CARIBBEAN CEMENT COMPANY 1998

Notes to the Financial Statements

31 December 1998

1. Principal Activities

   The company and its subsidiaries are incorporated under the Laws of Jamaica.

   The company produces cement for sale on the local and overseas markets. The subsidiaries are involved in the mining and sale of gypsum and the operation of a mineral spa.

   These financial statements are expressed in Jamaican dollars unless otherwise stated.

2. Significant Accounting Policies

   (a) Accounting convention
   These financial statements have been prepared under the historical cost convention, modified for the inclusion of certain fixed assets and investments at valuation.

   (b) Consolidation
   The group's financial statements present the results of operations and financial position of the company and its wholly owned subsidiaries, Jamaica Gypsum and Quarries Limited and Rockfort Mineral Bath Complex Limited.

   (c) Inventories
   Cement and in-process stocks are stated at the lower of average cost (based on normal production) which includes materials, labour and factory overheads and estimated realisable value. Stores and spare parts are stated at average cost.

(d) Capital work in progress
Capital work in progress includes capitalised labour and factory overheads, loan interest and exchange gains and losses up to the date that the work in progress is completed.

(e) Depreciation
Depreciation is provided on fixed assets on the straight line basis at the following rates to write off their carrying value over the period of their estimated useful lives.

Leasehold improvements	50 years
Freehold buildings and structures	20 - 40 years
Machinery and equipment	3 - 35 years
Furniture and fixtures	3 - 40 years
Motor vehicles	3 - 5 years

(f) Foreign currency translation
Foreign currency balances are translated into Jamaican dollars at the exchange rates at balance sheet date. Until completion (see note 2 (d)), exchange gains or losses in respect of foreign borrowings for capital work in progress are capitalized. Other exchange gains or losses are reflected in the profit and loss account.

(g) Deferred taxation
Deferred taxation is provided at current rates on timing differences between the reporting of income and expense items for taxation and financial statement purposes.

(h) Deferred expenditure

(i) In accordance with Mining Industry practice stripping costs are deferred as it is necessary to strip in advance for the purposes of continuous production. This expenditure is written off to future production costs as mining progresses and the reserves which have been stripped are depleted.

(ii) Development expenses in relation to shale mining are deferred, and is written off to future production costs as mining progresses.

(iii) Costs incurred to dredge loading jetty are written off over the expected period of benefit.

3. Change in Accounting Policy

The company changed its accounting policy to comply with revised International Accounting Standard 12 - Income Taxes which became effective 1 January 1998, and which requires that deferred taxation be accounted for on a full provision basis using the liability method. Deferred taxation is now provided at current rates on timing differences between profits as computed for taxation purposes and profits as stated in the financial statements. As a result of this change, $57,719,000 was adjusted against profits for the 1997 financial year and the cumulative effect of $348,081,000 adjusted against retained earnings at the beginning of the 1998 financial year.

4. Related Party Transactions

(a) In accordance with a Technical Assistance Agreement with Cemex, a 10% shareholder, technical fees (calculated as 2% of turnover), is charged in these financial statements and amounted to $52,712,000 (1997 - $49,168,000). The fees relate to the provision of cement engineering staff by Cemex.

(b) The company provided guarantees for certain loan repayments to The Bank of Nova Scotia Jamaica Limited and Eagle Commercial Bank Limited for its subsidiary Jamaica Gypsum and Quarries Limited (JGQ). At 31 December 1998, the balances on the loans were $284,400,000 (1997 - $372,000,000) and $9,160,000 (1997-$36,515,000) respectively. (Note 22).

(c) Purchases from JGQ during the year were as follows:

	1998 $'000	1997 $'000
Gypsum: 29,158 tonnes (1997: 32,910 tonnes)	18,372	20,363
Shale: 80,351 tonnes (1997: 106,105 tonnes)	12,053	15,916
	30,425	36,279

(d) During the years 1995 to 1997, the company incurred certain legal fees for a proposed rights issue. The Chairman of the company during 1998 is a partner in the firm that provided the services. These costs and other professional costs for the rights issue which were included in deferred expenditure in the prior year, have been written off against the current year's income (Note 6(c)).

