



LAAD

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 dieciséis 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	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979
Operating Income ('000)	\$ 2,376	\$ 2,262	\$ 2,425	\$ 2,409	\$ 2,352	\$ 2,346	\$ 2,246	\$ 1,708	\$ 1,227	\$ 1,202
Net Income ('000)	\$ 1,626	\$ 1,512	\$ 1,678	\$ 1,661	\$ 1,602	\$ 1,305	\$ 1,138	\$ 1,060	\$ 709	\$ 704
Earnings per Share of Common Stock*	\$ 2,540	\$ 2,263	\$ 2,415	\$ 2,290	\$ 2,231	\$ 1,802	\$ 1,575	\$ 1,453	\$ 904	\$ 931
Return on Average Net Worth	11.1%	11.0%	12.8%	13.0%	14.0%	12.7%	12.3%	12.8%	9.4%	10.0%
Operating Expenses to Gross Profit**	43%	42%	38%	41%	36%	33%	33%	34%	40%	39%
AT YEAR END										
Assets ('000)	\$50,125	\$45,477	\$43,160	\$47,486	\$46,746	\$44,024	\$41,921	\$36,889	\$32,362	\$29,974
Net Worth ('000)	\$15,293	\$14,052	\$13,442	\$12,784	\$12,147	\$10,815	\$ 9,726	\$ 8,749	\$ 7,852	\$ 7,305
Current Ratio	2.4:1	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
Reserve to Portfolio	9.5%	12.5%	13.6%	12.7%	12.4%	12.0%	9.2%	6.7%	4.8%	3.5%

*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

The Corporation disbursed a record \$11.6 million this year to 50 projects in 11 Latin American and Caribbean countries. As a result, the agribusiness portfolio rose to \$39 million, also a record.

We have now completed two thirds of our latest \$15 million program with the U.S. Government Agency for International Development (A.I.D.) to promote non-traditional agricultural exports from Central America. The program is on schedule and will be completed next year.

We successfully entered into our second debt to equity swap in an integrated salmon farm located in the southern part of Chile. A third conversion has been approved by the Chilean Central Bank, which, when concluded, will almost eliminate our exposure with the public sector in that country. We now have six operating investments in Chile, two in fruit exports, two in fish farming and two in the wood industry. We are attempting to convert public sector debt in other countries where conversion programs are being implemented. The conversion affords us the opportunity, in essence, to better utilize funds that are already in a country and from which repatriation is not immediate.

A combination of debt conversion, repayments and write-offs has allowed us to reduce our

exposure to the public sector in Latin America at the same time as we have increased our disbursements to the private sector.

Operating income recovered from last year and earnings per share improved 12.3% to \$2,540, the highest ever. We increased our dividend payout, the first in three years, to better reflect the situation of LAAD, and it now stands at \$600 per share or 12% of the original share price.

We would particularly like to commend our officers and employees for their hard efforts in helping the Corporation grow in a financially troubled region.



Robert L. Ross

President/Presidente



Angelo S. Abdela

Chairman/Presidente del Directorio

CARTA A LOS ACCIONISTAS

Este año, la sociedad desembolsó un récord de \$11.6 millones a más de 50 proyectos en once países de la América Latina y el Caribe. Como resultado la cartera de inversiones agroindustriales aumentó a \$39 millones que también es un récord.

Ya hemos completado las dos terceras partes de nuestro último programa de \$15 millones con la Agencia Internacional de Desarrollo del Gobierno Norteamericano (A.I.D.) para promover exportaciones no tradicionales en Centroamérica. El programa se está llevando a cabo dentro de un tiempo adecuado y llegará a ser completado el próximo año.

Hemos realizado con éxito nuestra segunda conversión de deuda a capital en un cultivo integrado de salmón situado en la zona sur de Chile. El Banco Central de Chile ha aprobado una tercera conversión, la cual, al concluirse, dejará casi eliminado nuestro riesgo con el sector público del mencionado país. En la actualidad participamos en seis inversiones en Chile: dos en la exportación de frutas, dos en la piscicultura y dos en madera. Estamos tratando de convertir

deudas del sector público en otros países donde programas de conversión están siendo implementados. Las conversiones esencialmente nos facilitan la amortización de nuestra deuda original, la cual de otra manera tendría poca probabilidad de pagarse si permanecieramos como acreedores del sector público.

Hemos podido reducir nuestro riesgo crediticio en el sector público en Latinoamérica a base de una combinación de conversiones de deudas, cobranzas y eliminaciones contables a la vez que hemos ido incrementado nuestros aportes al sector privado.

Las utilidades operacionales se recuperaron del año pasado y la rentabilidad por acción mejoró en un 12.3%, a \$2,540, una cifra récord. Hemos incrementado nuestro pago de dividendos, con el primer aumento en tres años.

Nos enorgullece felicitar en especial a nuestros funcionarios y empleados, por el gran esfuerzo con que han contribuido al crecimiento de la sociedad en una región que aún padece de graves dificultades económicas.

