

# Caribbean Cement Company Limited

## Notes to the Financial Statements

31 December 2001

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### 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.

The company is a 65.65% owned subsidiary of TCL (Nevis) Limited. TCL (Nevis) Limited is a wholly owned subsidiary of Trinidad Cement Limited (TCL) who also owns 8.45% of the ordinary shares of the company.

### 2. Significant Accounting Policies

#### a) 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.

#### b) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted to take into account the requirements of International Accounting Standard (IAS) 19 (revised) - Employees Benefits (Note 28).

#### c) 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.

**d) Borrowings**

Borrowings are stated initially at the proceeds received. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings.

**e) 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.

**f) 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% to 5%
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Plant, machinery and equipment	-	3%	to 33.3%
Motor vehicles	-	20%	to 33.3%
Office furniture and equipment	-	25%	to 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.

#### **g) 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.

#### **h) 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 there from are reflected in the current year's results.

#### **i) Taxation**

The Group recognises all deferred tax assets and liabilities arising from temporary differences which result mainly from the excess of capital allowances allowed for tax over depreciation charged. 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.

#### **j) 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 for on the accrual basis.

**k) 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.

**l) Trade receivables**

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

**m) Earnings per stock unit**

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.

**n) 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.

**o) Financial instruments**

Financial instruments carried on the balance sheet include cash and bank balances, short term deposits, receivables, medium and long term loans, related company balances, payables and other liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The fair values of the group's and the company's other financial instruments are discussed in Note 31.

Thousand of Jamaican dollars

	Group		Parent	
	2001	2000	2001	2000
<b>3. Operating Profit</b>				
Sales	3,160,402	3,078,031	3,061,060	2,986,378
Raw materials, finished goods and consumables	620,515	830,121	603,975	800,132
Fuels and electricity	651,983	605,275	644,860	605,275
Personnel remuneration and benefits (Note 4)	628,270	667,010	610,290	648,070
Depreciation	175,932	180,506	165,809	170,441
Other operating expenses	750,741	715,900	699,897	687,373
Changes in inventories of finished goods and work in progress	(26,339)	(183,283)	(26,628)	(186,260)
	<u>2,801,102</u>	<u>2,815,529</u>	<u>2,698,203</u>	<u>2,725,031</u>
Other income	158,023	129,920	152,533	121,973
<b>Profit from Operations</b>	<b><u>517,323</u></b>	<b><u>392,422</u></b>	<b><u>515,390</u></b>	<b><u>383,320</u></b>
Other income includes:				
Amortisation of deferred gain (Note 6)	(113,775)	(113,799)	(113,775)	(113,799)
(Gain) / loss on disposal of fixed assets	(1,138)	5,387	(1,138)	5,387
Operating profit is stated net of:				
Audit fees	2,975	3,070	2,551	2,625
Directors' emoluments				
Fees	4,070	4,439	4,070	4,439
Management remuneration	2,518	2,935	2,518	2,935
Compensation for loss of office	9,725	-	9,725	-
Technical assistance fees and related charges	52,071	50,370	52,071	50,370
Operating lease charges	476,895	426,913	476,895	426,913

**4. Personnel Remuneration and Benefits**

Wages and salaries	505,499	522,791	489,082	505,359
Statutory contributions	43,394	40,656	41,831	39,148

Pension costs (Note 33)	24,193	22,320	24,193	22,320
Other post retirement benefits	9,725	-	9,725	-
Other personnel costs	<u>45,459</u>	<u>81,243</u>	<u>45,459</u>	<u>81,243</u>
	<u>628,270</u>	<u>667,010</u>	<u>610,290</u>	<u>648,070</u>
	=====	=====	=====	=====
Average number of employees:				
Full - time	264	276	250	248
Part - time	<u>27</u>	<u>47</u>	<u>10</u>	<u>41</u>
	<u>291</u>	<u>323</u>	<u>260</u>	<u>289</u>
	=====	=====	=====	=====

#### 5. Finance Costs - Net

Interest expense	84,806	73,923	84,383	73,333
Interest income	<u>(5,272)</u>	<u>(11,541)</u>	<u>(5,013)</u>	<u>(11,239)</u>
	<u>79,534</u>	<u>62,382</u>	<u>79,370</u>	<u>62,094</u>
Loss on currency exchange	<u>43,380</u>	<u>95,999</u>	<u>44,997</u>	<u>97,313</u>
	<u>122,914</u>	<u>158,381</u>	<u>124,367</u>	<u>159,407</u>
	=====	=====	=====	=====

