Caribebean Cement Company Limited

Notes to the Financial Statements 31 December 1999

1. Principal Activities

   The parent company and its subsidiaries are incorporated under the Laws of Jamaica. The group's principal activities are the manufacture and sale of cement and the winning and sale of gypsum.

   During April 1999, Trinidad Cement Limited (TCL) a company incorporated under the Laws of Trinidad and Tobago, acquired the stock units held by the Government of Jamaica in Caribbean Cement Company Limited (CCCL). This acquisition, in addition to the stock units previously held and from a subsequent rights issue in July 1999 (note 26) resulted in TCL and a wholly owned subsidiary, acquiring 74.1 % of the issued stock units of CCCL at 31 December 1999.

2. Significant Accounting Policies

   Basis of preparation

   These financial statements have been prepared under the historical cost convention, modified to take account of the revaluation of certain land, buildings, plant and machinery and in accordance with Jamaican generally accepted accounting principles and therefore include all required material disclosures.

   Comparative information

   Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

Basis of consolidation

Subsidiary undertakings, being those companies in which the Group, directly or indirectly, has an interest of more than one half of the voting rights, have been fully consolidated. All intercompany transactions and balances and unrealised surpluses and deficits on transactions between group companies have been eliminated.

The excess of the cost of acquisition over the fair values of the assets and liabilities acquired is set off against reserves as a consolidation adjustment (Goodwill).

A listing of the group's subsidiaries is set out in note 13.

Property, Plant and Equipment

It is the group's policy to account for property, plant and equipment at cost except for certain plant and equipment which were professionally revalued in 1991 and in prior years and the respective asset values adjusted accordingly. Subsequent thereto, all property, plant and equipment have been recorded at cost.

Depreciation is provided on the straight line basis at rates estimated to write-off the assets over their expected useful lives. The estimated useful lives of assets are reviewed periodically, taking account of commercial and technological obsolescence as well as normal wear and tear, and the depreciation rates are adjusted if appropriate.

Current rates of depreciation are:

Buildings	-	2.5%	-	5%
Plant, machinery and equipment	-	3%	-	33.3%
Motor vehicles	-	20%	-	33.3%
Office furniture and equipment	-	2.5%	-	33.3%

Leasehold land and improvements are amortised over the remaining term of the lease.

It is the Group's policy to capitalise interest on loans specific to capital projects during the period of construction. Repairs and renewals are charged against income when the expenditure is incurred.

Investments

Equity investments in subsidiaries and other companies, classified as long term, are stated at cost and

provision is only made where, in the opinion of the Directors, there is a permanent diminution in value.

Inventories

Plant spares and raw materials are valued at the lower of weighted average cost and net realisable value. Work in progress and finished goods are valued at the lower of cost including attributable production overheads, and net realisable value. Net realisable value is the estimate of the selling price less the costs of completion and selling expenses.

Foreign Currencies

Transactions in foreign currencies are recorded in Jamaican dollars at the rates ruling at the dates of transaction. Assets and liabilities in foreign currencies are translated at rates ruling at the balance sheet date. Differences arising therefrom are reflected in the current year's results.

Taxation

The group has adopted International Accounting Standards OAS) 12 which recognises all deferred tax assets and liabilities arising from temporary differences which result mainly from the excess of depreciation allowed for tax. The liability method of accounting for deferred taxation is followed whereby the deferred tax asset or liability is recorded at the current income tax rate.

Pension Plans

The parent company has a defined contribution pension scheme for all permanent employees which is managed by an outside agency. The company's liability is limited to its contributions which are accounted on the accrual basis.

Revenue

Revenue is recognised upon delivery of products and customer acceptance or performance of services, if any, net of general consumption tax and discounts and after eliminating sales within the Group.

Interest and investment income are recognised as they accrue unless collectibility is in doubt.

Trade Receivables

Trade receivables are carried at anticipated realisable value. A provision is made for doubtful receivables based on a review of all outstanding amounts at the year end.

Earnings per Stock Unit

Basic earnings per stock unit is computed by dividing profit attributable to ordinary stockholders by the weighted average number of ordinary stock units in issue during the year.

For diluted earnings per stock unit the weighted average number of ordinary stock units in issue is adjusted to assume conversion of all dilutive potential ordinary stock units. The group had no category of dilutive potential ordinary stock units.

