784 | $12,147 | $10,815 | $ 9,726 | $ 8,749 | $ 7,852 | $ 7,305 | $ 6,709 |
| Current Ratio | **2.5:1** | 2.5:1 | 2.0:1 | 2.3:1 | 2.1:1 | 2.1:1 | 2.2:1 | 2.4:1 | 2.1:1 | 5.6:1 |
| Reserve to Portfolio | **12.5%** | 13.6% | 12.7% | 12.4% | 12.0% | 9.2% | 6.7% | 4.8% | 3.5% | 2.7% |

*Based on the weighted average number of shares of Common Stock outstanding during the year.
**Gross Profits = Total Income – Interest Expense.

## LETTER TO THE SHAREHOLDERS

This year, the Corporation disbursed a total of $10.1 million to 40 projects in nine countries. This represents a 54% increase over the previous year. Disbursements under our new A.I.D. program to promote non-traditional exports in Central America accounted for half of the new activity. Cumulative disbursements since we were founded 18 years ago have now passed the $100 million mark to a total of 289 projects in 21 countries. We expect that project financing will continue to expand for the next two years.

Earnings fell 10% from the previous year, mainly because of a non-recurring loss in marketing fresh fruit from Central America overseas. Earnings per share were $2,263 vs. $2,415 last year.

We successfully completed the third and final redemption of all our outstanding preferred participating shares exactly 10 years after they were issued. The sale of these preferred shares provided us with a needed capital increase at a critical stage in our development. Our high level of retained earnings has now made it possible to redeem these shares without prejudicing our growth potential. We are particularly grateful to those shareholders who participated in the preferred stock issue.

Your Board of Directors has authorized us to convert selective public sector debt we hold in several Latin American countries into equity of local private companies. The first such operation was approved to convert certificates of deposit with the Central Bank of Chile into common shares of a scallops farm located in the northern part of that country. More conversions will take place next year.

For several years now, we have pointed out in this letter that the foreign debt position of most Latin American governments has continued to deteriorate as new net lending is frequently used to make interest payments to creditors rather than to increase export capacity. A gradual conversion of this debt into equity is one of the positive steps taken in recent years to reduce the magnitude and the impact of the debt. Conversion has the immediate benefit of reducing annual interest payments on the debt. In the medium term, the involvement of the region's foreign creditors as active players in producing hard currency could eventually allow them to be repaid. This tacit partnership between lender and borrower should be encouraged by creating a variety of conversion mechanisms to match the interests of individual governments with those of their many creditors.

Debt to equity conversions will also change the way that lenders manage their investment portfolios, since responsibility for success or failure will fall on the lender, now investor, rather than the borrower. Such changes will pose a growing challenge to our own management team to adapt to this new reality.

Robert L. Ross

President/Presidente

Angelo S. Abdela

Chairman/Presidente del Directorio

# CARTA A LOS ACCIONISTAS

Este año la Empresa desembolsó un total de $10.1 millones a más de 40 proyectos en nueve países. Esto representa un aumento del 54% sobre al año pasado. La mitad de las nuevas actividades son desembolsos hechos bajo nuestro nuevo programa con A.I.D. para promover exportaciones no-tradicionales en Centroamérica. Los desembolsos acumulados desde nuestra fundación hace 18 años ya han rebasado los $100 millones, por un total de 289 proyectos en 21 países. Anticipamos que el financiamento de proyectos seguirá creciendo durante los próximos dos años.

Las utilidades disminuyeron en un 10% este año, debido mayormente a una pérdida extraordinaria en el mercadeo de frutas frescas centroamericanas en el extranjero. La utilidad fue de $2,263 por acción, comparada con $2,415 el año pasado.

Hemos completado con éxito la tercera y última recompra de todas nuestras acciones preferidas justamente a los 10 años de su emisión. La venta de estas acciones preferidas nos aportó un aumento de capital muy necesario en una etapa crítica de nuestro desarrollo. El alto nivel de nuestras utilidades retenidas nos hizo posible recomprar esas acciones sin perjudicar nuestro potencial de crecimiento. Estamos sumamente agradecidos a aquellos accionistas que suscribieron las acciones preferidas.

La Junta Directiva ha aprobado la conversión de ciertas deudas del sector público que sostenemos en varios países latinoamericanos, a capital de participación en empresas privadas locales. La primera de estas operaciones se aprobó para convertir certificados de depósito en el Banco Central de Chile en acciones comunes de un cultivo de vieiras ubicado en el norte de aquel país. El año entrante se contemplan más conversiones.

Desde hace ya varios años, venimos señalando en esta carta que la deuda externa de la mayoría de los gobiernos latinoamericanos ha seguido deteriorandose, según se van contratando nuevos empréstitos para cubrir pagos de intereses a acreedores en lugar de destinarlos a aumentar las exportaciones. La posibilidad abierta en los últimos años de convertir esta deuda en inversiones accionarias es uno de los pasos positivos tomados para rebajar la magnitud y el impacto de la deuda. Dicha conversión produce el beneficio inmediato de reducir los pagos anuales de intereses sobre la deuda. A mediano plazo, la participación activa de los acreedores extranjeros en aumentar la generación de divisas a la larga podría ayudar a liquidar dichas deudas. Esta sociedad tácita entre prestamista y prestatario debería promoverse mediante la creación de varios mecanismos de conversión que compaginen los intereses de los gobiernos individuales con sus multiples acreedores.

La conversión de deudas también ha de modificar la administración de las deudas por parte de los prestamistas, ya que la responsabilidad del éxito o fracaso recaerá sobre el prestamista, transformado en inversionista, más bien que sobre el prestatario. Estos cambios plantean un creciente desafío a nuestro propio equipo gerencial para adaptarse a esta nueva realidad.

## AGRIBUSINESS OPERATIONS

The Corporation increased its outstanding agribusiness portfolio by 9% this year to $35.3 million. Disbursements to projects rose by 54% from the previous year to $10.1 million. Over three quarters of the 40 projects financed this year consisted of non-traditional exports ranging from fresh fruits and vegetables, tropical fruit concentrates, essential oils, ornamental plants, sesame seed, and shrimp to wood charcoal. Central America accounted for 58% of disbursements, while the Caribbean absorbed most of the balance.

Thirteen of this year's projects involve the export of fresh fruits and vegetables, including five such operations in Chile (berries and asparagus); one vegetable operation in Guatemala (lettuce, celery and cauliflower); one melon farm in the Choluteca area of Honduras and one in Guatemala; one fresh vegetable export company in Jamaica (West Indian ethnic vegetables); one grower, packer and exporter of Chinese vegetables in the Dominican Republic; two banana farms in Belize selling to the U.K. market, and one citrus farm in Belize producing for the frozen concentrate market.