AGRIBUSINESS OPERATIONS

The Corporation disbursed a record \$11.6 million to 50 projects in 11 countries. The agribusiness portfolio increased by approximately 11% to \$39 million. The largest part of this year's loans was invested in Central America as the Corporation continues to carry out the latest joint program with AID to promote non-traditional agricultural exports from that region. Half of the disbursements were made to Costa Rica and Guatemala.

As a result of these disbursements, Central America now accounts for 61% of the agribusiness portfolio, compared to 54% last year. Conversely, South America's participation dropped to 13% of the total from 15.5% last year.

The largest single portfolio concentration remains fruits and vegetables with 30% of the Corporation's portfolio, up from the previous year. The countries where the Corporation operates are becoming major suppliers of fresh and processed

fruits and vegetables to world markets.

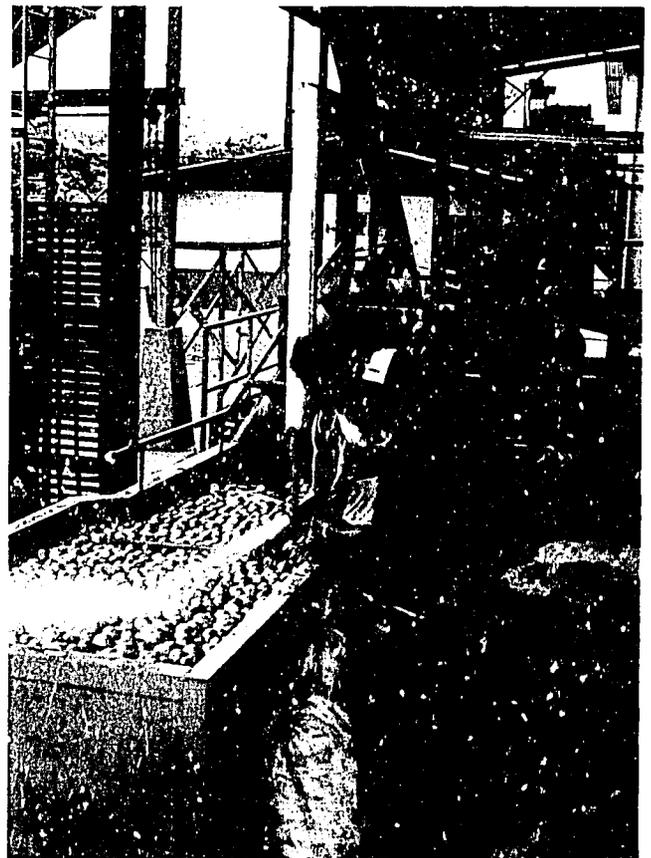
The Corporation disbursed to 16 fruit and vegetable projects, including six in Guatemala, five in Belize, two in Honduras and two in Chile; seven farms producing ornamental plants for export, mainly in Costa Rica; three sesame seed producing plants; and three aquaculture projects, two in Chile and one in Honduras.

Cumulative disbursements at year end stood at \$117 million to 321 projects in 22 countries. Over 95% of these disbursements were made in the form of loans. Most of the Corporation's equity holdings are either the result of a debt to equity conversion through a central bank or turning the collateral of a delinquent loan into an operating business. The Corporation now has eight operating joint ventures or operating subsidiaries of which six of them are located in Chile.



Recently cut flowers at the Bohio Agroindustrial C. por A. farm in Jarabacoa, Dominican Republic.

Flores recién cortadas de Bohio Agroindustrial C. por A. en Jarabacoa, República Dominicana.



Inspecting fresh passion fruit at Frutas y Sabores, S.A.'s plant in San Carlos, Costa Rica.

Inspección de maracuya recién llegada a la planta de Frutas y Sabores, S.A. en San Carlos, Costa Rica.



Two workers air rooting marginata at Productora de Semillas S.A.'s farm in Alajuela, Costa Rica.

Raiceo aéreo a plantas marginata en la finca de Productora de Semillas S.A. en Alajuela, Costa Rica.

OPERACIONES AGROINDUSTRIALES

La Sociedad aportó un récord de \$11.6 millones a 50 proyectos en once países. La cartera agroindustrial aumentó aproximadamente en un 11%, a \$39 millones. La mayor parte de los empréstitos de este año fueron invertidos en Centroamérica continuando así el último programa en conjunto con AID para promover exportaciones no tradicionales de dicha región. La mitad de los desembolsos fueron a Costa Rica y a Guatemala.

Como resultado de estos desembolsos, Centroamérica actualmente representa el 61% de la cartera agroindustrial, comparado con el 54% del año pasado. Por el contrario, la participación en la América del Sur disminuyó del 15.5% al 13% en el mismo período.

El ramo de mayor concentración sigue siendo el de frutas y hortalizas con el 30% de la cartera de la Sociedad, lo que representa un aumento sobre el año anterior. Los países en que la Sociedad opera se están volviendo grandes proveedores de frutas y legumbres frescas

y procesadas al mercado mundial.

La Sociedad hizo aportes a 16 proyectos de frutas y legumbres, incluyendo seis en Guatemala, cinco en Belize, dos en Honduras y dos en Chile; siete cultivos de plantas ornamentales para la exportación, mayormente en Costa Rica; tres plantas productoras de semillas de ajonjolí y tres proyectos de maricultura, dos en Chile y uno en Honduras.

