Lascelles, deMercado & Co. Limited

Notes to the Group Financial Statements

September 30, 2001

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1 The company

The company is incorporated under the laws of Jamaica.

The principal activities of the company are the provision of management services to its subsidiaries (as listed in note 24) and the holding of investments.

At September 30, 2001, the company and its subsidiaries employed 2,193 (2000: 2,071) persons.

2 Significant accounting policies and basis of disclosure

(a) Statement of compliance:

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) which are materially represented by Statements of Standard Accounting Practice issued by the Institute of Chartered Accountants of Jamaica.

These financial statements are presented in Jamaica dollars ($), which is the functional currency of the company.

(b) Basis of preparation:
The financial statements are prepared under the historical cost convention, modified for the inclusion of certain fixed assets at valuation.

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the balance sheet date and the income and expense for the year then ended. Actual amounts could differ from these estimates.

Where necessary, prior year comparatives have been reclassified and restated to conform to 2001 presentation.

(c) Basis of consolidation:
The consolidated financial statements comprise the financial results of the company and its subsidiaries prepared to September 30, 2001. The principal operating subsidiary companies are listed in note 24, and are referred to as "subsidiaries" or "subsidiary" in the text of these financial statements. The company and its subsidiaries are collectively referred to as "the group".

Interests in associated companies (as listed in note 10) are accounted for on the equity basis, based on the results disclosed in their latest available audited financial statements adjusted for significant events, if any, occurring between the last audited balance sheet date and September 30, 2001.

All significant inter-company transactions are eliminated.

Goodwill arising on the acquisition of subsidiaries is written off to capital reserves at the time of acquisition. Preference shares held by third parties in the company's subsidiaries are included in minority interests reported in these financial statements.

(d) Cash resources:
Cash resources comprise cash and bank balances, and include short-term deposits and monetary instruments with maturities ranging between one and twelve months from balance sheet date. For the purpose of the statement of cash flows, short-term bank loans and overdrafts are presented as financing activities.

(e) Accounts receivable:
Trade and other receivables are stated at their cost less provisions for any doubtful debts.

(f) Inventories:

Rum and other liquors, estate supplies, raw and packaging materials, and motor vehicles and spare parts are valued at the lower of cost, determined consistently on the same bases and net realisable value.

Future crop expenditure represents cultivation expenses which will be written off against the proceeds of the crop to which they relate.

(g) Accounts payable:

Trade and other payables, including provisions, are stated at their cost. A provision is recognised in the balance sheet when the company and its Subsidiaries have a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

(h) Related parties:

Entities subject to the same ultimate control or significant influence as the company are referred to in these financial statements as 'related parties'.

(i) Investments:

Investments are carried in the balance sheet at cost less provisions for permanent diminution in net realisable value.

(j) Depreciation:

Depreciation is computed on a straight line basis at annual rates estimated to write off the fixed assets over their expected useful lives.

No depreciation is charged on freehold land or construction in progress.

The annual depreciation rate applied to freehold buildings is 2%. The rates for machinery, equipment and vehicles vary between 5% and 33'/3%. Computers and related software are depreciated 100% in the year of acquisition.

(k) Trademarks:

Expenses relating to the acquisition of trademarks for liquor products are amortised over 10 years. Expenses relating to internally developed trademarks, including registration and subsequent renewal expenses, are charged to the statement of operations as and when these are incurred.

(l) Revenue recognition:

Revenue from the sale of goods and services is recognised in the statement of operations when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

The proceeds from the sale of the sugar cane crop of the group's estates is recognised in accordance with the accounting practices of the Jamaican sugar industry. Revenue relating to the current crop of cane is estimated based on the latest available prices and any differences arising on final settlement are consistently accounted for in subsequent periods.

(m) Foreign currencies:

Foreign currency balances at the balance sheet date are translated at the rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are included in the statement of operations. For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in the statement of operations are treated as cash items and included in cash flows from operating or financing activities along with movements in the principal balances.

The reporting currencies of the foreign subsidiaries (see note 24) are also their functional currencies, i.e. currencies in which economic decisions are formulated. For the purpose of these financial statements, revenues, expenses, gains and losses have been translated at the average exchange rates prevailing during the year under review; assets and liabilities have been translated at exchange rates ruling at the balance sheet date and shareholders' equity has been translated at historical exchange rates.

Unrealised gains and losses arising on translation of net stockholders' equity in foreign subsidiaries are taken to capital reserve on the group balance sheet and added or deducted to reflect the underlying group cash flows from operating activities on the group statement of cash flows.

(n) Net finance costs:

Net finance costs comprise interest payable on borrowings, interest receivable on funds invested, material bank charges and foreign exchange gains and losses recognised in the statement of operations.

(o) Underwriting results:
These are accounted for, in compliance with the recommendations and practices of the insurance industry, and comply with the provisions of the Insurance Act 1971.

(p) Pension scheme costs:
The company and its subsidiaries are participating employers in trusteed pension schemes (see note 26), the assets of which are held separately from those of the group. Contributions to fund past and future benefits are expensed as and when these are incurred.