Five projects, including three in Costa Rica, and one each in El Salvador and Guatemala, produce ornamental plants, and particularly ferns, for the European and U.S. markets.

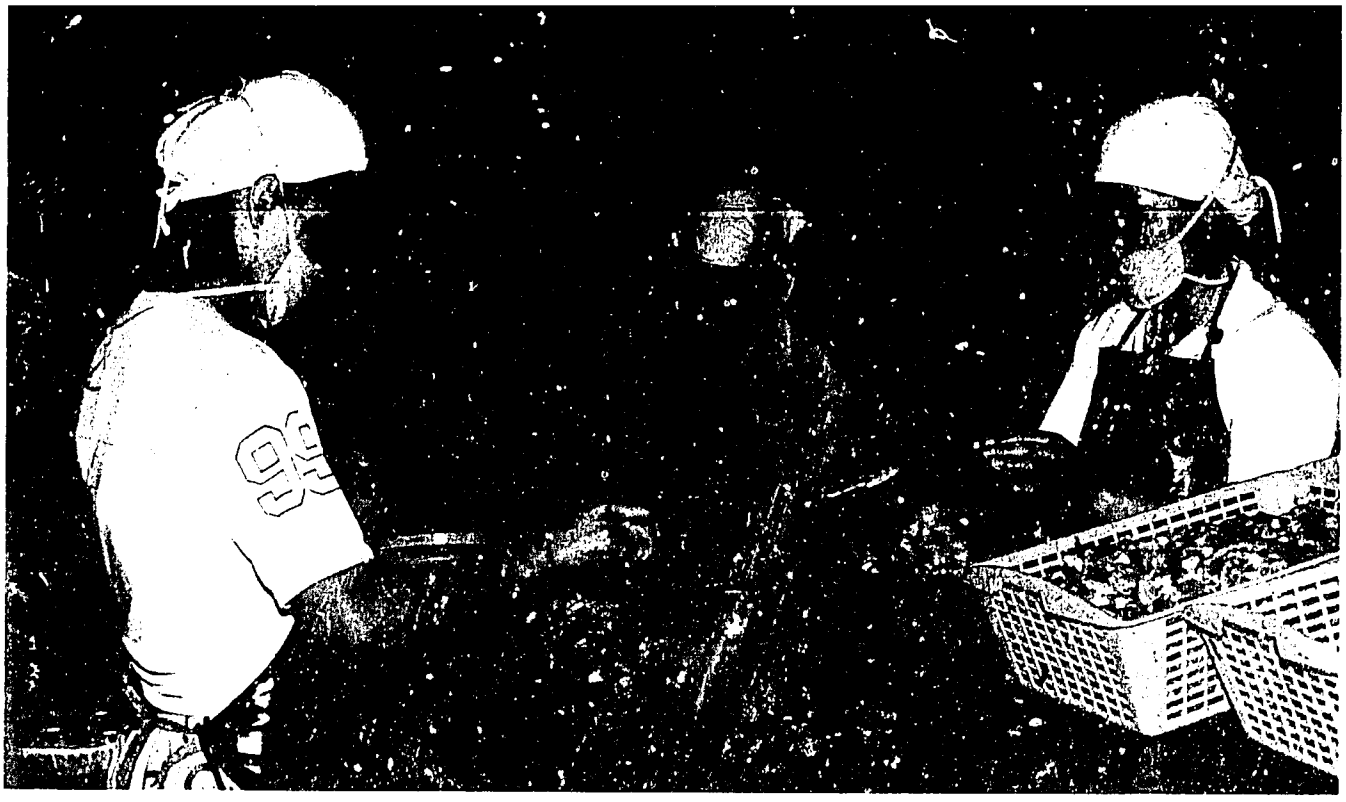
The Corporation financed the expansion of two sesame processing plants, bringing to eight the total number of sesame seed companies funded to-date in Central America.

Geographically, the agribusiness portfolio expanded in Central America and the Caribbean, but declined in South America. Central America alone accounts for 54% of the portfolio now, compared to 52% last year. The Caribbean's participation increased by 2% to 30% of the agribusiness portfolio.

The most important sector of concentration remains the production of fresh fruits and vegetables, with $9.7 million outstanding. The second most important sector is agriculture in general with $4.9 million outstanding.

Poinsettias being prepared for the Christmas market at Follajes Tropicales in Palencia, Guatemala.

Flores de Pascua producidas por Follajes Tropicales en Palencia, Guatemala.



Quality control at Promarisal S.A.'s shrimp packing plant in Acajutla, El Salvador.
Control de calidad en la planta procesadora de camarones de Promarisal S.A. en Acajutla, El Salvador.

## OPERACIONES AGROINDUSTRIALES

Este año la Empresa aumentó su cartera de inversiones agroindustriales en un 9% a $35.3 millones. Los desembolsos a proyectos aumentaron en un 54% con respecto al año pasado, a $10.1 millones. Más de las tres cuartas partes de los 40 proyectos financiados este año se dedican a exportaciones no-tradicionales, que abarcan desde las frutas y hortalizas frescas, concentrados de frutas tropicales, aceites esenciales, plantas ornamentales y ajonjolí, hasta camarones y carbón vegetal. El 58% de los desembolsos se destinó a Centroamérica, y el resto fue absorbido mayormente por el Caribe.

Trece de los proyectos de este año promueven la exportación de frutas y hortalizas frescas, incluyendo cinco de este género en Chile (frutas y espárrago); una empresa de hortalizas en Guatemala (lechuga, apio y coliflor); un cultivo de melones en la zona de Choluteca de Honduras y otro en Guatemala; una empresa exportadora de hortalizas frescas en Jamaica (legumbres típicas de las Indias Occidentales); un productor, envasador y exportador de hortalizas chinas en la República Dominicana; dos plantaciones bananeras en Belize que le venden al mercado del Reino Unido y una siembra de cítricos destinados al mercado de concentrados congelados.

Cinco proyectos, tres en Costa Rica, uno en El Salvador y uno en Guatemala, producen plantas ornamentales – sobre todo helechos – para los mercados de Europa y los Estados Unidos.

La Empresa financió la ampliación de dos plantas procesadoras de ajonjolí; con éstas suman ocho las compañías procesadoras de ajonjolí financiadas hasta la fecha en Centroamérica.

Del punto de vista geográfico la cartera agroindustrial creció en Centroamérica y el Caribe, pero declinó en la America del Sur. Actualmente Centroamérica abarca el 54% de la cartera, comparada con el 52% el año pasado. La participación del Caribe aumentó en un 2%, a 30% de la cartera agroindustrial.

El sector más importante sigue siendo la producción de frutas y hortalizas frescas, con $9.7 millones en cartera. El que le sigue es la agricultura en general, con $4.9 millones en cartera.