El total de desembolsos a fin de año llegó a \$117 millones, a 321 proyectos en 22 países. Más del 95% de estos aportes fueron préstamos. La mayoría de las participaciones de capital de la Sociedad han sido el resultado de conversiones de deuda en inversión a través de los bancos centrales, o conversiones de bienes en garantía de préstamos morosos, en negocios operativos. En la actualidad, la Sociedad cuenta con ocho operaciones mancomunadas o subsidiarias, de las cuales seis se encuentran en Chile.

TECHNOLOGY INVESTMENTS



Feeding Coho salmon at Pesquera Antares, S.A.'s holding pens in Lake Llanquihue, Chile.

Un obrero alimenta salmones Coho en las jaulas de Pesquera Antares, S.A. en el Lago Llanquihue, Chile.

The Corporation continues to make selected investments in technology related investments which we believe will contribute to agricultural development in Latin America, including:

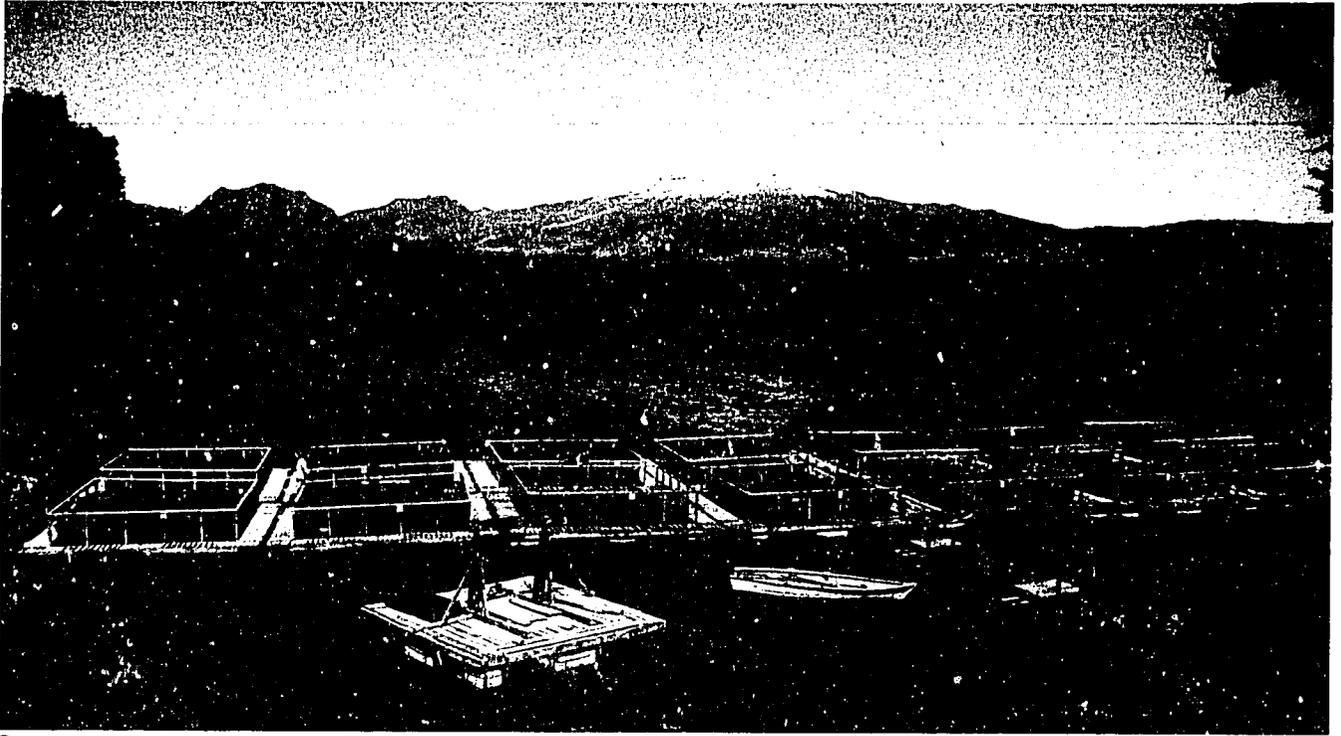
Plant Resources Venture Fund II, an investment fund specializing in agribusiness technologies based in Cambridge, Massachusetts. During the year, the Corporation completed its \$1 million commitment to this fund, which has now placed \$32.5 million in 17 investee companies representing a wide range of agribusiness technologies.

Crop Genetics International is a biogenetics company based in Dorsey, Maryland. The Corporation completed the sale of its holdings in this company at a capital gain.

Trade Wind Industries is the world's first commercial conch mariculture and is based in the Turks and Caicos Islands. The company completed its fifth year and continues to make scientific advances in growing conch in a controlled environment.

Pesquera Andacollo, S. A. is a Chilean scallops farm located in the Bay of Tongoy. The Corporation's investment in Andacollo was the result of a debt/equity swap. This company successfully completed its first year of operation. It harvested over one million scallops which were frozen and exported to Europe. No significant problems were encountered during this first year.