#### 6. Deferred Gain

Balance at 1 January	984,176	1,099,350	984,176	1,099,350
Additional charges incurred on the sale and leaseback agreement		(1,375)		(1,375)
Amortisation for the year	<u>(113,775)</u>	<u>(113,799)</u>	<u>(113,775)</u>	<u>(113,799)</u>
Balance at 31 December	<u>870,401</u>	<u>984,176</u>	<u>870,401</u>	<u>984,176</u>
	=====	=====	=====	=====

Deferred gain represents the profit from the sale of certain machinery and equipment in August 1999 which is being credited to the profit and loss account over the 10 year period of the operating lease (Note 32 [b]). The current and prior year amortisation gains were transferred to capital reserve as realised capital gains.

#### 7. Exceptional Items

i) Reversal of penalty for non - performance on coal contract	-	(70,112)	-	(70,112)
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ii) Write back of general spares provision	-	(83,993)	-	(83,993)
	-	(154,105)	-	(154,105)
	=====	=====	=====	=====

i) Reversal of the penalty on a coal contract. Provision was made in a prior year for penalties incurred due to the company's inability to take delivery of coal under a contract with Scancem International ANS. A new agreement was negotiated and 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, hence the reversal of the penalty.

ii) Represented the write back of a part of general spares provision no longer required.

**Thousands of Jamaican dollars**

**Parent**

**2001**

**2000**

**8. Taxation**

**(a) Taxation charge**

Decrease in Deferred Tax Asset	100,567	102,220
Taxation charge {Note 15(a) & 15(b)}	100,567	102,220
	=====	=====

**(b) Reconciliation of applicable tax charge to effective tax charge**

Profit before taxation	391,023	378,018
	=====	=====
Tax calculated at 33 1/3% (2000 - 33 1/3%)	130,341	126,006
Income not subject to tax	(61,623)	(84,816)
Net effect of other charges and allowances	31,849	61,030
Effective tax charge	100,567	102,220
	=====	=====

The Group and the parent company have available tax losses of \$1,810,869,000 (2000 -

\$2,177,860,000) and \$1,116,857,000 (2000 - \$1,477,950,000) respectively for set off against future taxable profits. Tax losses of the subsidiaries amount to \$694,012,000 (2000 - \$699,910,000) and are available for set off against future taxable profits. These tax losses can be carried forward indefinitely subject to agreement with the Commissioner of Income Tax.

#### 9. Profit after taxation and accumulated deficit

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

Parent company	290,456	275,798
Subsidiaries	<u>3,386</u>	<u>10,128</u>
	293,842	285,926
	=====	=====

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

Parent company	(1,322,138)	(1,498,819)
Subsidiaries	<u>(661,249)</u>	<u>(664,635)</u>
	(1,983,387)	(2,163,454)
	=====	=====

#### 10. Profit per Stock Unit

Net profit attributable to stockholders	293,842	285,926	290,456	275,798
Number of stock units in issue (thousands)	851,138	851,138	851,138	851,138
Profit per stock unit-cents	34.5	33.6	34.1	32.4

#### 11. Related Party Balances and Transactions

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 \$34,574,000 (2000 - \$32,443,000). The balance outstanding at 31 December 2001 - \$57,534,000 (2000-\$32,443,000).

Sales of gypsum and shale valued at \$17,963,000 (2000 - \$19,816,000) was made from a wholly



owned subsidiary, Jamaica Gypsum and Quarries Limited to TCL Group.

The company purchased products from the TCL Group amounting to \$98,394,000 (2000-\$69,467,000).

At year end, the company owed short term advances of US\$8,869,000 (2000 - US\$5,908,000) at an interest rate of 12 per cent to TCL Group. Interest accrued on these advances is US\$957,000 (2000 - US\$ 804,000). None of the advances are secured on the assets of the company.

Balances with related parties are shown in Notes 18 and 23.