## TECHNOLOGY INVESTMENTS

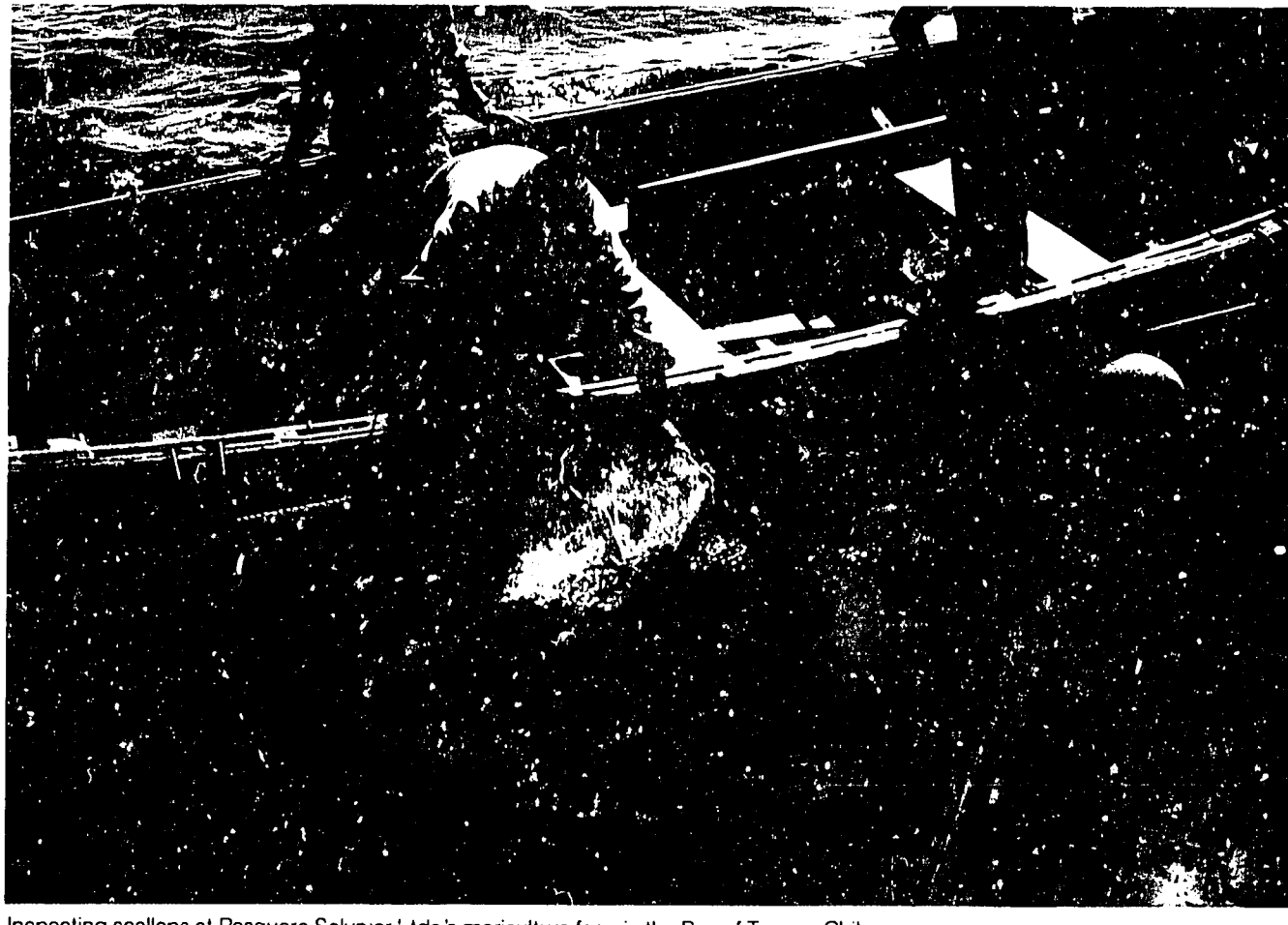
The Corporation has made equity investments in a few technology-related businesses as an investment and to explore technologies of potential interest to Latin America. These investments include:

Plant Resources Venture Fund II, an investment fund specializing in agribusiness technologies based in Cambridge, Massachusetts. During the year, the Corporation disbursed an additional $250,000 to the fund, which has now invested $16.7 million in 17 investee companies representing a wide range of agricultural-related technologies.

Crop Genetics International is a biogenetics company based in Dorsey, Maryland. During the year, the company successfully went public. The Corporation subsequently sold 10% of its holdings in the company at a capital gain.

Trade Wind Industries is the world's first conch mariculture based in the Turks and Caicos Islands. This company completed its fourth year of operations, and for the first time completed the year without encountering any setbacks due to unexpected mortality. The outlook for this company is improving.

Pesquera Solymar Ltda. is a Chilean scallops farm located in the Bay of Tongoy. This investment will be the first debt to equity conversion undertaken by the Corporation. The technology for this operation is mainly Japanese, but adapted to Chilean conditions. The Corporation's joint venture partners are Chilean as is the technical management. This technology may have application in other Pacific coast countries.



Inspecting scallops at Pesquera Solymar Ltda.'s mariculture farm in the Bay of Tongoy, Chile.
Maricultura de vieiras de Pesquera Solymar Ltda. en la Bahia de Tongoy, Chile.

New banana trees at Trio Ltd. in Stann Creek, Belize.
Nueva plantación bananera de Trio Ltd. en Stann Creek, Belize.

## INVERSIONES EN TECNOLOGIA

La Empresa ha invertido en acciones de unos cuantos negocios de orientación tecnológica, no sólo como inversión sino para conocer los adelantos tecnológicos de interés potencial para la America Latina. Estas inversiones incluyen:

Plant Resources Venture Fund II es un fondo de inversiones especializado en la tecnología agroindustrial, con sede en Cambridge, Massachusetts. En el transcurso del año la Empresa aportó otros $250,000 al fondo, que ya cuenta con inversiones por un total de $16.7 millones en 17 empresas beneficiarias que cubren una gama amplia de tecnología agrícola.

Crop Genetics Internacional es un negocio de biogenética con sede en Dorsey, Maryland. Durante el año la empresa logró colocar sus acciones en la bolsa de valores. Posteriormente, la Empresa vendió el 10% de sus acciones de esta firma con plusvalía.