Use of Estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Thousands of Jamaican dollars	Group		Parent	
	1999		1998	

Fair Value of Financial Instruments

The amounts included in the financial statements for accounts receivable, accounts payable and accrued liabilities reflect their approximate fair values because of the short-term nature of these instruments. For long term receivables, investments and medium and long term loans, the carrying value approximate the fair market value. (Note 28)

3. Operating Profit

Sales	2,917,558	2,713,736	2,860,488	2,635,616
Raw materials and consurnables	957,748	1,090,097	946,203	1,080,021
Fuels and electricity	506,227	437,365	506,131	436,303
Personnel remuneration and benefits (Note 4)	588,091	645,108	569,438	629,428
Depreciation	195,475	239,932	188,005	228,938
Other operating expenses	397,885	489,293	374,482	441,692
Changes in inventories of finished goods and work in progress	173,067	(276,800)	180,672	(335,207)
	2,818,493	2,624,995	2,764,931	2,481,175

Other income	66,980	19,141	62,071	15,735
Profit from Operations	166,045	107,882	157,628	170,176
Other income include:				
Gain on disposal of fixed assets (Note 6)	(39,882)	(1,144)	(39,882)	(1,144)
Operating profit is stated net of:				
Audit fees	2,840	5,110	2,000	3,600
Directors' emoluments				
Fees	3,520	4,234	3,120	3,658
Management Remuneration	8,200	7,419	8,200	7,419
Compensation for loss of office	12,777	-	12,777	-
Technical fees	49,542	52,712	49,542	52,712
Loss on currency exchange	64,021	34,442	66,242	34,675

Thousands of Jamaican dollars	Group		Parent	
	1999	1998	1999	1998
4. Personnel Remuneration and Benefits				
Wages and salaries	486,395	527,050	468,743	513,106
Statutory contributions	38,165	41,027	36,891	39,983
Pension costs (Note 30)	22,864	27,737	22,659	27,532
Other post retirement benefits	12,777	-	12,777	-
Other personnel costs	27,890	49,294	28,682	48,817
	588,091	645,108	569,438	523,830
Termination costs	10,143	190,479	9,493	190,479
	598,234	835,587	579,245	714,309
Average number of employees	315	376	270	340
5. Finance Costs - Not				
Interest expense	705,763	910,004	657,993	783,321
Interest income	(7,260)	(9,634)	(7,179)	(9,634)
Finance costs - net	698,503	900,370	650,814	773,687
6. Deferred Gain				
Balance at 1 January	-	-	-	-

Net gain on sale of machinery and equipment (Note 12)	1,139,232	1,114	1,139,232	1,114
Amortisation for the year	(39,882)	(1,114)	(39,882)	(1,114)
Balance at 31 December	1,099,350	-	1,099,350	-

Deferred gain represents the profit from the sale of certain machinery and equipment in August 1999 which will be credited to the profit and loss account over the period of the operating lease agreement which is 10 years.

Thousands of Jamaican dollars	Group		Parent	
	1999	1998	1999	1998
7. Exceptional Items				
Redundancy costs	10,143	190,479	9,493	190,479
Rights issue expenses	-	51,248	-	51,248
Penalties for non-payment of statutory deductions	-	73,804	-	73,804
Penalty for non-performance on a coal contract	-	63,104	-	63,104
Write-off of work-in-progress and capital project	123,080	160,627	102,800	160,627
Write-down of power station equipment and spares	64,000	327,451	64,000	327,451
Spares and inventories provision	58,466	461,328	58,466	221,405
Stripping costs	-	48,519	-	-
	255,689	1,376,560	234,759	1,088,118

Redundancy expenses were incurred as the company restructured its operations to reduce costs and increase efficiencies.

The rights issue costs were incurred for a proposed issue which had to be discontinued in 1998.

The statutory penalties represented provisions made as a result of the failure of the company to pay on time certain statutory deductions and contributions to the tax authorities.

The penalty on a coal contract represents the provision made for penalties incurred due to the company's inability to take delivery of coal under a contract with Scancem International ANS.

The projects written-off were identified as uneconomic and not viable to pursue. Included were costs incurred on the St Lucia, Guyana, and Montego Bay cement terminals and in 1999 the cost of writing down the value of the computer operating software in the parent company and leasehold improvements in one of the subsidiaries.

The power station assets were written off as the company decided to utilise power from the Jamaica Public Service Company.

The provision for spares and inventories was made due to the age, rate of turnover and carrying values of these items.

The stripping costs were written off as the company believed that it could not recover these from future profitable operations.