**Thousand of Jamaican dolloars**  
**12.Property, Plant and Equipment**

**Group**

	Land and Buildings	Plant, Machinery, Equipment and Motor Vehicles	Office and Furniture Equipment	Capital Work in Progress	Total
<b>At 31 December 2001</b>					
Cost or Valuation	910,446	2,219,023	160,238	208,473	3,498,180
Accumulated depreciation	(282,204)	(817,270)	(88,170)		(1,187,644)
Net book value	628,242	1,401,753	72,068	208,473	2,310,536
=====					
<b>Net Book Value</b>					
01 January 2001	648,610	1,476,901	72,718	130,574	2,328,803
Additions	1,075	58,360	15,784	77,899	153,118
Acquisition in subsidiary (Note 29)	5,000	-	-	-	5,000
Disposals and adjustments	(758)	1,669	(1,364)	-	(453)
Depreciation charge	(25,685)	(135,177)	(15,070)	-	(175,932)
31 December 2001	628,242	1,401,753	72,068	208,473	2,310,536
=====					
<b>At 31 December 2000</b>					
Cost or Valuation	904,998	2,163,776	144,454	130,574	3,343,802
Accumulated depreciation	(256,388)	(686,875)	(71,736)		(1,014,999)
Net book value	648,610	1,476,901	72,718	130,574	2,328,803

**Net Book Value**

01 January 2000	669,951	1,425,933	96,865	136,602	2,329,351
Additions	4,066	174,297	8,492		186,855
Disposals and adjustments	-	(869)	-	(6,028)	(6,897)
Depreciation charge	(25,407)	(122,460)	(32,639)		(180,506)
<b>31 December 2000</b>	<b>648,610</b>	<b>1,476,901</b>	<b>72,718</b>	<b>130,574</b>	<b>2,328,803</b>

**Parent**

	<b>Plant, Machinery, Equipment and Motor Vehicles</b>	<b>Office and Furniture Equipment</b>	<b>Capital Work in Progress</b>	<b>Total</b>
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**At 31 December 2001**

Cost or Valuation	813,690	2,149,750	159,125	205,911	3,328,476
Accumulated depreciation	(269,689)	(768,382)	(87,346)	-	(1,125,417)
Net book value	544,001	1,381,368	71,779	205,911	2,203,059

**Net Book Value**

01 January 2001	565,571	1,451,627	70,955	130,574	2,218,727
Additions	1,075	61,755	15,783	71,981	150,594
Disposals and adjustments	-	(3,809)	-	3,356	(453)
Depreciation charge	(22,645)	(128,205)	(14,959)	-	(165,809)
31 December 2001	544,001	1,381,368	71,779	205,911	2,203,059

**At 31 December 2000**

Cost or Valuation	812,616	2,095,161	143,342	130,574	3,181,693
Accumulated depreciation	(247,045)	(643,534)	(72,387)		(962,966)
Net book value	565,571	1,451,627	70,955	130,574	2,218,727

**Net Book Value**

01 January 2000	584,257	1,395,094	94,834	136,602	2,210,787
Additions	3,936	172,693	8,649	-	185,278

Disposals and adjustments		(869)		(6,028)	(6,897)
Depreciation charge	(22,622)	(115,291)	(32,528)		(170,441)
<b>31 December 2000</b>	<b>565,571</b>	<b>1,451,627</b>	<b>70,955</b>	<b>130,574</b>	<b>2,218,727</b>
	=====	=====	=====	=====	=====

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 32 b).

Thousands of Jamaican dollars	Group		Parent	
	2001	2000	2001	2000
<b>13. Investments</b>				
At cost				
<b>Subsidiaries</b>				
Jamaica Gypsum and Quarries				
Limited 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
Caribbean Gypsum Company Limited	-	-	4,000	-
<b>Other</b>				
Jamaica Production Fund Limited				
5,000,000 ordinary shares of \$1each	5,000	5,000	5,000	5,000
Caribbean Gypsum Company Limited	-	600	-	600
Port Royal Development Company				
Limited 5,000 ordinary shares				
of US\$ 10 each	1,775	1,775	1,775	1,775
	<u>6,775</u>	<u>7,375</u>	<u>109,785</u>	<u>106,385</u>

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These financial statements include the following subsidiaries:

<b>Subsidiaries</b>	<b>Country of Incorporation</b>	<b>Ownership Level</b>
Jamaica Gypsum and Quarries Limited	Jamaica	100%
Rockfort Mineral Bath Complex Limited	Jamaica	100%
Caribbean Gypsum Company Limited	Jamaica	100%

#### **14. Long Term Receivable**

Long term receivable	<u>470</u>	<u>470</u>	<u>470</u>	<u>470</u>
	=====	=====	=====	=====

This amount represents contributions to the National Housing Trust and is recoverable in the years 2002 to 2004.