5. Turnover

Turnover consists of sales to customers, less intra-group sales and excludes general consumption tax.

6. Exceptional Items

		The Group		The Company	
		1998	1997	1998	1997
		$'000	$'000	$'000	$'000
(a)	Redundancy costs	190,479	31,733	190,479	31,733
(b)	Provision for loss of cash deposit	-	180,656	-	180,656
(c)	Rights issue expenses	51,248	-	51,248	-
(d)	Penalties for non-payment of statutory payroll deductions and General Consumption Tax	73,804	-	73,804	-
(e)	Penalty for non-performance on a coal purchase contract	63,104	-	63,104	-
(f)	Write-off of projects included in capital work-in-progress	160,627	-	160,627	-
(g)	Book value of power station and related spares written off	327,451	-	327,451	-
(h)	Provision against spares and stores inventories	221,405	-	221,405	-
(i)	Provision for fines inventory	239,923	-	-	-
(j)	Stripping costs	48,519	-	-	-
		1,376,560	**212,389**	**1,088,118**	**212,389**

(a) During the year, the company made several employees redundant as a result of the ongoing restructuring exercise being undertaken to reduce cost and increase efficiency (Note 28 (e)).

(b) This represents a provision for losses in respect of cash deposits in a financial institution which was placed in liquidation in February 1998.

(c) This represents certain legal fees and other professional costs incurred for a proposed rights issue. (Notes 4 (d) and 12)

(d) These penalties arose because the company failed to pay over on time certain statutory payroll deductions and General Consumption Tax to the authorities. (Note 18).

(e) This represents the provision for penalty payments incurred due to the company's inability to take delivery of coal under a contract with Scancem International ANS. (Note 25 (a).

(f) This represents the write-off of projects that were previously included in capital work-in-progress as the management of the company has decided not to pursue the projects in view of alternative plans. Included are the St. Lucia, Guyana and Montego Bay cement terminals.

(g) The company decided to phase out the use of its Power Station and instead utilise power from the Jamaica Public Service Company Limited (JPSCo). Negotiations are currently in progress with JPSCo. The cost of the power station has therefore been written off.

(h) Certain spares and stores inventories have been written off, as due to their age and rate of turnover, there is little evidence to support their continued inclusion as assets of the company.

(i) This represents a full provision against the "fines" inventory of JGQ at year end as current market trends indicate that the net realisable value of "fines" at year end is negligible.

(j) This represents the write-off of the remainder of stripping costs which were being deferred as the company has been making significant losses and does not believe that it can recover these stripping costs from profitable operations.

7. Taxation

(a) Current

There is no tax charge for the current and prior year due to losses sustained and claims for capital allowances in excess of depreciation charge. Tax losses available to the group at 31 December 1998 for set-off against future taxable profits amount to approximately $2,763,691,000 (company $2,103,088,000). Subject to agreement by the Commissioner of Income Tax, these losses can be carried forward indefinitely.

(b) Deferred

	The Group and The Company	
	1998	1997 Restated
	$'000	$'000
Credit	313,927	57,719

The company has changed its accounting policy for deferred taxation as described in note 3.

8. Extraordinary Item

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Redundancy payments	-	**17,777**	-	-

These represented payments made to employees on the suspension of the subsidiary's quarry operations on 27 January 1998.