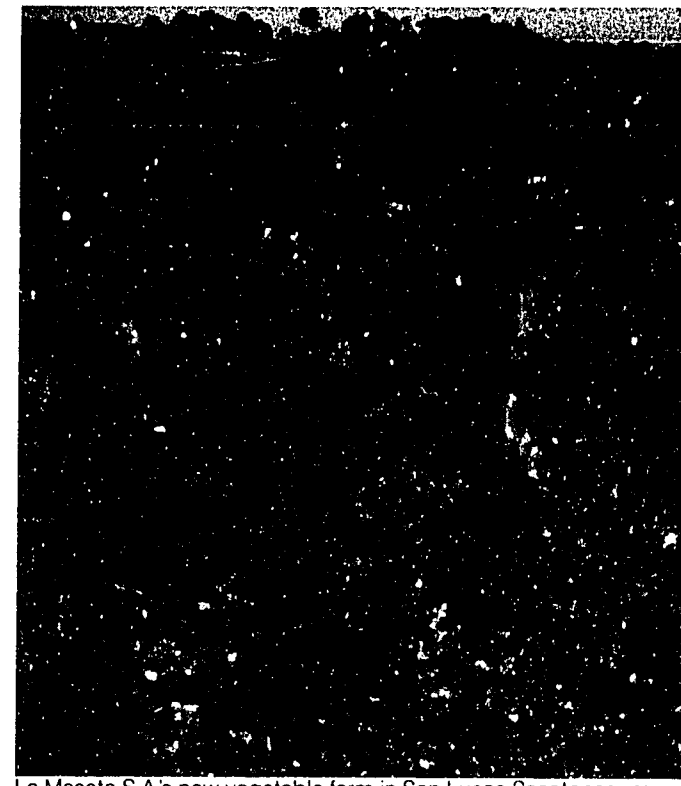
Trade Wind Industries Ltd. es la primera firma en el mundo de maricultura de caracol de mar con sus laboratorios en las islas Turcas y Caicos. Esta firma completó su cuarto año sin percances por mortandad inesperada. Las perspectivas de esta firma van mejorando.

Pesquera Solymar, Ltda. es una firma chilena de cultivo de vieiras ubicada en la Bahía de Tongoy. Esta inversión será la primera conversión de deuda en participación realizada por la Empresa. La tecnología de esta operación, mayormente japonesa, se ha adaptado a las condiciones de Chile. Los socios de LAAD en esta ernpresa, así como la gerencia técnica, son chilenos. Puede que esta tecnología tenga cabida en otros países de la costa del Pacífico.

## MARKETING OPERATIONS

During the year, the Corporation incurred a significant non-recurring loss marketing fresh fruit from Central America into Canada. As a consequence, the Corporation decided to concentrate its marketing efforts through investments in specialized distribution companies, rather than selling directly under its own name and responsibility.

The Corporation is a minority shareholder in Southern Sun Importers, an American company specializing in the distribution of fresh fruits and vegetables throughout the United States and Canada. The company handles a range of products from Chile, Canada, Guatemala, and the northwestern United States. During the year, sales doubled to $3.4 million. For the first time, the company introduced a line of baby vegetables from Guatemala. The company maintains sales offices in Miami, Florida and Portland, Oregon.



La Meseta S.A.'s new vegetable farm in San Lucas Sacatepequez, Guatemala.

Una vista de la nueva granja hortícola de la Meseta, S.A. en San Lucas Sacatepequez, Guatemala.

Harvesting lettuce at the La Meseta farm.
Cosecha de lechuga en la granja de La Meseta.

Harvesting a new crop of chinese vegetables at Exportadora Japonesa in Navarrete, Dominican Republic.
Un cultivo de hortalizas chinas para el mercado norteamericano en Exportadora Japonesa, Navarrete, República Dominicana.

## OPERACIONES MERCANTILES

Durante el año la Empresa sufrió una pérdida extraordinaria en el mercado de frutas frescas de Centroamérica en el Canadá. A consecuencia de esta experiencia, la Empresa decidió canalizar sus actividades de mercadeo a través de inversiones en firmas distribuidoras especializadas y no directamente bajo su propio nombre y responsabilidad.

La Empresa es accionista minoritaria de Southern Sun Importers, firma americana especializada en la distribución de frutas y hortalizas frescas a través de los Estados Unidos y Canadá. La firma maneja numerosos productos procedentes de Chile, Canadá, Guatemala y el noroeste de los Estados Unidos, y este año logró duplicar sus ventas a $3.4 millones. Por primera vez la compañía introdujo una línea de mini legumbres de Guatemala en Norteamérica. La compañía mantiene oficinas de venta en Miami, Florida y en Portland, Oregon.

## AGRIBUSINESS PORTFOLIO/CARTERA AGROINDUSTRIAL BY COUNTRY/POR PAIS (US $'000)

| | No. of Projects No. de Proyectos | Disbursed Desembolsado | Present Holding En Cartera | Percentage of Holding Porcentaje de Cartera |
|---|---|---|---|---|
| Guatemala | 74 | $ 26,951.0 | $ 6,247.6 | 17.7 |
| Costa Rica | 40 | 15,033.9 | 6,173.6 | 17.5 |
| Chile | 29 | 11,920.2 | 4,565.1 | 12.9 |
| Belize | 15 | 5,255.4 | 4,221.4 | 12.0 |
| Panama | 29 | 8,472.9 | 4,066.3 | 11.5 |
| Honduras | 28 | 11,291.0 | 1,870.0 | 5.3 |
| Dominican Republic | 12 | 6,104.3 | 1,740.7 | 4.9 |
| Haiti | 13 | 4,009.0 | 1,545.9 | 4.4 |
| Nicaragua | 11 | 3,611.4 | 1,112.8 | 3.2 |
| El Salvador | 14 | 4,815.0 | 1,007.7 | 2.9 |
| United States | 5 | 775.2 | 757.5 | 2.1 |
| Peru | 2 | 572.4 | 485.0 | 1.4 |
| Colombia | 5 | 2,550.0 | 414.1 | 1.2 |
| St. Vincent | 2 | 635.0 | 313.0 | 0.9 |
| Turks & Caicos | 2 | 329.4 | 222.7 | 0.6 |
| Dominica | 1 | 215.0 | 203.6 | 0.6 |
| Jamaica | 1 | 200.0 | 200.0 | 0.6 |
| Netherland Antilles | 1 | 100.0 | 90.0 | 0.3 |
| Mexico | 2 | 325.0 | - | - |
| Barbados | 2 | 280.0 | - | - |
| Anguilla | 1 | 35.0 | - | - |
| TOTAL | 289 | $103,481.1 | $35,237.0 | 100.0 |

## FINANCIAL RESULTS

Net income for the fiscal year ended October 31, 1987 was 10% lower than last year and return on average net worth fell to 11%. The drop was only the second decrease in earnings since the Corporation's inception and the first since 1972. Operating income was down 21% from 1986 due primarily to non-recurring losses in LAAD Marketing Company's operations.

During the year, the Corporation recognized a gain of $457,000 on the sale of 1983 Republic of Guatemala Stabilization Bonds. This gain essentially recovered the loss recognized last year from the swap of Chilean Central Bank certificates of deposit for these Guatemalan bonds. The Corporation also recognized non-recurring gains of $307,000 in its marketable securities and equity investment portfolios.