	Group		Parent	
	1999	1998	1999	1998

8. Taxation

Income Tax	-	-	-	-
Deferred Tax Liability	34,154	313,927	34,154	313,927
Deferred Tax Asset	223,798	-	223,798	-
Tax Credit	257,952	313,927	257,952	313,927

The Group and the parent company have available tax losses of $2,183,400,000 (1998 $2,763,700,000) and $1,469,500,000 (1998 - $2,103,100,000) respectively for set off against future taxable profits.
Tax losses of the subsidiaries amount to $713,900,000 (1998 $660,600,000) and are available for set off against future taxable profits.
These tax losses have not yet been confirmed by the Commissioner of Income Tax and can be carried forward indefinitely subject to agreement with the Commissioner.

9. Loss after taxation and accumulated deficit

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

Parent company	(469,993)	(1,377,702)
Subsidiaries	(60,202)	(477,419)
	(530,195)	**(1,855,121)**

(ii) The accumulated deficit is reflected in the financial statements as follows:

	(1,660,818)	(1,190,825)
Parent company	(674,763)	(614,561)
Subsidiaries	**(2,335,581)**	**(1,805,386)**

Thousands of Jamaican dollars	Group		Parent	
	1999	1998	1999	1998
10. Loss per Stock Unit				
Net loss attributable to stockholders	(530,195)	(1,855,121)	469,993	(1,377,702)
Weighted average number of stock units in issue (thousands)	636,590	422,042	636,590	442,042
Basic loss per stock units-cents	(83)	(440)	(74)	(326)

With effect from July 1999, the number of issued ordinary stock units of the parent company increased from 422,042,136 to 851,138,184 following a rights issue of new stocks units (Note 26).

11. Related Party Balances and Transactions

In accordance with a Technical Assistance Agreement with Cemex, a 10% shareholder until July 6, 1999 (subsequently reduced to 5% after the rights issue), technical fees are charged in these financial statements and amounted to $29,452,000 (1998 - $52,712,000). This agreement was terminated in August 1999.

In accordance with a Technical Assistance Agreement with the TCL Group, a 74.1 % shareholder, technical fees are charged in these financial statements and amounted to $20,000,000 (1988 - nil). This balance was outstanding at year end.

Purchase of gypsum and shale valued at $32,019,000 (1988 - $30,425,0000) was made from a wholly owned subsidiary, Jamaica Gypsum and Quarries Limited.

The company purchased products from the TCL Group costing $50,987,000 (1998: Nil).

At the year end, the company owed short term advances of US$4,708,000 (1998: Nil) at an interest rate of 12 per cent to TCL. Interest accrued on these advances is US$267,000 (1998: Nil). None of the advances are secured on the assets of the company.

Balances with related parties are shown in Note 22.

12. Property, Plant and Equipment

	Land and Buildings	Plant, Machinery, Equipment and Motor Vehicles	Office Furniture and Equipment	Capital Work in Progress	Total
At 31 December 1999					
Cost/Valuation	909,873	1,995,022	157,917	136,602	3,199,414
Accumulated depreciation	(239,922)	(569,089)	(61,052)	-	(870,063)
Net book value	669,951	1,425,933	96,865	136,602	2,329,351
Net Book Value					
1 January 1999	708,056	2,580,831	259,306	473,198	4,021,391
Additions	9,042	127	1,688	35,048	45,905
Disposals and adjustments	(20,387)	(1,020,224)	(130,215)	(371,644)	(1,542,470)
Depreciation charge	(26,760)	(134,801)	(33,914)	-	195,475
31 December 1999	669,951	1,425,933	96,865	136,602	2,329,351
At 31 December 1998					
Cost/Valuation	925,350	3,490,620	321,327	473,198	5,210,495
Accumulated depreciation	(217,294)	(909,789)	(62,021)	-	(1,189,104)
Net book value	708,056	2,580,831	(259,306	473,198	4,021,391
Net Book Value					
1 January 1998	667,313	2,548,523	292,865	854,043	4,362,744
Additions	64,737	525,000	9	322,847	912,593
Disposals and adjustments	-	(310,322)	-	(703,692)	(1,014,014)
Depreciation charge	(23,994)	(182,370)	(33,568)	-	(239,932)
31 December 1998	708,056	2,580,831	259,306	473,198	4,021,391