9. Net Loss and (Accumulated deficit)/Retained Earnings

(i) The net loss is dealt with in the financial statements as follows:

	1998	1997 Restated
	$'000	$'000
Parent company	(1,377,702)	(323,908)
Subsidiaries	(477,419)	(109,886)
	(1,855,121)	**(433,794)**

(ii) The (accumulated deficit)/retained earnings are reflected in the financial statements as follows:

	1998	1997

	$'000	Restated $'000
Parent company	(1,190,825)	186,877
Subsidiaries	(614,561)	(137,142)
	(1,805,386)	**49,735**

10. Loss Per Stock Unit

The calculations of loss per stock unit are based on the net loss for each year before and after the extraordinary item, and 422,042,136 ordinary stocks in issue at the end of both years.

11. Fixed Assets

The Group

	Leasehold Land $'000	Leaasehold Improvements $'000	Freehold Land $'000	Buildings $'000	Machinery, Equipment, Vehicles $'000	Capital Work-in-Progress $'000	Total $'000
Cost/Valuation -							
1 January 1998	45,000	40,954	342	776,782	3,649,758	854,043	5,366,879
Additions	30,000	596	-	4,904	13,169	322,847	371,516
Adjustments	-	-	-	-	(362,709)	(160,627)	(523,000)
Transfers from CWIP				29,237	513,828	(543,065)	-
Disposals	-	-	-	-	(2,099)	-	(2,099)
31 December 1998	75,000	41,550	342	810,923	3,811,947	473,198	5,212,960
Depreciation -							
1 January 1998	-	6,781	-	186,886	809,991	-	1,003,658
Charge for the year	2,179	3,801	-	20,111	216,306	-	242,397
Adjustments	-	-	-	-	(52,442)	-	(52,442)
Disposals					(2,044)	-	(2,044)
31 December 1998	2,179	10,582	-	206,997	971,811	-	1,191,569
Net Book Value -							
31 December 1998	**72,821**	**30,968**	**342**	**603,926**	**2,840,136**	**473,198**	**4,021,391**
31 December 1997	**45,000**	**34,173**	**342**	**589,896**	**2,839,767**	**854,043**	**4,363,221**

The Company

	Freehold Land $'000	Buildings $'000	Machinery, Equipment, Vehicles $'000	Capital Work-in-Progress $'000	Total $'000
Cost/Valuation -					
1 January 1998	302	770,196	3,583,964	854,043	5,208,505
Additions	-	4,904	10,312	322,847	338,063
Adjustments			(362,709)	(160,627)	(523,336)
Transfers from CWIP	-	29,237	513,828	(543,065)	-
Disposals	-	-	(2,099)	-	(2,099)
31 December 1998	302	804,337	3,743,296	473,198	5,021,133
Depreciation -					
1 January 1998	-	186,007	789,156	-	975,163
Charge for the year	-	19,960	208,978	-	228,938
Adjustments			(52,442)		(52,442)
Disposals			(2,044)	-	(2,044)
31 December 1998	-	205,967	943,648	-	1,149,615
Net Book Value -					
31 December 1998	**302**	**598,370**	**2,799,648**	**473,198**	**3,871,518**
31 December 1997	**302**	**584,189**	**2,794,808**	**854,043**	**4,233,342**

In 1991, Production Line #4 was professionally revalued at depreciated replacement cost by F. L. Smith & Company Limited of the United Kingdom. The unrealised surplus arising on the revaluation was credited to capital reserves (Note 21).

In prior years, certain major items of fixed assets were professionally revalued at depreciated replacement cost. The unrealised surpluses arising on these revaluations were credited to capital reserves (Note 21).

During the year, interest cost of $34,319,000 (1997 - $80,384,000) allocated to capital work in progress was capitalized.

12. Deferred Expenditure

This comprises:

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
(a) Stripping costs	-	48,519	-	-
(b) Rights issue	-	51,248	-	51,248
	-	**99,767**	**-**	**51,248**

(a) Deferred stripping costs were incurred in respect of work carried out at the gypsum mines. These mines represent the majority of the proven reserves.

(b) This represents certain legal and other professional costs for a proposed rights issue which were expensed during the year (Note 4(d).

These expenditures have now been written off (Note 6).

