

LATIN AMERICAN AGRIBUSINESS
DEVELOPMENT CORPORATION S.A.

AND LAAD CARIBE S.A.

(Republic of Panama Corporations)

AGENCY FOR INTERNATIONAL DEVELOPMENT

LOAN NUMBER 538-T-005

OCTOBER 31, 1980



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</u> <u>Attachment C of Implementation</u> <u>Letter No. 1 to the A.I.D.</u> <u>Loan Agreement</u>	<u>Response by</u> <u>Independent Accountants</u>
No. I - Sufficient scope	See - Report of Independent Accountants dated December 19, 1980
No. II 1. - Short-form report	See - Report of Independent Accountants dated December 19, 1980
No. II 2.a. - Generally accepted auditing standards	See - Report of Independent Accountants dated December 19, 1980 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 19, 1980
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 19, 1980
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
MIAMI, FLORIDA 33131
305 358 3682

December 19, 1980

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 de Centro-america, S.A. (LAAD-CA), LAAD Marketing Company, Inc. (LAAD-M) and LAAD Caribe, S.A. (LAAD-Caribe) for the year ended October 31, 1980. The comments are furnished in accordance with the requirements of your loan agreement number 538-T-005 with the United States of America, acting through the Agency for International Development (A.I.D.), and as specifically stipulated in Article IV, Sections 4.10 and 4.11 of the loan agreement and Section IV.F.2. and Attachment C of Implementation Letter No. 1 to the loan agreement.

As a result of our examination referred to above, we have reported under date of December 19, 1980 that, in our opinion, the consolidated financial statements present fairly the financial position of LAAD and its subsidiaries at October 31, 1980, the results of their operations and the changes in their financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

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 referred to above, we reviewed and tested the Companies' systems of internal accounting controls to the extent we considered necessary to evaluate the systems as required by generally accepted auditing standards. Under these standards the purpose of evaluating such systems is to establish a basis for reliance thereon in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statements.

The objective of internal accounting controls is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect either to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, and that the degree of compliance with the procedures may deteriorate.

Our review and evaluation of the Companies' systems of internal accounting controls for the year ended October 31, 1980, which was made for the purpose set forth in the third preceding paragraph above, was not designed for the purpose of expressing an opinion on internal controls and it would not necessarily disclose all weaknesses in the systems. However, such study and evaluation disclosed no conditions that we believe to be material weaknesses.

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-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 19, 1980; 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 Agreement) furnished to us by officials of the Companies.
3. Reconciliations of all bank accounts as shown by the books as at October 31, 1980 were reviewed and balances in these accounts at October 31, 1980 were compared with those confirmed directly to us by the depositaries. Transactions in the cash accounts were tested.
4. 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 through discussions with officials of the companies.
5. The term debt to the A.I.D. and loans payable to banks as at October 31, 1980 were confirmed directly with A.I.D. and the banks.
6. 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, 1980.

7. We performed audit tests of other transactions reflected in the financial statements as at October 31, 1980.

COMPLIANCE AND/OR NONCOMPLIANCE WITH LOAN
AGREEMENT AND IMPLEMENTATION LETTER N^o. 1

During our examination of the consolidated financial statements of LAAD and its subsidiaries, we reviewed the provisions of the A.I.D. Loan Agreement and Implementation Letter No. 1. 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 of Articles IV and V of the Loan Agreement and Articles IV and V of Implementation Letter No. 1. Additional comments on compliance are as follows:

1. Audited financial statements on sub-borrowers in the Republic of Haiti continued to be a difficult compliance requirement during the course of our examination for the year ended October 31, 1980, because of the limited nature of the public accounting profession in this country.
2. We could not determine whether the companies have complied with the following sections and subsections of the general covenants and warranties of Articles IV and V 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:

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, 4.11 ad 4.12.

Article V - Section 5.03(a)14.

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 requirement 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 agreement.

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

* * * * *

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 Ho.

LAAD-CALIFE, S.A.

Report # 22 as of 11-31-78

(Loan Agreement #538-T-005)