Pesquera Antares, S.A. operates an integrated salmon farm in the lake district of Chile. The Corporation's investment in this company was also made through a debt/equity conversion. Antares is building and operates a salmon hatchery along Lake Llanquihue and sea pens in the Caicaen Channel near Calbuco. The company also has water concessions for a new hatchery and a much larger sea pen operation. The company overcame initial technical problems in the hatchery and in the sea pens and ended its first year with a profit. A major expansion is planned for next year.



General view of Pesquera Antares S.A.'s new salmon holding pens in Lake Llanquihue, Chile.

Vista general de la piscicultura de salmones de Pesquera Antares S.A. en el Lago Llanquihue, Chile.

INVERSIONES EN TECNOLOGIA

La Empresa continua invirtiendo en ciertos negocios de orientación tecnológica, incluyendo:

Plant Resources Venture Fund II, un fondo de inversiones especializado en tecnología agroindustrial basado en Cambridge, Massachusetts. En el transcurso del año la Sociedad completó el millón de dólares comprometido a este fondo, el cual tiene ya invertidos \$32.5 millones en 17 empresas beneficiarias que cubren una amplia variedad de tecnología agroindustrial.

Crop Genetics International es una empresa de biogenética basada en Dorsey, Maryland. La Sociedad vendió con utilidad su participación en esta empresa.

Trade Wind Industries es la primera empresa en el mundo dedicada a la maricultura de caracol de mar, radicada en las Islas Turcas y Caicos. Esta firma completó su quinto año y continúa avanzando en la ciencia del cultivo de caracol de mar.

Pesquera Andacollo, S.A. es una empresa chilena dedicada al cultivo de vieiras ubicada en la Bahía de Tongoy en la zona norte de Chile.

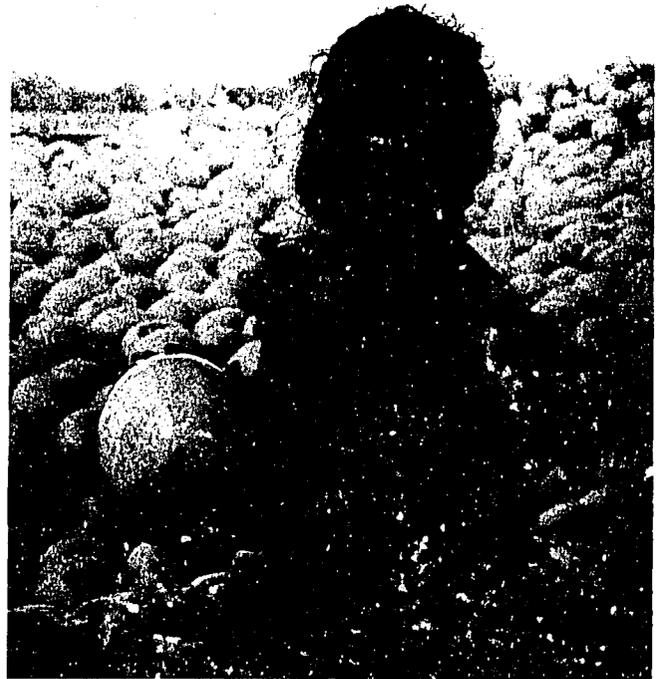
La inversión de la Sociedad en Andacollo resultó de una conversión de deuda a inversión. Esta compañía cumplió su primer año de operaciones. Cosechó más de un millón de vieiras, las cuales se congelaron y se exportaron a Europa. No hubo problemas de importancia durante su primer año de operación.

Pesquera Antares, S.A. opera un cultivo integrado de salmón en la zona de los lagos de Chile. La inversión de la Sociedad en esta compañía también resultó de una conversión de deuda a inversión. Antares construyó y opera un criadero de salmón en el Lago Llanquihue y una operación de engorde en el Canal de Caicaen cerca de Calbuco. La compañía también tiene concesiones marítimas para establecer un nuevo criadero y una operación de engorde. Ha logrado resolver problemas técnicos iniciales en el criadero y en las jaulas de mar, y ha cumplido su primer año con utilidad. Se proyecta una ampliación de importancia para el año entrante.

MARKETING OPERATIONS

The Corporation is expanding its ownership in Southern Sun Importers, an importer of fresh fruit and vegetables located in Miami, Florida. The company's sales for the year increased to \$5.6 million, up 65% from the previous year. Most of the company's product is imported from Chile, but other suppliers include the northwestern United States, Central America and the Caribbean.

The Corporation also made a modest investment in Southern Sun, Germany, a similar fresh fruit and vegetable importer in that country designed to promote more fresh produce sales into central Europe with special emphasis on smaller markets.



Classifying melons at Hondex S.A.'s packing shed in Choluteca, Honduras.

Selección de melones en la planta de empaque de Hondex S.A. en Choluteca, Honduras.



Tending a recently planted ginger farm in Pochuta, Guatemala.

Obreros agrícolas trabajando un campo nuevo de jengibre en Pochuta, Guatemala.