#### **15. Deferred Taxation**

##### **(a) Movements on the deferred taxation account:**

Balance at 1 January	(121,577)	(223,797)	(121,577)	(223,797)
Decrease for the year (Note 8)	<u>100,567</u>	<u>102,220</u>	<u>100,567</u>	<u>102,220</u>
Balance at 31 December	<u>(21,010)</u>	<u>(121,577)</u>	<u>(21,010)</u>	<u>(121,577)</u>
	=====	=====	=====	=====

Based on a review of the financial results of the parent 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, the directors are of the opinion that the company will 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 parent company having a deferred tax asset at 31 December 2001

of approximately \$21,010,000 (2000 - \$121,577,000)

In recognition of its projected future earnings (and in keeping with the International Accounting Standard 12 - Income Taxes), the company decided to account for the deferred tax asset in its financial statements. Consequently, this amount has been recorded in the company's balance sheet.

**(b) Sources of Deferred Tax Asset**

<b>Accelerated tax depreciation</b>				
Balance at 1 January	818,253	818,253	818,253	818,253
Charge to earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 December	<u>818,253</u>	<u>818,253</u>	<u>818,253</u>	<u>818,253</u>
<b>Tax losses carry forward and net</b>				
Provisions balance at				
1 January	(939,830)	(1,042,050)	(939,830)	(1,042,050)
Prior year adjustment (Note 28)	-	46,685	-	46,685
46,685				
Debit to earnings (Note 8)	<u>100,567</u>	<u>55,535</u>	<u>100,567</u>	<u>55,535</u>
Balance at 31 December	<u>(839,263)</u>	<u>(939,830)</u>	<u>(839,263)</u>	<u>(939,830)</u>
Net Balance at 31 December	<u>(21,010)</u>	<u>(121,57)</u>	<u>(21,010)</u>	<u>(121,577)</u>
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**16. Inventories**

Plant spares	396,194	360,280	393,443	353,197
Consumables	153,802	137,484	153,802	137,484
Raw materials and work				
in progress	198,820	157,371	190,327	154,240
Finished goods	106,585	109,685	106,585	109,685
Goods in transit	<u>10,317</u>	<u>4,304</u>	<u>10,317</u>	<u>4,296</u>
	<u>865,718</u>	<u>769,124</u>	<u>854,474</u>	<u>758,902</u>
	=====	=====	=====	=====

**17. Receivables and Prepayments**

Trade receivables	12,092	7,709	124	2,819
Sundry receivables and prepayments	<u>77,384</u>	<u>77,615</u>	<u>74,943</u>	<u>75,963</u>
	<u>89,476</u>	<u>85,324</u>	<u>75,067</u>	<u>78,782</u>
	=====	=====	=====	=====

#### 18. Due from Related Companies

Trinidad Cement Limited	6,312	1,874	-	-
Arawak Cement Company Limited	<u>14,048</u>	<u>8,432</u>	<u>11,986</u>	<u>-</u>
	<u>20,360</u>	<u>10,306</u>	<u>11,986</u>	<u>-</u>
	=====	=====	=====	=====

#### 19. Cash and Short Term Deposits

Cash at bank and in hand	<u>47,120</u>	<u>36,325</u>	<u>40,166</u>	<u>31,679</u>
	=====	=====	=====	=====

#### 20. Borrowings

The interest rate exposure of the borrowings are as follows:

Total borrowings:

At fixed rates	181,752	280,618	179,115	272,964
At floating rates	128,494	119,171	128,494	119,171

%	%	%	%
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Weighted average effective interest rates:

Bank overdrafts	22.0	26.3	22.0	26.3
Bank borrowings (US\$ loans)	6.5	7.8	6.5	7.8
Parent company	10.0	12.0	10.0	12.0
Other	9.25	9.5	9.25	9.5

#### 21. Bank Advances

Overdrafts	<u>128,494</u>	<u>119,171</u>	<u>128,494</u>	<u>119,171</u>
	=====	=====	=====	=====

The advances are unsecured.