The Corporation completed its preferred stock redemption program by paying the last installment of $710,000 to participants. This preferred stock was redeemed exactly 10 years from its original issue. The stock was paying a 9% return annually. Twelve shareholders had contributed $2.17 million. The Corporation paid its eighth consecutive dividend to common shareholders. Despite the redemption and dividend payments, net worth rose 5%, the same percentage increase as the prior two years.

Overall, total assets grew 5%. The agribusiness investment portfolio grew by 9% mainly because the Corporation disbursed $5.3 million of the $18.0 million under our sixth project development loan from the U.S. Agency for International Development. Marketable securities increased by 15% as the Corporation invested in medium term obligations of the World Bank and the Interamerican Development Bank.

During 1987, the Corporation wrote off $759,000 of loans and investments, 49% of which was debt of the Government of Nicaragua. The remaining portion of the Nicaraguan portfolio continues to be specifically reserved. The allowance for possible losses is unchanged at $4.4 million because 1987 write-offs approximated amounts set aside this year for possible losses. Cumulative charge-offs of principal since LAAD's inception now stand at $3.0 million which is 2.9% of cumulative disbursements over an 18-year period.

## RESULTADO FINANCIERO

Los ingresos netos del año fiscal que terminó el 31 de octubre de 1987 declinaron en un 10% con respecto al año pasado, y el promedio del retorno sobre el patrimonio declinó al 11%. La baja fue tan sólo el segundo descenso de utilidades desde que se fundó la Empresa, y el primero desde 1972. El margen bruto disminuyó en un 21% en relación a los resultados de 1986, debido mayormente a una pérdida extraordinaria en una operación de distribución de fruta.

Durante el año la Empresa ganó $457,000 en la venta de bonos de Estabilización de la República de Guatemala del año 1983. Esta ganancia compensó en efecto la pérdida sufrida el año pasado en el canje de certificados de depósito del Banco Central de Chile por estos bonos guatemaltecos. Asimismo, la Empresa obtuvo ganancias por $307,000 en la venta de otros valores e inversiones en cartera.

La Empresa completó su programa de recompra de acciones preferidas con el pago final de $710,000 a los participantes. Estas acciones fueron recompradas exactamente a los 10 años de su emisión. Pagaban el 9% anual. Doce accionistas habían contribuido $2.17 millones. Por octavo año consecutivo la Empresa pagó dividendos a las acciones comunes. A pesar de la recompra y el pago de dividendos, el patrimonio de la Empresa aumentó en un 5%, al igual que en los dos años anteriores.

En total, nuestro activo total aumentó en un 5%. La cartera de inversiones agroindustriales creció en un 9% principalmente por el desembolso de $5.3 millones de los $18.0 millones contemplados en nuestro sexto préstamo de la Agencia para el Desarrollo Internacional. Los valores negociables aumentaron en un 15% al invertir la Empresa en bonos a plazo mediano del Banco Mundial y del Banco Interamericano de Desarrollo.

En el transcurso del año 1987 la Empresa eliminó por incobrables $759,000 en préstamos e inversiones de los cuales el 49% era adeudado por el Gobierno de Nicaragua. El saldo de la cartera nicaragüense sigue específicamente reservado. La reserva para cubrir posibles pérdidas permanece al mismo nivel anterior, de $4.4 millones, ya que las pérdidas por incobrables en 1987 se aproximan a las reservas establecidas este año por tal concepto. Las eliminaciones acumuladas por concepto de incobrables desde la fundación de LAAD suman $3.0 millones, que equivalen al 2.9% de los desembolsos acumulados en 18 años.

## AGRIBUSINESS PORTFOLIO/CARTERA AGROINDUSTRIAL BY INDUSTRY/POR INDUSTRIA (US $'000)

| | No. of Projects No. de Proyectos | Disbursed Desembolsado | Present Holding En Cartera | Percentage of Holding Porcentaje de Cartera |
|---|---|---|---|---|
| Fruits and Vegetables / Frutas y Hortalizas | 54 | $ 14,959.4 | $ 9,710.5 | 27.6 |
| General Agriculture / Agricultura en General | 30 | 15,900.0 | 4,883.4 | 13.9 |
| Miscellaneous / Misceláneas | 22 | 11,783.4 | 3,611.1 | 10.2 |
| Cattle / Ganadería | 35 | 12,353.5 | 3,577.5 | 10.2 |
| Cut Flowers / Flores | 21 | 5,090.0 | 2,109.9 | 6.0 |
| Food Processing / Alimentos Procesados | 29 | 11,199.6 | 1,945.8 | 5.5 |
| Fishing / Pesca | 13 | 3,424.8 | 1,926.3 | 5.5 |
| Agrotechnology / Agrotecnología | 6 | 1,695.0 | 1,610.0 | 4.6 |
| Wood Products / Productos de Madera | 8 | 2,828.4 | 1,416.1 | 4.0 |
| Farm Equipment / Equipo Agrícola | 11 | 4,898.2 | 1,275.1 | 3.6 |
| Grains / Granos | 20 | 8,666.0 | 1,232.2 | 3.5 |
| Dairy / Productos Lácteos | 3 | 902.6 | 569.0 | 1.6 |
| Hogs and Poultry / Cerdos y Aves | 11 | 2,812.0 | 475.6 | 1.3 |
| Vegetable Oils / Aceites Vegetales | 10 | 2,882.0 | 468.0 | 1.3 |
| Marketing Services/ Servicios de Mercadeo | 16 | 4,086.2 | 426.5 | 1.2 |
| TOTAL | 289 | $103,481.1 | $35,237.0 | 100.0 |

## Consolidated Balance Sheets Latin American Agribusiness Development Corporation S.A

| | October 31, | |
|---|---|---|
| | **1987** | 1986 |
| **ASSETS** | | |
| Cash including time deposits of $1,520,386 and $2,800,344 in 1987 and 1986, respectively | **$ 1,798,120** | $ 3,369,778 |
| Marketable securities | **8,927,194** | 7,770,133 |
| | **10,725,314** | 11,139,911 |
| Investments (including $8,106,283 and $8,407,520 maturing within one year) | | |
| Loans | **32,843,959** | 30,394,169 |
| Equity | **2,472,528** | 2,058,317 |
| Accrued interest receivable | **2,247,248** | 1,894,338 |
| | **37,563,735** | 34,346,824 |
| Less: Allowance for possible losses | **(4,411,000)** | (4,420,000) |
| | **33,152,735** | 29,926,824 |
| Fixed assets, net | **298,783** | 306,642 |
| Other real estate owned | **604,205** | 618,378 |
| Other assets | **695,718** | 1,168,433 |
| | **$45,476,755** | $43,160,188 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Accrued interest and other liabilities | **$ 1,625,675** | $ 801,853 |
| Borrowings: | | |
| Banks | **7,096,417** | 7,155,532 |
| Agency for International Development | **22,702,980** | 21,761,144 |
| Total liabilities | **31,425,072** | 29,718,529 |
| Stockholders' equity: | | |
| Preferred Stock – 5% cumulative, convertible, fully participating, $5,000 par value, 1,000 shares authorized, 142 shares issued and outstanding at October 31, 1986 | | 710,000 |
| Common Stock – $5,000 par value, 2,000 shares authorized, 640 shares issued and outstanding | **3,200,000** | 3,200,000 |
| Capital in excess of par value | **39,382** | 39,382 |
| Retained earnings | **10,812,301** | 9,492,277 |
| | **14,051,683** | 13,441,659 |
| Commitments and contingencies | | |
| | **$45,476,755** | $43,160,188 |