13. Investments

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
At cost				
Subsidiaries -				
Jamaica Gypsum and Quarries Limited (JGQ)				
375,000,000 Ordinary shares of $0.01 each	-	-	79,000	79,000
Rockfort Mineral Bath Complex Limited				
21,000,000 Ordinary shares of $0.01 each	-	-	20,010	20,010
Other -				
Jamaica Production Fund Limited				
5,000,000 shares of $1.00 each	5,000	5,000	5,000	5,000
Caribbean Gypsum Limited	600	600	600	600
Port Royal Development Company Limited				
5,000 ordinary shares of US$10.00 each	1,775	1,775	1,775	1,775

	7,375	**7,375**	**106,385**	**106,385**

14. Long Term Receivable

This amount represents contributions to the National Housing Trust and is recoverable in the years 2001 to 2004.

15. Due From Subsidiaries

	1998 $'000	1997 $'000
Jamaica Gypsum and Quarries Limited	306,412	73,423
Rockfort Mineral Bath Complex Limited	29,537	28,000
	335,949	**101,423**

16. Inventories

	The Group		The Company	
	1998 $'000	1997 $'000	1998 $'000	1997 $'000
Cement and in-process stocks	137,350	235,229	137,350	235,229
Fines	-	253,088	-	-
Gypsum rocks and anhydrite	5,089	50,324	-	-
Stores and spare parts	364,546	585,713	364,546	578,560
Goods in transit	9,495	32,606	9,292	32,606
	516,480	**1,156,960**	**511,188**	**846,395**

17. Cash and Deposits

	The Group		The Company	
	1998 $'000	1997 $'000	1998 $'000	1997 $'000
Deposits	-	23,240	-	23,240
Cash in hand	11,767	23,027	8,180	18,002
	11,767	**46,267**	**8,180**	**41,242**

18. Payables

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Trade creditors - Local	202,295	164,824	199,784	154,079
- Foreign	150,843	80,781	150,843	80,781
Interest	83,425	35,038	76,005	35,038
Statutory obligations and General Consumption Tax including penalties	310,495	39,289	310,381	37,289
Advances from customers	25,561	19,633	25,561	19,633
Technical assistance fees - Cemex	52,712	12,526	52,712	12,526
Other	106,674	33,186	102,075	15,409
	932,005	**385,277**	**917,361**	**354,755**

19. Short Term Loans

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
(i) Commercial paper	1,245,781	1,778,440	1,245,781	1,778,440
(ii) Demand loans				
The Bank of Nova Scotia Jamaica Limited	624,500	-	624,500	-
Continental Petroleum Products Limited	259,889	-	259,889	-
National Commercial Bank Limited	116,026	-	71,026	-
Peninsula Corporation	86,075	-	86,075	-
	1,086,490	-	1,041,490	-
(iii) Trade Financiers				
Phoenix Trade Finance Corporation	5,850	34,295	5,850	34,295
Crown Agents Limited	14,298	30,359	14,298	30,359
Geyco International Corporation	14,902	26,808	14,902	26,808
Peninsula Corporation	133,176	7,838	133,176	7,385
Caribbean Trade and Investments Limited	2,115	-	2,115	-

	170,341	99,300	170,341	99,300
	2,502,612	**1,877,740**	**2,457,612**	**1,877,740**

Loans included under (i) and (ii) above are at varying interest rates of 11.5% - 17% and 31.75% - 42.25% per annum for US$ and J$ transactions respectively. The repayment periods vary between 30 - 90 days. Amounts repayable in foreign currency are US$10,499,000 (1997 US$14,851,000).

Loans included under (iii) are short term foreign currency financing provided by the financiers for purchases of inventories and capital items from foreign suppliers. These facilities are at varying interest rates of 8.5% - 11 % with associated service and transaction costs at varying rates of 2.72% to 4.5%. The repayment periods vary between 90 - 180 days. There are significant penalties for late repayments attached to each facility.