Thousands of Jamaican dollars

	Group		Parent	
	2001	2000	2001	2000
<b>22. Payables and Accruals</b>				
Sundry payables and accruals	327,168	351,614	321,226	345,561
Trade payables	106,137	237,902	106,137	237,902
Operating lease payable	163,059	156,607	163,059	156,607
Technical assistance fees	60,912	60,912	60,912	60,912
Statutory obligations	64,964	109,072	64,964	109,072
	<u>722,240</u>	<u>916,107</u>	<u>716,298</u>	<u>910,054</u>
	=====	=====	=====	=====

**23. Due to Parent and Related Companies**

TCL Ponsa Manufacturing Limited	-	981	-	981
TCL Services Limited	1,848	1,775	1,848	1,775
TCL Cement Limited	501,014	357,762	501,014	357,762
TCL Nevis Limited	63,553	52,523	63,553	52,523
TCL Packaging Limited	54,592	50,993	54,592	50,993
Arawak Cement Company Limited	8,113	31,006	8,113	31,006
TCL Trading Limited	14,365	-	14,365	-
	<u>643,485</u>	<u>495,040</u>	<u>643,485</u>	<u>495,040</u>
	=====	=====	=====	=====

**24. Medium and Long Term Loans**

Amounts repayable within:

One year	100,007	101,607	98,208	96,390
Two years	81,158	96,391	80,908	96,391
Three years	250	80,483	-	79,983
Four years	250	250	-	-
Five years and over	87	1,887	-	-
	<u>181,752</u>	<u>280,618</u>	<u>179,115</u>	<u>272,764</u>

Current portion	<u>100,007</u>	<u>101,607</u>	<u>98,208</u>	<u>96,390</u>
	<u>81,745</u>	<u>179,011</u>	<u>80,908</u>	<u>176,374</u>
	=====	=====	=====	=====

The rate of interest charged on the various loans are in the range 0% - 9.25%.  
The Government of Jamaica has agreed in their letter dated 1 February 2000 to reschedule the principal and interest into three equal annual payments commencing 31 January 2001. These loans total approximately \$109,702,000.

None of the above loans are secured on the assets of the company.

The fair values of these instruments approximate their carrying amounts.

Loans are as follows:

	%		<b>Repayable</b>			
Standard Chartered Bank New York:						
(i) US\$0.527 million	7	2003	<u>24,916</u>	<u>39,884</u>	<u>24,916</u>	<u>39,884</u>
(ii) US\$0.185 million	7	2002	<u>8,793</u>	<u>16,888</u>	<u>8,793</u>	<u>16,888</u>
(iii) US\$0.755 million	7	2003	<u>35,704</u>	<u>51,438</u>	<u>35,704</u>	<u>51,438</u>
			<u>69,413</u>	<u>108,210</u>	<u>69,413</u>	<u>108,210</u>
			=====	=====	=====	=====
Government of Jamaica	9¼	2003	109,702	164,555	109,702	164,554
National Investment Bank of Jamaica	Nil	2002-2006	<u>2,637</u>	<u>7,853</u>	<u>-</u>	<u>-</u>
			<u>181,752</u>	<u>280,618</u>	<u>179,115</u>	<u>272,764</u>
			=====	=====	=====	=====

## 25.Dividend

Dividend Proposed	<u>42,557</u>	<u>42,557</u>	<u>42,557</u>	<u>42,557</u>
- 5 cents per ordinary stock unit	<u>42,557</u>	<u>42,557</u>	<u>42,557</u>	<u>42,557</u>
	=====	=====	=====	=====

The dividend is not subject to withholding tax.

At the next Annual General Meeting a final dividend in respect of 2001 of five (5) cents per share amounting to \$42,557,000 is to be proposed.



## 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	425,569
=====	=====

	Number of Stock Units (thousands)	Ordinary Stock Units \$' 000	Share Premium \$' 000	Total \$' 000
At 31 December 2000	<u>851,138</u>	<u>425,569</u>	<u>1,383,268</u>	<u>1,808,837</u>
At 31 December 2001	<u>851,138</u>	<u>425,569</u>	<u>1,383,268</u>	<u>1,808,837</u>

## 27.Revaluation Reserve

Balance at 1 January	780,042	843,325	780,042	843,325
Realised during the year	<u>(47,462)</u>	<u>(63,283)</u>	<u>(47,462)</u>	<u>(63,283)</u>
	<u>732,580</u>	<u>780,042</u>	<u>732,580</u>	<u>780,042</u>
	=====	=====	=====	=====

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. This transaction resulted in the realisation of existing revaluation reserve of approximately \$474,618,000. This realised revaluation reserve is being amortised on a straight line basis over ten years which is the term of the resulting operating lease.