Harvesting melons at Hondex S.A. en Choluteca, Honduras.

Cosechando melones en Hondex S.A. en Choluteca, Honduras.

OPERACIONES MERCANTILES

La Sociedad está ampliando su participación como accionista de Southern Sun Importers, una empresa importadora de frutas y legumbres frescas ubicada en Miami, Florida. Las ventas de la empresa este año aumentaron a \$5.6 millones, un 65% de aumento sobre el año anterior. La mayoría de los productos de la empresa son importados de Chile, aunque cuenta con otros

proveedores en el noroeste de los Estados Unidos, en Centroamérica y en el Caribe.

La Sociedad también ha hecho una inversión modesta en Southern Sun en Alemania, una empresa que importa frutas y legumbres frescas, y está destinada a promover la venta de hortalizas frescas en Europa Central, con enfoque especial a los mercados más pequeños.

**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	83	\$ 30,221.0	\$ 8,108.8	20.8
Costa Rica	49	19,208.9	7,345.8	18.9
Belize	19	6,476.4	5,030.5	12.9
Chile	32	13,100.0	4,192.3	10.8
Panama	29	8,722.9	3,851.3	9.9
Honduras	32	12,396.3	2,581.4	6.6
El Salvador	16	5,773.3	1,956.8	5.0
Dominican Republic	13	6,589.3	1,599.3	4.1
Haiti	13	4,009.0	1,427.9	3.7
United States	5	1,040.2	1,000.0	2.6
Peru	2	572.4	485.0	1.2
Colombia	5	2,950.0	400.0	1.0
St. Vincent	2	835.0	378.6	1.0
Turks & Caicos	2	333.9	214.5	0.5
Jamaica	1	200.0	200.0	0.5
Dominica	1	215.0	183.0	0.5
Nicaragua	11	3,611.4	-	-
Mexico	2	325.0	-	-
Barbados	2	280.0	-	-
Curaçao	1	100.0	-	-
Anguilla	1	35.0	-	-
TOTAL	32	\$ 116,995.0	\$ 38,955.2	100.0

FINANCIAL RESULTS

Net income for the year improved by 75% to \$1.626 million for a return on average net worth of 11.1%. Earnings per share rose to \$2,540, a record high. Gross revenue remained relatively unchanged from the previous year, but non-recurring losses and operating expenses decreased. Operating income exclusive of non-recurring items and loan loss reserves improved by 37% to 2.1 million.

Total assets rose by 10% to \$501 million, a record level, mainly because the agribusiness portfolio grew to \$39 million, also a new high. Financial liquidity remained strong with a current ratio of 2.4:1 and a debt/equity ratio of 2.3:1, relatively unchanged from the previous year.

The Corporation disbursed approximately 11.6 million in new loans and investments, a rec-

ord amount. Of this, \$7.3 million was disbursed under a joint AID program to finance non-traditional agricultural exports from Central America. Over two thirds of this program has now been disbursed.

During the year, the Corporation wrote off \$1.4 million of its loan and investment portfolio, including the entire \$1.1 million balance of its holdings in Nicaragua. Although the Corporation will continue to seek ways of getting paid on loans to that country, its economic performance dictates that any holdings there be removed from the books. Cumulative charge-offs since LAAD's formation now come to \$3.4 million, equal to 2.9% of cumulative disbursements over a 19-year period.

RESULTADO FINANCIERO

Los ingresos netos del año aumentaron en un 75% a \$1,626 millones, y la ganancia sobre el patrimonio neto promedio fue del 11.1%. La utilidad por acción aumentó a \$2,450 que es un récord. Las entradas brutas permanecieron casi estáticas con respecto al año anterior, pero las pérdidas extraordinarias y los gastos de operación disminuyeron. La utilidad operacional, excluyendo pérdidas extraordinarias y reservas para préstamos dudosos aumentaron en 37% a 2.1 millones.

Los activos totales aumentaron en un 10% a \$50.1 millones, cifra récord, mayormente debido a que la cartera agroindustrial aumentó a \$39 millones, también una cifra récord. La liquidez financiera permaneció fuerte, con una relación de activo a pasivo circulantes de 2.4:1, y una relación de deuda-capital de 2.3:1. Ambas cifras permanecen iguales a las del año anterior.

La Sociedad desembolsó aproximadamente \$11.6 millones en nuevos préstamos e inversiones, una cifra récord. De esta suma, \$7.3 millones se desembolsaron bajo un programa mancomunado con la AID para financiar exportaciones no tradicionales en Centroamérica. Ya se han desembolsado más de las dos terceras partes de este programa.