20. Share Capital

	1998 $'000	1997 $'000
Authorised -		
Ordinary shares of 50c each	675,000	400,000
1 special share of $1.00	-	-
	675,000	**400,000**
Issued and fully paid -		
Ordinary stock units of 50c each	211,021	211,021
1 special rights preference share of $1.00	-	-
	211,021	**211,021**

Effective 11 September 1998, the company's authorised ordinary share capital was increased to $675,000,000 by the creation of 550,000,000 ordinary shares of 50 cents each to rank pari passu with the existing ordinary shares of the company.

(a) Special Share

The special share is held by the Accountant General on behalf of the Government of Jamaica. The Special Shareholder is entitled to receive notice of, and to attend and speak at all General Meetings and meetings of any class of shareholders but not to vote at such meetings. (Note 28(b)).

The consent of the Special Shareholder is required before any of the "Entrenched provisions" of

the Memorandum of Association of the company can be altered.

(b) National Investment Bank of Jamaica Limited

At 31 December 1998, the former parent company, National Investment Bank of Jamaica Limited (NIBJ) held 57,565,941 (13.6%) of the company's stock units. These stock units do not carry voting rights as long as they are held by NIBJ, the Government or its agents.

(c) Limitations on stockholdings
The company's Memorandum and Articles of Association impose limitations on stockholdings in the company in so far as:

(i) Any stockholder who has an interest in stocks of 5% or more of the total voting stocks of the company is required to notify the company.

(ii) Any person who has or appears to have an interest in stocks which carry more than 10% of the total voting rights in the company, will be ineligible to vote any stock after service of notice by the Registrar and Transfer Agent, until the excess over 10% has been sold. (Note 28 (b)).

21. Capital Reserves

	The Group		The Company	
	1998	1997	1998	1997
	$'000	$'000	$'000	$'000
Share premium	213,628	213,628	213,628	213,628
Revaluation surplus (note 11)	843,325	843,325	843,325	843,325
Realised capital gains	91	91	86	86
Consolidation loss	(17,757)	(17,757)	-	-
	1,039,287	**1,039,287**	**1,057,039**	**1,057,039**

22. Long and Medium Term Loans

	%	Repayable	The Group		The Company	
			1998	1997	1998	1997
			$'000	$'000	$'000	$'000
(a) The Bank of Nova Scotia						

Jamaica Limited						
(i) Loan	46	1998	-	11,000	-	11,000
(ii) US$0.13 million	12	1998	-	4,830	-	4,830
(iii) USS0.66 million	13	1998	-	24,002	-	24,002
(iv) Loan	31 1/2	1997/99	67,000	89,000	67,000	89,000
(v) Loan	46	2001	15,188	27,200	15,188	27,200
(vi) Loan	31 1/2	2001	284,400	372,000	-	-
(b) BNS Trust & Merchant Bank Limited US $ 8 million Bearer Bonds	12	1999	297,309	292,704	297,309	292,704
			663,897	820,736	379,497	448,736
(c) CIBC New York						
(i) US$0.74 million	7	1998/2002	27,639	34,014	27,639	34,014
(ii) US$1.58 million	7	2003	58,748	-	58,748	-
(iii) US$1.88 million	7	2003	70,153	-	70,153	-
			156,540	34,014	156,540	34,014
(d) Citizens Trust and Merchant Bank Limited (US$0.03 million)	16	1995/2000	1,150	8,450	1,150	8,450
(e) Eagle Commercial Bank Limited (US$1 million Demand loan)	16	1999	9,162	36,515	-	-
(f) Government of Jamaica						
(i) Loan	9 1/4	1992/99	99,000	99,000	99,000	99,000
(ii) Loan	4	1992/99	4,899	4,899	4,899	4,899
(iii) Capitalised interest payable	9 1/4	1992/99	27,850	27,850	27,850	27,850
			131,749	131,749	131,749	131,749
(g) International Finance Corporation Limited (US$5 million)	8 1/2	1995/2002	148,654	182,940	148,654	182,940