## 28.Prior Year Adjustments

Deferred taxation -

(i) Stock adjustment	-	55,685	-	55,685
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(ii) IAS 19 (revised) - Employee Benefits	<u>-</u>	<u>(9,000)</u>	<u>-</u>	<u>(9,000)</u>
	-	46,685	-	46,685
(iii) Effect of change in accounting policy - Adoption of IAS 19 (revised) - Employee Benefits	<u>-</u>	<u>26,999</u>	<u>-</u>	<u>26,999</u>
	-	73,684	-	73,684
	=====	=====	=====	=====

(i) This adjustment arose from a reassessment of stock provisions used in the determination of the deferred tax balance at 31 December 2000.

(ii) & (iii) International Accounting Standard 19 (revised) - Employee Benefits, requires that certain employment and post retirement costs and balances be recognised in the Group's financial statements. The Group has changed its accounting policy to comply and, as a result, there was a charge to personnel costs for the year ended 31 December 2001 of \$2,993,000 (2000 - \$26,999,000). The brought forward balances for accumulated losses and deferred taxation have accordingly been adjusted by \$26,999,000 and (\$9,000,000) respectively, to reflect the impact of the transitional liabilities arising from the change in accounting policy.

## 29.Acquisition

In November 2001 the company acquired 100% of the share capital of Caribbean Gypsum Company Limited. Caribbean Gypsum has substantial reserves of gypsum and anhydrite which are important raw materials in cement manufacturing. The company is presently not in operation.

Details of net assets acquired and capital reserve are as follows:

Cash paid	3,400
Fair value of shares previously held	<u>600</u>
Total purchase consideration	4,000
Fair value of net assets acquired	<u>4,268</u>
Capital reserve	<u>268</u>
	=====

The assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalents	1
Land (Note 12)	<u>5,000</u>
	5,001
Payables	<u>(733)</u>
Fair value of net assets acquired	4,268
Capital reserve	<u>(268)</u>
Total purchase consideration	4,000
Less:	
Discharged by shares previously held	(600)
Cash and cash equivalents in subsidiary acquired	<u>(1)</u>
Cash outflow on acquisition	3,399
	=====

### 30.Contingencies

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

In the opinion of the directors 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 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.

### 31.Financial Instruments

#### Fair value

The fair value of cash and bank balances, short term deposits, receivables, related company balances payables and other liabilities approximates their carrying amounts due to the short term nature of these instruments.

The fair value approximate the carrying amounts for long term receivable.

The fair values of medium and long term financing approximate their carrying amounts.

#### **Credit risk**

The group and the parent has no significant concentrations of credit risk. Cash and short-term deposits are placed with substantial financial institutions.

### **32. Commitments**

#### **(a) Capital**

The group has capital commitments amounting to \$49,350,000 (2000- \$2,500,000).

#### **(b) Operating Leases**

During 1999, the parent company sold certain of its machinery and equipment and entered into an operating lease for ten years ending 25 August 2009. The balance of the commitment under this lease is US\$72,415,000 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 the year ending 31 December:

	<b>Operating Lease</b>	<b>Other Leases</b>	<b>Other Leases</b>
	<b>US\$</b>	<b>US\$</b>	<b>J\$</b>
2002	10,345,000	168,000	3,813,000
2003	10,345,000	40,000	2,840,000
2004	10,345,000	10,000	2,671,000
2005	10,345,000	-	-
2006 - 2009	31,035,000	-	-

### **33. Pension Plan**

The parent company participates in the defined contribution pension scheme which is managed by an independent party, Life of Jamaica Limited. This scheme is available to all categories of permanent employees. Contributions are to a maximum of 10% for both employee and employer. Additional voluntary contributions not to exceed a further 5% may be made by employees and the employer is required to contribute a similar amount. The amount of annual pension at any date

shall be that pension which can be secured by the accumulation with interest plus contributions to the scheme to that date. The group's contributions in the year amounted to \$24,193,000 (2000 - \$22,320,000).

#### 34.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 47 years remaining but exploitable reserves are expected to have a life of 177 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.

#### 35.Net Foreign Currency Exposures

The net foreign currency exposures as at 31 December 2001 are as follows, asset/(liability)

United States (\$)

Cash

822

876

751

819

Other balances

(16,120)

(18,171)

(16,120)

(18,171)

(15,298)

(17,295)

(15,369)

(17,352)

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