Investment #	Project Name & Location	Interest Rate	Repayment Period	Grace Period	Date approved by LAAD	Date Agreement Signed	Total Investment	COMMITMENTS		DISBURSEMENTS	
								AID Funds	LAAD Funds	AID Funds	LAAD Funds
20-1	Carver Tropical Products (Belize)	10%	7	2	12-6-77		600,000	600,000			
27-1	Gegg Estates (Belize)	10.5	7	2	6-5-77	8-3-78	220,000	220,000		110,000	
12-1	Agrodex (Colombia)	Libor + 3	4	1	6-20-75	7-18-75	250,000		250,000		250,000
15-1	Conserverie Nationale, SA (Haiti)	10	4	1	9-12-77	9-29-77	400,000	150,000		150,000	
15-2	Conserverie Nationale, SA (Haiti)	10	4	1	8-30-78	10-16-78	735,000	85,000		85,000	
30-1	Caribbean Exotic Floral Exports (Haiti)	10.5	4	1.5	10-7-78	11-12-78	390,000		188,000		31,000
6-1	D & B Societe Agricole, SA (Haiti)	10	5	2	9-28-76	10-4-76	61,000		61,000		61,000
6-2	D & B Societe Agricole, SA (Haiti)	10	3	1	2-22-78	3-7-78	87,000		45,000		45,000
6-3	D & B Societe Agricole, SA (Haiti)	10	3	1	6-1-78	7-28-78	16,000		16,000		16,000
21-1	Essences Aromatiques Enguilh, SA (Haiti)	10	3	1	2-9-78	6-8-78	52,000		30,000		30,000
21-2	Essences Aromatiques Enguilh, SA (Haiti)	11	3	1	9-8-78	10-27-78	22,000		22,000		22,000
25-1	Fabricque de Conserves de Legumes et de Fruits, SA (Haiti)	10	6	2	4-27-78	7-24-78	1,400,000	500,000		500,000	
24-1	Forages Hydrauliques, SA (Haiti)	10	4	0.75	3-20-78	6-10-78	260,000	260,000		260,000	
11-1	Haitian Tractor & Equipment Co. (Haiti)	10	4	1	10-13-76	12-10-76	200,000	200,000		200,000	
11-2	Haitian Tractor & Equipment Co. (Haiti)	10	4	1	3-6-78	4-12-78	200,000	200,000		200,000	
26-1	Altos de Quiel (Panama)	10	5	2	6-2-78	6-6-78	150,000		150,000		150,000
29-1	Corp. Agropecuaria del Bayano (Panama)	10.5	7	2	10-3-78	10-27-78	200,000		200,000		200,000
18-1	Follajes, SA (Panama)	11	7	2	9-13-77	6-1-78	150,000	150,000		150,000	
23-1	Sarasqueta, SA (Panama)	10	7	2	3-20-78		600,000		600,000		
8-1	Financiera Agroindustrial, SA (Dom. Rep.)	9	7	2	8-2-76	11-18-76	500,000	500,000		500,000	
7-1	Stefanutti-Hormel, SA (Dom. Rep.)	9	6	2	8-2-76	6-3-77	1,600,000	450,000		450,000	
							8,093,000	3,315,000	1,562,000	2,605,000	805,000

LAAD-CALIFE, S.A.

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Project Name & Location	Interest Rate	Repayment Period	Grace Period	Date approved by LAAD	Date Agreement Signed	Total Investment	COMMITMENTS		DISBURSEMENTS	
							AID Funds	LAAD Funds	AID Funds	LAAD Funds
Arver Tropical products (Belize)	10%	7	2	12-6-77		600,000	600,000			
egg Estates Belize)	10.5	7	2	6-5-77	8-3-78	220,000	220,000		110,000	
Agrodex (Colombia)	Libor + 3	4	1	6-20-75	7-18-75	250,000		250,000		250,000
Conserverie Nationale, SA (Haiti)	10	4	1	9-12-77	9-29-77	400,000	150,000		150,000	
Conserverie Nationale, SA (Haiti)	10	4	1	8-30-78	10-16-78	735,000	85,000		85,000	
Caribbean Exotic Floral Exports (Haiti)	10.5	4	1.5	10-7-78	11-12-78	390,000		188,000		31,000
C & B Societe Agricole, SA (Haiti)	10	5	2	9-28-76	10-4-76	61,000		61,000		61,000
C & B Societe Agricole, SA (Haiti)	10	3	1	2-22-78	3-7-78	87,000		45,000		45,000
C & B Societe Agricole, SA (Haiti)	10	3	1	6-1-78	7-28-78	15,000		16,000		16,000
Essences Aromatiques Anguilh, SA (Haiti)	10	3	1	2-9-78	6-8-78	52,000		30,000		30,000
Essences Aromatiques Anguilh, SA (Haiti)	11	3	1	9-8-78	10-27-78	22,000		22,000		22,000
Fabrique de Conserves de Legumes et de Fruits, SA (Haiti)	10	6	2	4-27-78	7-24-78	1,400,000	500,000		500,000	
Forages Hydrauliques, SA (Haiti)	10	4	0.75	3-20-78	6-10-78	260,000	260,000		260,000	
Haitian Tractor & Equipment Co. (Haiti)	10	4	1	10-13-76	12-10-76	200,000	200,000		200,000	
Haitian Tractor & Equipment Co. (Haiti)	10	4	1	3-6-78	4-12-78	200,000	200,000		200,000	
Itos de Quel (Panama)	10	5	2	6-2-78	6-6-78	150,000		150,000		150,000
Corp. Agronocuarria del Bayamo (Panama)	10.5	7	2	10-3-78	10-27-78	200,000		200,000		200,000
Pollajes, SA (Panama)	11	7	2	9-13-77	6-1-78	150,000	150,000		150,000	
Parasqueta, SA (Panama)	10	7	2	3-20-78		600,000		600,000		
Financiera Agroindustrial, SA (Dom. Rep.)	9	7	2	8-2-76	11-18-76	500,000	500,000		500,000	
Stefanutti-Hormel, SA (Dom. Rep.)	9	6	2	8-2-76	6-3-77	1,600,000	450,000		450,000	
						8,093,000	3,315,000	1,562,000	2,605,000	865,000

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