En el transcurso del año la Sociedad eliminó \$1.4 millones de su cartera de préstamos e inversiones, incluso el balance total de \$1.1 millones de sus créditos en Nicaragua. Aunque la Sociedad seguirá gestionando el cobro de sus préstamos a ese país, su situación económica nos obliga a eliminar de los libros cualquier préstamo en ese país. Las eliminaciones contables acumuladas desde la creación de la Sociedad ahora ascienden a \$3.4 millones, o sea, el 2.9% de los desembolsos acumulados en un período de 19 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	65	\$ 19,984.4	\$ 11,825.2	30.4
General Agriculture / Agricultura en General	32	16,444.3	3,584.0	9.2
Miscellaneous / Misreláneas	23	12,388.2	2,489.7	6.4
Cattle / Ganadería	35	13,013.5	3,673.1	9.4
Cut Flowers / Flores	27	6,500.0	2,863.7	7.4
Food Processing / Alimentos Procesados	29	11,624.6	1,999.6	5.1
Fishing / Pesca	17	5,169.8	3,499.5	9.0
Agrotechnology / Agrotecnología	6	1,949.5	1,717.4	4.4
Wood Products / Productos de Madera	12	3,183.7	1,495.8	3.8
Farm Equipment / Equipo Agrícola	11	5,298.2	1,439.6	3.7
Grains / Granos	24	10,741.0	2,666.7	6.8
Dairy / Productos Lácteos	3	902.6	569.0	1.5
Hogs and Poultry / Cerdos y Aves	11	2,812.0	315.0	0.8
Vegetable Oils / Aceites Vegetales	10	2,882.0	458.4	1.2
Marketing Services / Servicios de Mercadeo	16	4,101.2	358.5	0.9
TOTAL	321	\$ 116,995.0	\$ 38,955.2	100.0

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

	October 31	
	<u>1988</u>	<u>1987</u>
ASSETS		
Cash, including time deposits of \$927,100 and \$1,520,386 in 1988 and 1987, respectively	\$ 1,693,264	\$ 1,798,120
Receivable from sale of marketable securities	1,853,663	
Marketable securities, net	<u>7,228,694</u>	<u>8,927,194</u>
	<u>10,775,621</u>	<u>10,725,314</u>
Investments (including \$8,425,901 and \$8,106,283 maturing within one year)		
Loans	36,227,338	32,843,959
Equity	3,318,177	2,472,528
Accrued interest receivable	<u>2,539,302</u>	<u>2,247,248</u>
	<u>42,084,817</u>	<u>37,563,735</u>
Less: Allowance for possible losses	<u>(3,743,000)</u>	<u>(4,411,000)</u>
	<u>38,341,817</u>	<u>33,152,735</u>
Fixed assets, net	230,473	298,783
Other assets	776,956	695,718
Other real estate owned		604,205
	<u>\$50,124,867</u>	<u>\$45,476,755</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accrued interest and other liabilities	\$ 847,920	\$ 1,625,675
Borrowings:		
Banks	6,987,498	7,096,417
Agency for International Development	<u>26,995,990</u>	<u>22,702,980</u>
Total liabilities	<u>34,831,408</u>	<u>31,425,072</u>
Stockholders' equity:		
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	<u>12,054,077</u>	<u>10,812,301</u>
	<u>15,293,459</u>	<u>14,051,683</u>
Commitments and contingencies		
	<u>\$50,124,867</u>	<u>\$45,476,755</u>

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.

	<u>Year Ended October 31</u>	
	<u>1988</u>	<u>1987</u>
INCOME:		
Interest earned:		
Loans	\$ 3,835,732	\$ 3,509,370
Marketable securities and time deposits	<u>1,010,659</u>	<u>1,082,612</u>
	4,846,391	4,591,982
Gain on sale of marketable securities	151,075	764,442
Gain on sale of investments	168,460	
Other income	<u>552,123</u>	<u>377,627</u>
	<u>5,718,049</u>	<u>5,734,051</u>
EXPENSES:		
Interest	1,530,392	1,262,465
Loss on sale of investments and other assets		345,542
Operating expenses:		
Salaries and employee benefits	959,173	1,064,329
General and administrative	<u>852,446</u>	<u>799,885</u>
	3,342,011	3,472,221
Provision for possible losses	<u>750,262</u>	<u>749,906</u>
	<u>4,092,273</u>	<u>4,222,127</u>
Net income for the year	1,625,776	1,511,924
Retained earnings, beginning of year	<u>10,812,301</u>	<u>9,492,277</u>
	12,438,077	11,004,201
Dividends		
Common Stock	(384,000)	(128,000)
5% cumulative preferred stock		<u>(63,900)</u>
Retained earnings, end of year	<u>\$12,054,077</u>	<u>\$10,812,301</u>
Earnings per share of common stock	<u>\$ 2,540.28</u>	<u>\$ 2,262.54</u>