(h) Jamaica Money Market Brokers Limited						
(i) US$8 million Bearer Bonds	14 3/4	2000	297,309	292,704	297,309	292,704
(ii) US $0.715 million	12	1999	26,572	121,105	26,572	121,105
			323,881	413,809	323,881	413,809
Carried forward			1,435,033	1,628,213	1,141,471	1,219,698

	%	Repayable	The Group		The Company	
			1998	1997	1998	1997
			$'000	$'000	$'000	$'000
Brought forward			1,435,033	1,628,213	1,141,471	1,219,698
(i) National Commercial Bank Limited -(US$0.51 million)	17	1998	-	18,717	-	18,717
(j) National Investment Bank of Jamaica Limited	Nil	17	8,605	9,105	-	-
Total loans			1,443,638	1,656,035	1,141,471	1,238,415
Less: Current portion			660,304	377,554	563,043	261,708
			783,334	1,278,481	578,428	976,707

(a) Under the terms of a 1996 agreement with The Bank of Nova Scotia Jamaica Limited, the company and the group are required to maintain certain financial ratios as follows:

(i) Minimum Tangible Networth by the company of at least $2,000,000,000 by 31 December 1998.
(ii) Minimum working capital ratio of 0.90:1

At 31 December 1998, the company was not in compliance with the requirements.

(b) Under the terms of the 1997 Trust Deed with Scotiabank Jamaica Trust and Merchant Bank Limited, the company and the group are required to adhere to certain conditions and maintain certain financial ratios as follows:

(i) The company may from time to time, without the consent of the Trustees or Noteholders, create and issue further notes or bonds, debentures or loan stock whether ranking pari passu with, or subsequent to the Notes provided that:

. The consolidated current ratio of the company be at least 1 :1; and
. The long-term Debt to Equity Ratio would not be greater than 60:40.

(ii) The company covenants with the Trustee for the benefit of the Noteholders that so long as any principal sum or interest shall be outstanding upon the Note (whether currently due or not) it shall not "create or suffer to exist or permit to exist any lien on any property, revenues or other asset, present or future, of the company, except any security interests existing at the date hereof and any tax or other statutory lien, provided that such lien shall be discharged within 30 days after the day it is created or arises (unless contested in good faith by the company, in which case it shall be discharged within 30 days after final adjudication)".

At 31 December 1998, the company was not in compliance with the terms and conditions of the Trust Deed. (Note 28(a)).

(c) By agreement dated 21 May 1987, the Government of Jamaica assumed the exchange risk for loan f(i).

(d) Under the terms of a 1996 agreement with International Finance Corporation ("IFC"), the company and the group are required to maintain certain financial ratios as follows:

(i) Consolidated Current Ratio of at least 1:3; and
(ii) Long Term Debt to Equity Ratio to be no less than 60:40.

At 31 December 1998, the company was not in compliance with the requirements.

(e) Under the terms of a 1997 agreement with Jamaica Money Market Brokers Limited ("JMMB"), the company is required to maintain certain financial ratios as follows:

(i) Current Ratio of 1: 1; and
(ii) Debt to Equity Ratio of 1.5:1.

At 31 December 1998, the company was not in compliance with the requirements.

(f) Under the terms of certain other loan agreements, the company has agreed to certain negative pledges and not to encumber assets without prior consent.

23. Pension Scheme

The company has a defined contribution pension scheme for all permanent employees which is managed by an outside agency. The company's liability is restricted to its contributions. Total contributions for the year amounted to $26,260,000 (1997 - $33,176,000).