12. Property, Plant and Equipment

Plant,

	Land and Buildings	Machinery, Equipment and Motor Vehicles	Office Furniture and Equipment	Capital Work in Progress	Total
At 31 December 1999					
Cost/Valuation	808,550	1,931,515	153,528	136,602	3,030,195
Accumulated depreciation	(224,293)	(536,421)	(58,694)	-	(819,408)
Net book value	584,257	1,395,094	94,834	136,602	2,210,787
Net Book Value					
1 January 1999	598,672	2,540,963	258,685	473,198	3,871,518
Additions	9,032	-	1,687	35,049	45,768
Disposals and adjustments	(734)	(1,014,117)	(131,998)	(371,645)	(1,518,494)
Depreciation charge	(22,713)	(131,752)	(33,540)	-	(188,005)
31 December 1999	584,257	1,395,094	94,834	136,602	2,210,787
At 31 December 1998					
Cost/Valuation	804,639	3,423,081	320,215	473,198	5,021,133
Accumulated depreciation	(205,967)	(882,118)	(61,530)	-	(1,149,615)
Net book value	598,672	2,540,963	258,685	473,198	3,871,518
Net Book Value					
1 January 1998	584,491	2,502,667	292,141	854,043	4,233,342
Additions	34,141	524,140	-	322,847	881,128
Disposals and adjustments	-	(310,322)	-	(703,692)	(1,014,014)
Depreciation charge	(19,960)	(175,522)	(33,456)	-	(228,938)
31 December 1998	598,672	2,540,963	258,685	473,198	3,871,518

In August 1999, Caribbean Cement Company Limited entered into a sale and operating leaseback transaction with a third party involving certain of its machinery and equipment having a net book value of $1,406,873,000. A gain of $1,139,232,000, representing the difference between the net fair value of the assets and the sale proceeds, was realised and is being amortised on a straight line basis over ten years which is the term of the resulting operating lease (note 6). The lease period may be terminated on its fifth anniversary. Lease payments for the first year amount to US$9,632,000 and US$10,345,000 in each of the following four years. (Note 28b).

Thousands of Jamaican dollars	Group		Parent	
	1999	1998	1999	1998

12. Property, Plant and Equipment (Continued)

During the year, interest cost of Nil (1998: $34,319,000) allocated to capital work in progress was capitalised.

13. Investments

At cost				
Subsidiaries				
Jamaica Gypsum and Quarries Limited 375,000,000 ordinary shares of $0.01 each	-	-	79,000	70,000
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

These financial statements include the following subsidiaries with the parent company.

Subsidiaries	Country of Incorporation	Ownership Level
Jamaica Gypsum and Quarries Limited	Jamaica	100%
Rockfort Mineral Bath Complex Limited	Jamaica	100%

These investments are not quoted on any stock exchange. The fair value and the carrying amounts are the same and is based on the net underlying assets and projected future returns.

Thousands of Jamaican dollars	Group		Parent	
	1999	1998	1999	1998
14. Long Term Receivable				
Long term receivable	470	470	470	470

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

The fair value and the carrying amounts are the same and are based on the net underlying assets.

15A. Deferred Taxation

Movements on the deferred taxation account:

Balance at 1 January (originally reported)	34,154	-	34,154	-
Transfer from retained earnings	-	348,081	(-	348,081
Restated balance	34,154	348,081	34,154	348,081
Credit for the year (Note 8)	(257,952)	(313,927)	(257,952)	(313,927)
Balance at 31 December (asset)/liability	(223,798)	34,154	(223,798)	34,154

In accordance with the revised International Accounting Standard 12 - Income Taxes, which became effective 1 January 1998 and requires that deferred taxation be accounted for on a full provision basis using the liability method, the group changed its accounting policy in 1998 to comply with this standard. The brought forward balances for retained earnings and deferred taxation have been adjusted, as shown above, for the amount of deferred taxation relating to prior periods. The effect of the policy change was a credit of $313,927,000 in the taxation account for 1998.

A review of the financial results of the company, subsequent to the financial restructuring, the purchase of power from the national grid and the refurbishment of the kiln 4 production line, in addition to a review of the five year profit projection, has indicated that the company is projecting to generate sufficient taxable profits in the near future against which the unused tax losses can be utilized. These tax losses together with the effect of other timing differences, have resulted in the company having a deferred tax asset of approximately $223,798,000 at 31 December 1999.

In recognition of its projected future earnings and in keeping with the above standard, the company decided to account for the deferred tax asset in its financial statements at 31 December 1999. Consequently this amount has been recorded as a tax credit in the company's profit and loss account and included in its balance

sheet as deferred tax asset.