*The accompanying notes to consolidated financial statements are an integral part of these financial statements.*

## Consolidated Statements of Income and Retained Earnings Latin American Agribusiness Development Corporation S.A.

| | Year Ended October 31, | |
|---|---|---|
| | **1987** | 1986 |
| **INCOME** | | |
| Interest earned: | | |
| Loans | **$ 3,509,370** | $3,809,659 |
| Marketable securities and time deposits | **1,082,612** | 1,293,233 |
| | **4,591,982** | 5,102,892 |
| Gain on sale of marketable securities | **764,442** | 972,744 |
| Other income | **377,627** | 138,054 |
| | **5,734,051** | 6,213,690 |
| **EXPENSES** | | |
| Interest | **1,262,465** | 1,530,406 |
| Loss on sale of investments and other assets | **345,542** | 485,563 |
| Operating expenses: | | |
| Salaries and employee benefits | **1,064,329** | 955,114 |
| General and administrative | **799,885** | 817,657 |
| | **3,472,221** | 3,788,740 |
| Provision for possible losses | **749,906** | 747,353 |
| | **4,222,127** | 4,536,093 |
| **Net income for the year** | **1,511,924** | 1,677,597 |
| Retained earnings, beginning of year | **9,492,277** | 8,074,980 |
| | **11,004,201** | 9,752,577 |
| Dividends: | | |
| Common stock | **(128,000)** | (128,000) |
| 5% cumulative preferred stock | **(63,900)** | (132,300) |
| Retained earnings, end of year | **$10,812,301** | $9,492,277 |
| **Earnings per share of common stock** | **$ 2,262.54** | $2,414.52 |

*The accompanying notes to consolidated financial statements are an integral part of these financial statements.*

# Consolidated Statements of Changes in Financial Position

Latin American Agribusiness Development Corporation S.A.

| | Year Ended October 31, | |
|---|---|---|
| | **1987** | 1986 |
| **FINANCIAL RESOURCES WERE PROVIDED BY:** | | |
| Net income | **$ 1,511,924** | $ 1,677,597 |
| Add charges not affecting financial resources: | | |
| Provision for possible losses | **749,906** | 747,353 |
| Depreciation and amortization | **121,519** | 95,521 |
| Amortization of premium on marketable securities, net | **112,597** | 122,980 |
| Financial resources provided by operations | **2,495,946** | 2,643,451 |
| Decrease in investments: | | |
| Loans | **7,160,480** | 8,294,630 |
| Equity | | 247,975 |
| Accrued interest receivable, net | | 411,275 |
| Decrease in note receivable | | 1,200,000 |
| Proceeds from borrowings: | | |
| Loans payable to banks | **2,000,000** | 850,000 |
| Loans payable to Agency for International Development | **2,432,350** | 1,415,000 |
| Increase in accrued interest and other liabilities | **823,822** | |
| | **$14,912,598** | $15,062,331 |
| **FINANCIAL RESOURCES WERE USED FOR:** | | |
| Increase in investments: | | |
| Loans | **$ 9,610,270** | $ 6,177,863 |
| Equity | **414,211** | 350,014 |
| Accrued interest receivable, net | **352,910** | |
| Loans and equity charged off | **758,906** | 697,353 |
| Decrease in accrued interest and other liabilities | | 1,284,751 |
| Repayments on borrowings: | | |
| Loans payable to banks | **2,059,115** | 4,734,039 |
| Loans payable to Agency for International Development | **1,490,514** | 1,229,276 |
| Redemption of preferred shares | **710,000** | 760,000 |
| Dividends to common shareholders | **128,000** | 128,000 |
| Dividends to preferred shareholders | **63,900** | 132,300 |
| Increase (decrease) in: | | |
| Cash and time deposits | **(1,571,658)** | 1,817,439 |
| Marketable securities, net | **1,269,658** | (3,073,499) |
| Fixed assets, net | **99,487** | 50,042 |
| Other assets | **(472,715)** | 774,753 |
| | **$14,912,598** | $15,062,331 |

*The accompanying notes to consolidated financial statements are an integral part of these financial statements.*

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OCTOBER 31, 1987 AND 1986

## NOTE 1 – NATURE OF BUSINESS AND ACCOUNTING POLICIES:

Latin American Agribusiness Development Corporation S.A. and its wholly-owned subsidiaries (the Company), all of which are incorporated in the Republic of Panama, principally make investments in private enterprises located in countries in Central and South America and the Caribbean. The objective of the Company's investments is to improve the production, distribution, and marketing of agricultural-based products. In addition, the Company provides marketing and other related services to enterprises located in those countries.

A summary of the major accounting policies followed by the Company is presented below:

### Principles of Consolidation

The consolidated financial statements include the accounts of Latin American Agribusiness Development Corporation S.A. (LAAD) and its wholly-owned subsidiaries LAAD de Centroamerica S.A., LAAD Americas S.A., LAAD Marketing Company, Inc., and LAAD Caribe S.A. All material intercompany accounts and transactions have been eliminated in consolidation.

### Income Recognition

Interest income on loans and guaranteed dividend income (when applicable) on investments in preferred stock is accrued on a monthly basis. Consideration is given in the determination of the allowance for possible losses to accrued but unpaid interest or dividend income. Dividend income on investments in common stock carried at cost is accrued when declared by the investee company.

Interest income is recognized on a cash basis for loans which are on non-accrual status. Loans are placed on non-accrual status when management considers collectibility of principal or interest to be uncertain.

### Investments

Investments in preferred shares and common stock of privately held corporations are accounted for under the equity method when the Company's ownership is at least 20%; all other investments are carried at cost. In the opinion of management, the recorded value less any applicable allowance for possible losses approximates the fair value of these investments. All loans made by the Company are payable in United States dollars.