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

**Consolidated Statements of
Cash Flows** Latin American Agribusiness Development Corporation S.A.

	<u>Year Ended October 31,</u>	
	<u>1988</u>	<u>1987</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 1,625,776	\$ 1,511,924
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Provision for loan losses	750,263	749,906
Depreciation	108,470	108,315
Amortization of premium on marketable securities, net	89,673	112,597
Income from equity investments, net	(101,200)	
Net gain on sale of marketable securities and investments	(336,889)	(764,442)
Increase in accrued interest receivable	(292,054)	(352,910)
(Decrease) increase in accrued interest and other liabilities	(777,755)	823,822
(Increase) decrease in other assets	(81,238)	472,715
Net cash provided by operating activities	<u>985,046</u>	<u>2,661,927</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in receivable from sale of marketable securities	(1,853,663)	
Purchase of marketable securities		(4,508,990)
Proceeds from sales of marketable securities	1,759,902	3,985,459
Loan disbursements	(11,778,047)	(9,610,270)
Principal collected on loans	7,026,405	6,426,574
Equity investments disbursed	(884,449)	(449,211)
Proceeds from sale of equity investments	258,460	28,315
Purchase of fixed assets	(22,800)	(86,283)
Proceeds from sale of other real estate owned	604,199	
Net cash used in investing activities	<u>(4,889,993)</u>	<u>(4,214,406)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (payments) under revolving credit lines	875,000	(775,000)
Proceeds from long-term debt	500,000	2,000,000
Repayments on long-term debt	(1,483,919)	(1,284,115)
Proceeds from Agency for International Development borrowings	5,901,000	2,432,350
Repayments on Agency for International Development	(1,687,990)	(1,490,514)
Common dividends paid	(384,000)	(128,000)
Preferred dividends paid		(63,900)
Redemption of preferred shares		(710,000)
Net cash provided by (used for) financing activities	<u>3,800,091</u>	<u>(19,179)</u>
Net decrease in cash and cash equivalents	(104,856)	(1,571,658)
Cash and cash equivalents at beginning of year	1,798,120	3,369,778
Cash and cash equivalents at end of year	<u>\$ 1,693,264</u>	<u>\$ 1,798,120</u>

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS OCTOBER 31, 1988 AND 1987

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.

Statement of Cash Flows

The Financial Accounting Standards Board issued Statement No. 95, [Statement of Cash Flows (FAS 95)], which requires the Company to include a statement of cash flows rather than a statement of changes in financial position for the year ended October 31, 1988. The Company has adopted FAS 95 retroactively and has restated the financial statements for the year ended October 31, 1987.

For the purpose of implementing FAS 95, the Company has defined cash equivalents as those amounts included in the balance sheet caption "Cash, including time deposits."

The Company paid interest of \$1,532,023 and \$1,271,941, respectively, for the years ended October 31, 1988 and 1987.

Income Recognition

Interest income on loans 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 recorded 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 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

Operations are charged, net of recoveries, for possible losses based on management's continuing evaluation of the investment portfolio, in order to provide for all foreseeable losses.

Fixed Assets

Fixed assets are carried at cost less accumulated depreciation and amortization. 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 estimated useful lives of the improvements.

Income Taxes

The Company provides United States Federal income taxes on United States source 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 is based on the weighted average number of shares of common stock outstanding during the year (640 shares in 1988 and 1987). Net income available to common shareholders in 1987 has been reduced by preferred stock dividends of \$63,900, representing \$99.84 per share.

NOTE 2 – MARKETABLE SECURITIES:

Marketable securities had a market value of approximately \$7,700,000 and \$9,616,000 at October 31, 1988 and 1987, respectively.

Marketable securities at October 31, 1988 mature as follows:

1992	\$2,727,504
1994	2,683,723
1996	846,438
1997	971,029
	<u>\$7,228,694</u>

NOTE 3 – LOANS AND EQUITY INVESTMENTS:

Loans and equity investments by country are as follows:

	October 31,	
	1988	1987
Guatemala	\$ 8,108,644	\$ 6,247,442
Costa Rica	7,345,699	6,173,535
Belize	5,030,366	4,221,490
Chile	4,268,227	4,617,080
Panama	3,851,150	4,066,310
Honduras	2,581,527	1,870,105
El Salvador	1,956,872	1,007,659
Dominican Republic	1,599,146	1,740,802
USA	1,487,500	757,500
Haiti	1,427,885	1,545,887
Eastern Caribbean	776,071	1,029,287
Peru	485,000	485,000
Colombia	400,000	414,088
Others	227,428	27,428
Nicaragua		1,112,874
	<u>\$39,545,515</u>	<u>\$35,316,487</u>

Included in loans at October 31, 1988 and 1987 are approximately \$1,433,000 and \$836,000, respectively, relating to entities where the Company has an equity interest.

Non-accrual loans aggregated approximately \$1,618,000 and \$2,089,000 at October 31, 1988 and 1987, respectively, and interest income on these loans in the amount of approximately \$200,000 and \$225,000 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 repayment to the central banks, who subsequently remit payment to the creditors in accordance with the terms of the over-country debt policy or rescheduling agreements. Most of such countries are remitting interest payments on a timely basis, with principal repayments, for the most part, being deferred over extended periods of time.

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

		(in 000's)	
		October 31,	
		1988	1987
Guatemala	Government Bonds	\$1,176	\$1,1
Chile	Central Bank	622	1,1
Honduras	Government Agency	562	7
Costa Rica	Central Bank	400	4
Panama	Government Agency	257	2
Peru	Central Bank	360	
Nicaragua	Central Bank	-	1,1
		<u>\$3,377</u>	<u>\$4,7</u>

The Company charged off its remaining Nicaraguan exposure during fiscal 1988.

During the year ended October 31, 1988 the Company converted, under the Chilean government's debt conversion program, approximately \$695,000 of Chilean Central Bank time deposits into equity in Chilean companies. Approximately \$500,000 of additional Chilean debt was converted in November 1988.