Thousands of Jamaican dollars	Group		Parent	
	1999	1998	1999	1998
15B. Sources of Deferred Tax (Asset)\Liability				
Accelerated tax depreciation				
Balance at 1 January	818,253	-	818,253	-
Effect of accounting policy change	-	707,341	-	707,341
Restated balance	-	707,341	-	707,341
Charge to earnings	-	110,912	-	110,912
Balance at 31 December	818,253	818,253	818,253	818,253
Tax losses carry forward and net provisions				
Balance at 1 January	(784,099)	-	(784,099)	-
Effect of accounting policy change	-	(359,260)	-	(359,260)
Restated balance	-	(359,260)	-	(359,260)
Credit to earnings	(257,952)	(424,839)	(257,952)	(424,839)
Balance at 31 December	(1,042,051)	(784,099)	(1,042,051)	(784,099)
Net Balance at 31 December	(223,798)	34,154	(223,798)	34,154
16. Inventories				
Plant spares	169,567	204,102	162,773	199,013
Consumables	81,741	165,532	81,741	165,532
Raw materials and work in progress	19,654	111,923	13,547	111,923
Finished goods	64,083	25,427	64,083	25,427
Goods in transit	8,372	9,496	8,372	9,293
	343,417	516,480	330,516	511,188

Thousands of Jamaican dollars	Group		Parent	
	1999	1998	1999	1998
17. Receivables and Prepayments				

Trade receivables	10,801	11,010	-	6,836
Sundry receivables and prepayments	54,324	24,504	52,276	22,974
	65,125	35,514	52,276	29,810

The fair value and the carrying amounts are the same andis based on the short-term maturity of these instruments.

18. Cash and Short Term Deposits

Cash at bank and in hand	48,714	11,767	41,557	8,180
Short term deposits	140,000	-	140,000	-
	188,714	11,767	181,557	8,180

The weighted average effective interest rate on short-term deposits was 12%. (1998 - nil).
The fair value and the carrying amounts are the same and is based on the short maturity of these instruments.

19. Borrowings

The interest rate exposure of the borrowings are as follows:

Total borrowings:

At fixed rates	308,813	3,946,249	300,708	3,599,083
At floating rates	28,003	228,723	28,003	228,723
	%	%	%	%
Weighted average effective interest rates:				
Bank overdrafts	28.00	35.00	28.00	35.00
Bank borrowings	7.00	22.50	7.00	22.50
Parent Company	12.00		12.00	
Other	9.50	28.50	9.50	28.50

	Group		Parent	
	1999	1998	1999	1998

20. Bank Advances

Overdrafts	28,003	228,723	28,003	228,723

The advances in 1998 were secured by charges over the fixed and floating assets of the group. The 1999 balance is unsecured.

The fair value and the carrying amounts are the same and is based on the short maturity of these instruments.

21. Payables and Accruals

Sundry payables and accruals	284,132	215,760	274,842	203,640
Trade payables	423,208	289,934	422,473	287,523
Operating lease payable	133,659	-	133,659	-
Technical fees	60,956	52,712	60,956	52,712
Statutory obligations	166,215	310,495	166,215	310,381
	1,068,170	868,901	1,058,145	854,256

The fair value and the carrying amounts are the same and is based on the short maturity of these instruments.

22. Due to Parent and Related Companies

TCL Cement Limited	234,102	-	234,102	-
TCL Trading Limited	8,114	-	8,114	-
TCL Nevis Limited	20,000	-	20,000	-
TCL Packaging Limited	22,461	-	22,461	-
Aarwak Cement Company Limi	20,013	-	20,013	-
	304,690	-	304,690	-

The fair value and the carrying amounts are the same and is based on the short maturity of these instruments.

	Group	Parent

	1999	1998	1999	1998

23. Short Term Loans

Commercial paper	-	1,245,781	-	1,245,781
Demand loans	-	1,086,490	-	1,041,490
Trade Financiers	-	170,341	-	170,341
	-	2,502,612	-	2,457,612

During the year the loans we re repaid. Interest rates on the loans varied from 11.5% to 42.25% per annum with repayment periods from 30 to 90 days. These loans were unsecured.

The fair value and the carrying amounts are the same and is based on the short maturity of these instruments.

24. Medium and Long Term Financing

Amounts repayable within:

One year	38,031	660,303	37,781	563,043
Two years	92,882	438,847	92,632	341,587
Three years	92,882	158,825	92,632	61,565
Four years	77,912	49,408	77,663	46,377
Five years and over	7,106	136,254	-	128,899
	308,813	1,443,637	300,708	1,141,471
Current portion	38,031	660,303	37,781	563,043
	270,782	783,334	262,927	578,428

The rate of interest charged on the various loans are in the range 4% - 25%.
The Government of Jamaica has agreed in their letter dated 1 February 2000 to reschedule the principal and interest accrued into three equal annual payments commencing 31 January 2001. These loans total approximately $164,555,000
None of the above loans are secured on the assets of the company.