### Marketable Securities

Marketable securities consist of notes of foreign financial institutions and are carried at cost, adjusted for amortization of premium or accretion of discount, where applicable.

### Allowance for Possible Losses

The allowance for possible losses is increased by provisions charged to operations and decreased by loans and equity charged off, net of recoveries. The charge to operations is based on management's continuing evaluation of the investment portfolio, in order to maintain the allowance for possible losses at an amount considered reasonable to provide for all foreseeable losses.

### Fixed Assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation expense is calculated using the straight line method over the estimated useful lives of the assets ranging from three to five years. Leasehold improvements are amortized over the shorter of the lease term plus one option period, or the useful lives of the improvements.

### Other Real Estate Owned

Other real estate owned consists of real estate acquired through foreclosure and is carried at the lower of the recorded amount of the loan or the appraised value of the property. When the property is acquired, any excess of the loan balance over the appraised value of the property is charged to the allowance for possible losses on loans. Subsequent write-downs, along with subsequent holding costs, are charged to other operating expenses.

### Income Taxes

The Company will provide United States Federal income taxes on United States sources of income and income effectively connected with the conduct of a trade or business in the United States, when appropriate. No provision for United States Federal income taxes was required in the accompanying financial statements.

### Earnings per Share of Common Stock

The consolidated earnings per share of common stock are based on the weighted average number of shares of common stock outstanding during the year (640 shares in 1987 and 1986). Net income available to common shareholders has been reduced by preferred stock dividends ($63,900 representing $99.84 per share in 1987, and $132,300 representing $206.72 per share in 1986).

## NOTE 2 – MARKETABLE SECURITIES:

The marketable securities had a market value of approximately $9,616,000 and $9,093,000 at October 31, 1987 and 1986, respectively.

The marketable securities at October 31, 1987 mature as follows:

| | |
|---|---|
| 1992 | $ 4,420,547 |
| 1994 | 2,714,371 |
| 1996 | 824,466 |
| 1997 | 967,810 |
| | $ 8,927,194 |

## NOTE 3 – LOANS AND EQUITY INVESTMENTS:

Loans and equity investments by country are as follows:

| | October 31, | |
|---|---|---|
| | 1987 | 1986 |
| Guatemala | $ 6,247,442 | 4,791,366 |
| Costa Rica | 6,173,535 | 5,831,712 |
| Chile | 4,617,080 | 5,217,787 |
| Belize | 4,221,490 | 3,817,093 |
| Panama | 4,066,310 | 2,707,353 |
| Honduras | 1,870,105 | 1,970,052 |
| Dominican Republic | 1,740,802 | 1,179,660 |
| Haiti | 1,545,887 | 1,641,356 |
| Nicaragua | 1,112,874 | 1,482,874 |
| Eastern Caribbean | 1,029,287 | 1,051,031 |
| El Salvador | 1,007,659 | 718,535 |
| Colombia | 414,088 | 1,021,510 |
| Others | 1,269,928 | 1,022,157 |
| | $35,316,487 | $32,452,486 |

Included in loans at October 31, 1987 and 1986 are approximately $836,000 and $459,000, respectively, relating to entities where the Company has an equity interest.

Non-accrual loans aggregated approximately $2,089,000 and $1,874,000 at October 31, 1987 and 1986, respectively, and interest income on these loans in the amount of $225,000 and $191,000 for the respective years was not recorded.

Due to the foreign debt burden and the difficulty of servicing such debt, most countries in Latin America and the Caribbean have implemented exchange controls which have led to delays in remittances of principal and interest on a current basis. In addition, in a number of countries, private sector foreign debt is being assumed or rescheduled by government authorities under arrangements which require local borrowers to make repayments to the central banks, who subsequently remit payment to the creditors in accordance with the terms of the overall country debt policy or rescheduling agreements. Most of such countries are remitting interest payments on a tim basis, with principal repayments, for the most part, beir deferred over extended periods of time.

The government of Nicaragua has defaulted on payments due under their external debt restructuring agreements. Management believes that the allowance for possible losses is sufficient to cover any possible loss c loans to Nicaragua.

The various government-backed or assumed indebtedness included under loans are comprised of the following:

| | | (in 000's) October 31 | |
|---|---|---|---|
| | | 1987 | 19 |
| Guatemala | Government Bonds | $1,176 | $1, |
| Nicaragua | Central Bank | 1,113 | 1, |
| Chile | Central Bank | 1,112 | 9 |
| Honduras | Government Agency | 722 | 7 |
| Costa Rica | Central Bank | 400 | 4 |
| Panama | Government Agency | 257 | 2 |
| El Salvador | Government Bonds | – | 2 |
| | | $4,780 | $5,2 |

## NOTE 4 – ALLOWANCE FOR POSSIBLE LOSSES:

The table below summarizes the changes in the allowance for possible losses of the Company during 1987 and 1986:

| | 1987 | 1986 |
|---|---|---|
| Balance, beginning of year | $4,420,000 | $4,370,0 |
| Provision for possible losses | 749,906 | 747,3 |
| Loans and equity charged off | (758,906) | (697,3 |
| Balance, end of year | $4,411,000 | $4,420,0 |

## NOTE 5 – FIXED ASSETS:

Fixed assets consist of the following:

| | October 31, | |
|---|---|---|
| | 1987 | 1986 |
| Office equipment | $ 314,285 | $ 295,7 |
| Furniture and fixtures | 129,671 | 92,4 |
| Leasehold improvements | 157,571 | 134,7 |
| | 601,527 | 522,9 |
| Less: Accumulated depreciation and amortization | (302,744) | (216,2 |
| | $ 298,783 | $ 306,6 |

## NOTE 6 – LOANS PAYABLE TO BANKS:

Loans payable to various banks are summarized as follows:

| | October 31, 1987 | October 31, 1986 |
|---|---|---|
| Unsecured term loans payable in varying semi-annual installments through April 1990, at 1⅛% over the London Interbank Offered Rate (LIBOR), or the bank's prime interest rate, at the Company's option (8.1875% to 10.0% at October 31, 1987) | $ 2,500,000 | $ 1,781,816 |
| Unsecured revolving $7,000,000 lines of credit, renewable on various dates, at ¾% over LIBOR, or the bank's prime interest rate, at the Company's option (7.875% to 9.1875% at October 31, 1987) | 4,475,000 | 5,250,000 |
| Mortgage payable, bearing interest at 8.5%, secured by other real estate owned, payable in monthly installments through March 2006 | 121,417 | 123,716 |
| | 7,096,417 | 7,155,532 |
| Less amounts due within one year | (5,775,000) | (6,531,816) |
| | $ 1,321,417 | $ 623,716 |

Included above are $2,000,000 and $1,100,000 in 1987 and 1986, respectively, in term loans and $3,275,000 and $3,800,000 in 1987 and 1986, respectively, in revolving lines of credit payable to shareholders.