In accordance with the provisions of the debt conversion program, remittance of dividends from these equity investments is prohibited for a period of five years from the date of investment.

NOTE 4 – ALLOWANCE FOR POSSIBLE LOSSES:

The table below summarizes the changes in the allowance for possible losses of the Company during 1988 and 1987:

	1988	1987
Balance beginning of year	\$4,411,000	\$4,420,0
Provision for possible losses	750,262	749,9
Loans and equity charged off	(1,418,262)	(758,9)
Balance end of year	<u>\$3,743,000</u>	<u>\$4,411,0</u>

NOTE 5 – FIXED ASSETS:

Fixed assets consist of the following:

	<u>October 31,</u>	
	<u>1988</u>	<u>1987</u>
Office equipment	\$ 345,703	\$ 314,285
Furniture and fixtures	130,512	129,671
Leasehold improvements	156,738	157,571
	<u>632,953</u>	<u>601,527</u>
Less: Accumulated depreciation and amortization	<u>(402,480)</u>	<u>(302,744)</u>
	<u>\$ 230,473</u>	<u>\$ 298,783</u>

NOTE 6 – LOANS PAYABLE TO BANKS:

Loans payable to various banks are summarized as follows:

	<u>October 31,</u>	
	<u>1988</u>	<u>1987</u>
Unsecured term loans payable in varying semi-annual installments through April 1990, at 1¼% over the London Interbank Offered Rate (LIBOR), or the bank's prime interest rate (975% at October 31, 1988)	\$1,637,498	\$2,500,000
Unsecured revolving \$7500,000 lines of credit, renewable on various dates, at ¼% over LIBOR, or the bank's prime interest rate (90625% to 96875% at October 31, 1988)	5,350,000	4,475,000
Mortgage payable, secured by other real estate owned, repaid during 1988		121,417
	<u>6,987,498</u>	<u>7,096,417</u>
Less amounts due within one year	<u>(6,400,000)</u>	<u>(5,775,000)</u>
	<u>\$ 587,498</u>	<u>\$1,321,417</u>

Included above are \$1,200,000 and \$2,000,000 in 1988 and 1987, respectively, in term loans and \$4,600,000 and \$3,275,000 in 1988 and 1987, respectively, in revolving lines of credit payable to banking shareholders.

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:

1989	\$1,050,000
1990	587,498
	<u>\$1,637,498</u>

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 \$26,995,990 and \$22,702,980 at October 31, 1988 and 1987, 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, 1988 are as follows:

1989	\$1,747,000
1990	1,810,000
1991	1,874,000
1992	2,641,000
1993	2,232,000

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. At October 31, 1988 the Company had drawn \$8,412,670 on this loan.

NOTE 8 -- STOCKHOLDERS' EQUITY:

On March 4, 1988, the Board of Directors declared a common stock dividend of \$600 per share (\$200 per share in 1987).

On October 31, 1987 the Company redeemed 142 shares of outstanding 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, 1988.

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 \$76,000 and \$84,000 in 1988 and 1987, 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 \$97,000 and \$113,000 in 1988 and 1987 respectively.

Other liabilities at October 31, 1988 and 1987 include approximately \$525,000 and \$497,000 respectively, in connection with the Plan.

NOTE 10 – COMMITMENTS AND CONTINGENCIES:

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, 1988 are:

<u>October 31,</u>	
1989	\$121,966
1990	40,655

The Company is contingently liable under letters of credit aggregating \$288,000, obtained on behalf of entities where the Company has an equity interest. Management believes that no losses will be sustained as a result of the letters of credit.

REPORT OF INDEPENDENT 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 cash flows present fairly, in all material respects, the financial position of Latin American Agribusiness Development Corporation S.A. and its subsidiaries at October 31, 1988 and 1987, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PRICE WATERHOUSE

Miami, Florida
December 9, 1988

SHAREHOLDERS AND DIRECTORS

Chairman, Angelo S. Abdela
Vice-Chairman, Donald L. Hanson

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 Co.

Peoria, Illinois
Director, Michael D. Meadows
President
Caterpillar Americas Co.

Rabobank Curaçao, N.V.

Willemstad, Curaçao, Netherlands Antilles
Director, Hugo Steensma
General Manager
U.S. and Canada
Rabobank Nederland

Chase Manhattan Overseas Banking Corporation

Wilmington, Delaware
Director, Warren R. Leonard
President

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 – General Manager
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
Vice-President
International Treasurer

Southeast Bank, N.A.

Miami, Florida
Director, Clovis Estorilio
Vice-President and Manager
Latin American and Caribbean Dept.

The Goodyear Tire and Rubber Company

Akron, Ohio
Director, Alan L. Ockene
Vice-President – Latin America Region
Goodyear International Corporation

MANAGEMENT AND OFFICES

Latin American Agribusiness Development Corporation S.A.

President, Robert L. Ross
Senior Vice-President, Benjamin Fernandez
Comptroller, Oscar M. Alvarez
Treasurer, James F. Brenner

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Resident Agent:

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