24. Operating Lease Commitments

Lease commitments at 31 December 1998 amounted to approximately $32,646,000 and are scheduled for payment as follows:

	The Group and The Company $'000
In the year ending 31 December	
1999	11,388
2000	9,310
2001	5,974
2002	5,974

25. Contingencies

(a) The company entered into an agreement with Scancem International ANS on 1 January 1990, for an initial period of 24 months, for the purchase of a specified minimum quantity of coal to be taken in specified shipments annually. This agreement was extended on several occasions and the accumulated default amount due to the non-performance of contractual obligations by the company at 21 November 1998 amounted to $63,104,000 (US$1,698,000) (Note 6(e)).

(b) A claim was made by the company in 1987 against National Limestone & Quarries Limited for monies due and owing. National Limestone & Quarries Limited has counter-claimed for damages in respect of an alleged breach of contract. The amount of the counter-claim is $7,400,000.

In the opinion of management and the company's attorneys, this counter claim is unlikely to succeed and no material losses are likely to be sustained.

Accordingly, no provision has been made for either the claim or counter-claim in these financial statements.

(c) The company is involved in certain legal proceedings incidental to the normal conduct of business. Management believes that none of these legal proceedings, individually or in the aggregate, will have a material effect on the company.

26. Capital Commitments

At 31 December 1998, contracts for capital expenditures not provided for in these financial statements were approximately $210,000,000 (1997 - $173,100,000).

27. Continuity of Operations

The group and the company sustained net losses of $1,855,121,000 (1997 - $433,794,000 as restated) and $1,377,702,000 (1997 - $323,908,000 as restated) respectively during the year ended 31 December 1998. At that date, the group's and the company's current liabilities exceeded their current assets by $3,766,827,000 (1997 - $1,544,228,000) and $3,624,506,000 (1997 - $1,713,143,000) respectively. Included in the current liabilities are significant short-term debts, which will require refinancing.

During 1996 and 1997, the company attempted to raise equity capital through a Rights Issue with the objective of significantly reducing its short-term debt. These plans were postponed as the company and its professional advisors did not consider the market conditions to be favourable. Included in deferred expenses at 31 December 1997 was an amount of $51,248,000 in respect of cumulative costs incurred in connection with the proposed issue. The intended issue did not materialise in 1998 and consequently the deferred amount of $51,248,000 was written off (Note 6(c)).

28. Subsequent Events

(a) Default on 12% U.S. Dollar Promissory Notes Obligations

On 5 March 1999, Scotiabank Jamaica Trust and Merchant Bank Limited, Trustees for the company's 12% US$8,000,000 denominated promissory notes, repayable 31 May 1999, announced that the company was in default.

On 31 May 1999, the US$8,000,000 promissory notes and interest thereon were settled in full.

(b) Ten percent (10%) ceiling on voting rights and Special Share

At an extraordinary general meeting of the company's shareholders on 23 March 1999, a resolution was passed to remove the ten percent ceiling on voting rights of shareholders as described in Note 20 (c) and the rights attached to the special share as described in note 20(a).

(c) Sale of shares held by the Government

On 26 March 1999, the Government announced that it had accepted a bid by Trinidad Cement Company Limited (TCL) for the acquisition of the government's forty three percent shareholdings in the company. TCL had previously held ten percent of the company's shares. Payment for the shares was effected on 15 April 1999.

Shortly before the above announcement, TCL was listed on the Jamaica Stock Exchange.

(d) Financial Restructuring

In May 1999, the company notified the Jamaica Stock Exchange of its directors' approval for a rights issue of four new ordinary shares for every three existing stock units held by stockholders at 31 May 1999 at a price of $3.25 price per share.

As part of its restructuring and refinancing plans, the company will be selling certain fixed assets under a sale and leaseback agreement in June 1999. US$65,000,000 will be raised from this transaction.

(e) Redundancy Payments

In May 1999, the company announced that additional employees will be made redundant as part of the restructuring exercise being carried out by the company and approved by the Board in 1998. The estimated cost of these redundancies totalled $83,409,000 and is accrued for in these financial statements as part of the overall redundancy costs of $190,479,000 incurred for the year. (Note 6 (a)).