Except for the above-mentioned mortgage loan, no one creditor of the Company holds a superior position to any other under current terms of the loans payable to banks or to the Agency for International Development (see Note 7).

Principal maturities under term loans are payable as follows:

| | |
|---|---|
| 1988 | $1,300,000 |
| 1989 | 800,000 |
| 1990 | 400,000 |
| | $2,500,000 |

## NOTE 7 – LOANS PAYABLE TO AGENCY FOR INTERNATIONAL DEVELOPMENT:

The Company was indebted under six unsecured loan agreements to the United States Agency for International Development (AID) for $22,702,980 and $21,761,144 at October 31, 1987 and 1986, respectively. Principal is payable in increasing semi-annual installments through March 2011. Interest is payable semi-annually at fixed rates ranging from 3% to 5.25% per annum.

Principal maturities of the AID term debt for the five years subsequent to October 31, 1987 are as follows:

| | |
|---|---|
| 1988 | $1,687,000 |
| 1989 | 1,747,000 |
| 1990 | 1,810,000 |
| 1991 | 1,874,000 |
| 1992 | 1,941,000 |

These loan agreements contain restrictions on dividends on common stock, indebtedness, uses which can be made of AID loan funds, and certain repayment term restrictions.

In September 1986, the Company and its subsidiary, LAAD de Centroamerica S.A., entered into a sixth unsecured loan agreement with AID in the amount of US$15,000,000. Under the terms of the loan agreement, the Company is required to provide an additional US$3,000,000 of matching funds. At October 31, 1987, the Company had drawn $2,432,350 on this loan.

## NOTE 8 – STOCKHOLDERS' EQUITY:

A summary of the changes in the Company's preferred stock for the two years ended October 31, 1987 is summarized as follows:

| | October 31, 1987 Preferred | | October 31, 1986 Preferred | |
|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value |
| Balance, beginning of year | 142 | $ 710,000 | 294 | $1,470,000 |
| Redemption of preferred shares | (142) | (710,000) | (152) | (760,000) |
| Balance, end of year | – | $ – | 142 | $ 710,000 |

On October 31, 1987, the Company redeemed 142 outstanding shares of preferred stock at a total cost of $710,000. Upon redemption, the 5% cumulative dividend on the redeemed preferred stock in the amount of $35,500 was also paid to the shareholders.

There were no changes in common stock during the two years ended October 31, 1987.

On March 13, 1987, the Board of Directors declared a common stock dividend of $200 per share ($200 per share in 1986) to the shareholders of outstanding common and preferred shares as of March 13, 1987.

## NOTE 9 – EMPLOYEE BENEFIT PLANS:

The Company has a defined contribution pension plan covering substantially all of its employees. The Company's policy is to fund pension costs as accrued, which aggregated approximately $84,000 and $83,000 in 1987 and 1986, respectively.

In addition, certain key employees of the Company participate in a phantom stock plan (the Plan). Expenses in connection with the Plan aggregated approximately $113,000 and $125,000 in 1987 and 1986, respectively.

Other liabilities at October 31, 1987 and 1986 include approximately $497,000 and $420,000 respectively, in connection with the Plan.

## NOTE 10 – COMMITMENTS AND CONTINGENCIES:

The Company was a defendant in a lawsuit alleging violations of U.S. antitrust law and other claims. In June 1987, the United States District Court ruled in favor of the Company's motion for summary judgment on the antitrust and other claims filed by the Plaintiff. All the Plaintiff's complaints were dismissed.

The Company is committed under a noncancellable operating lease for its principal offices. The Company has the option to renew the lease for two successive five-year periods and is subject to rental increases commencing on February 15, 1991, based on increases in the Consumer Price Index. Future minimum annual rental payments under the lease at October 31, 1987 are:

| October 31, | |
|---|---|
| 1988 | $121,966 |
| 1989 | 121,966 |
| 1990 | 40,655 |

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and retained earnings and of changes in financial position present fairly the financial position of Latin American Agribusiness Development Corporation S.A. and its subsidiaries at October 31, 1987 and 1986, and the results of their operations and the changes in their financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

**PRICE WATERHOUSE**

Miami, Florida
December 11, 1987

## SHAREHOLDERS AND DIRECTORS

*Chairman, Angelo S. Abdela*
*Vice-Chairman, Dr. Gerard J.M. Vlak**

**Adela Investment Company S.A.**
Luxembourg
*Director, F.I. Davies*
President

**BankAmerica International Financial Corp.**
San Francisco, California

**Borden, Inc.**
New York, New York
*Director, Joseph M. Saggese*
Senior Group Vice-President

**Cargill, Inc.**
Minneapolis, Minnesota
*Director, Ricardo Robles*
President, Cargill Americas

**Castle & Cooke, Inc.**
San Francisco, California
*Director, David A. DeLorenzo*
President, Dole Fresh Fruit Company

**Caterpillar Tractor Company**
Peoria, Illinois
*Director, Earl W. Doubet*
President
Caterpillar Americas Company

**Rabobank Curaçao, N.V.**
Williamstad, Curaçao, Netherlands Antilles
*Director, Dr. Gerard J.M. Vlak**
Member of the Executive Board
Rabobank Nederland

**Chase Manhattan Overseas Banking Corporation**
Newark, Delaware
*Director, Warren R. Leonard*
President

*Through January 1, 1988.

**CPC International Inc.**
Englewood Cliffs, New Jersey
*Director, Angelo S. Abdela*
Treasurer

**Deere & Company**
Moline, Illinois

**Gerber Products Company**
Fremont, Michigan
*Director, Donald L. Hanson*
Vice President, International Division

**Mellon International Holdings Corporation**
Wilmington, Delaware
*Director, Gerardo P. van Tienhoven*
Executive Vice-President
Mellon Bank, N.A.

**Monsanto Company**
St. Louis, Missouri
*Director, Fred G. Sutton*
Regional Director, Latin America
Monsanto Agricultural Products Company

**Ralston Purina Company**
St. Louis, Missouri
*Director, Antonio Vilar*
Division Vice-President
International Division

**Southeast Bank, N.A.**
Miami, Florida
*Director, William Dewey, III*
Senior Vice-President
International Corporate Banking

**The Goodyear Tire and Rubber Company**
Akron, Ohio
*Director, Alan L. Ockene*
Vice President
Goodyear International Corporation

## MANAGEMENT AND OFFICES

**Latin American Agribusiness Development Corporation S.A.**

*President, Robert L. Ross*
*Senior Vice-President, Benjamin Fernandez*
*Vice-President, Thomas W. Mooney*
*Comptroller, Oscar M. Alvarez*
*Assistant Treasurer, James F. Brenner*

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**Resident Agent:**
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Panama City, Panama

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