The fair values of these instruments approximate their carrying amounts.

Thousands of Jamaican dollars

	Group		Parent	

	1999	1998	1999	1998

25. Deferred Liability

Deferred Liability	70,112	63,104	70,112	63,104

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 approximately US$1,698,000.

A new agreement was negotiated and in a letter dated 14 October 1999 both parties agreed that each party will treat any and all outstanding liabilities of the other under the agreements as fully discharged so that neither party will have any claim against the other. The company decided to amortise the present liability to revenue over the duration of the new agreement.

26. Share Capital and Share Premium

Authorised:		
Ordinary shares of $0.50 each	675,000	675,000
Issued and fully paid:		
Ordinary stock units of $0.50 each	425,569	211,021

	Number of Stock Units (thousands)	Ordinary Stock Units $'000	Share Premium $'000	Total $'000
At 31 December 1997	422,042	211,021	213,628	424,649
At 31 December 1998	422,042	211,021	213,628	424,649
Rights issue	429,096	214,548	1,169,640	1,384,188
At 31 December 1999	851,138	425,569	1,383,268	1,808,837

During June 1999, the parent company made a rights issue of ordinary shares at a par value of 50 cents each to existing stockholders on the basis of four new ordinary shares for every three stock units held at a price of $3.25 per share. The issue resulted in the allotment of 429,096,048 shares which were subsequently converted to ordinary stock units thus increasing the value of the issued stock units to $425,569,092. The premium, net of issue expenses, amounting to approximately $1,169,640,000 was credited to the share premium account. The issue also resulted in the TCL Group increasing its ownership from 49.9% to 74.1% of the issued stock units.

As part of the restructuring of the Group by the introduction of a substantial majority shareholder, the previous maximum 10% limitation on shareholdings and the existence of a special rights preference share, exercisable by the Government of Jamaica, were eliminated by special resolutions passed at an Extraordinary General Meeting of the parent company on March 23, 1999.

27. Contingencies

(a) A claim was made by the company in 1987 against National Limestone & Quarries Limited for monies due 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.

(b) There are certain pending legal actions and other claims against the parent company. It is the opinion of the directors, based on the information provided by the company's attorneys at law, that the liability, if any, arising out of these claims is not likely to be material. Accordingly, no provision has been made in these financial statements.

28. Financial Instruments

Credit Risk

The group and the company have no significant concentrations of credit risk. Cash and shortterm deposits are placed with substantial financial institutions.

Due from Subsidiaries

The fair value of this asset cannot be reasonably assessed as there is no fixed maturity date or applicable rate of interest.

29. Commitments

(a) Capital The group has capital commitments amounting to $108,700,000 (1998 $210,000,000).

(b) Operating Leases

During the year the parent company sold certain of its machinery and equipment and entered into an operating lease for ten years ending 25 August 2009. The total commitment under this lease is US$102,737,000 and is payable semi-annually in United States dollars.

The parent company also has other operating leases of which certain amounts are payable in

United States dollars.

In year ending 31 December:

	Operating Lease US$	Other Leases J$
2000	9,632	6,099
2001	10,345	3,846
2002	10,345	3,345
2003	10,345	1,878
2004	10,345	1,878
2005 -2009	51,725	-

30. Pension Plan

The parent company has a defined contribution pension scheme for permanent employees. Contributions for the year amounted to $22,659,000 (1998 - $27,532,000).

31. Limestone Reserve

The major raw material used in the cement manufacturing process is limestone. The limestone requirements of the parent company are met from reserves in land leased from the Government of Jamaica. The lease term has 49 years remaining but exploitable reserves are expected to have a life of 178 years based on the current extraction rate. Deep reserves have a further exploitable life of approximately 130 years. These limestone reserves are not accounted for in these financial statements.

Thousands of Jamaican dollars	Group		Parent	
	1999	1998	1999	1998

32. Net Foreign Currency Exposures

The net foreign currency exposures as at 31 December 1999 are as follows, asset/(liability):

United States				
Cash	662	362	530	232
Other balances	(15,474)	(51,986)	15,591	(42,863)
	(14,812)	(51,624)	15,061	(42,631)
Pound (£)	-	(187)	-	(187)