(q) Financial instruments:
A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash resources, accounts receivable, loans and other receivables, related party receivables and investments. Similarly, financial liabilities include accounts payable, short and long term borrowings and related party payables.

3 Cash resources

These include bank deposits of the group in the amount of US$6,000,000 (2000: US$6,000,000) held to secure certain group indebtedness as described in notes 6 and 16.

4 Accounts receivable

	The Company		The Group	
	2001	2000	2001	2000
	$000s	$000s	$000s	$000s
Trade accounts receivable	473	473	1,161,955	961,891
Investment income receivable	123,648	325,053	129,500	354,315
Prepayments	94	548	42,789	33,111
Other receivables and advances	228	206	364,972	188,033
	124,443	326,280	1,699,216	1,537,350
Less: Provisions for doubtful debts	(473)	(473)	(106,365)	(108,101)
	123,970	325,807	1,592,851	1,429,249

5 Inventories

	The Group	
	2001	2000
	$000s	$000s
In-bond rum and other liquors	1,200,681	1,166,626
Duty-paid liquors and other finished goods held for sale	643,399	335,474
Future crop expenditure	113,862	128,809
Estate supplies	100,653	108,227
Raw and packaging materials	442,421	310,394
Motor vehicle units and spare parts	274,293	284,572
	2,775,309	2,334,102

6 Bank loans and overdrafts

	The Group	
	2001	2000
	$000s	$000s
Bank loans:		
Secured	147,203	364,688
Partly secured	169,859	142,871
	317,062	507,559
Bank overdrafts:		
Secured	67,293	64,774
Unsecured	-	13,422
	67,293	78,196
	384,355	585,755

(a) The bank loans and overdrafts are part of facilities extended by banks to the company and its subsidiaries. Under the Banking Act, facilities advanced to a group of companies in excess of a limit based on a bank's capital base are now required to be secured. The company has, therefore, pledged certain of its investments as security for facilities in excess of permitted limits.

(b) Bank loans and overdrafts include net foreign currency indebtedness aggregating approximately US$1,121,400 (2000: US$6,960,000). In 2000, such indebtedness, in the amount of US$6,000,000 was secured on bank deposits of a similar amount (note 3).

7 Other unsecured loans

These include loans from related parties aggregating $102,073,858 (2000: $77,147,000) for the company and $102,073,858 (2000: $269,914,000) for the group, contracted strictly at arm's length in the ordinary course of business.

8 Accounts payable

	The Company		The Group	
	2001	2000	2001	2000
	$000s	$000s	$000s	$000s
Trade accounts payable	148	241	968,452	696,216
Customer deposits	-	-	41,410	43,986
Other payables and provisions	3,321	2,745	386,839	323,392
	3,469	2,986	1,396,701	1,063,594
	=====	=====	=========	=========

9 Investments

	The Company		The Group	
	2001	2000	2001	2000
	$000s	$000s	$000s	$000s
Quoted, at cost	8,734	8,734	158,928	108,592
Unquoted, at cost less amounts				
	126	3,783	77,988	191,735
Government of Jamaica securities	-	-	446,473	304,258
	8,860	12,517	683,389	604,585
	=========	=========	=========	=========
Market value of quoted investments	2,538,070	2,879,220	2,800,657	3,294,453
	=========	=========	=========	=========

10. Interests in associated companies

	The Group	
	2001	2000
	$000s	$000s
Shares, at cost	150	168
Group's share of associated companies' reserves	4,274	9,614
Loan accounts	582	587
	5,006	10,369
	=====	======

(a) At September 30, 2001 and 2000, certain subsidiaries held equity capital in the following enterprises:

Company	Holding	Main activity	Latest audited results
Jamaica Joint Venture Investment Company Limited	33.3%	Investment	December 31, 2000
West Indies Glass Company Limited (see note 20)	39.7%	Manufacture of glass bottles	December 31, 1999

(b) During the year, the company acquired a controlling interest in West Indies Metal Products Limited through additional investment in that company by a subsidiary (note 24)

11 Long term loan

This represents a loan to Long Pond Estates Limited in the principal amount of US$2,963,000 plus unpaid interest, which was contracted strictly at arms length in the ordinary course of business. The loan is guaranteed by Agricultural Credit Bank, a Government of Jamaica entity, bears interest at 1% per month, and was scheduled to be repaid in four equal annual instalments. The first instalment was due on September 30, 1999.

12 Other long term receivables

This represents deposits made with Victoria Mutual Building Society to facilitate the financing of staff mortgage loans at subsidised rates. The amounts are recoverable over periods of 7 years or as and when repayments of the mortgage loans occur.

13 Fixed assets

(a) The Company:

	Freehold land	Freehold buildings	Machinery, equipment and vehicles	Total
	$000s	**$000s**	**$000s**	**$000s**
At cost or valuation:				
September 30, 2000 & 2001	4,213	1,985	4,208	10,406
Depreciation:				
September 30, 2000	-	1,443	4,208	5,651
Charge for the year	-	42	-	42

September 30, 2001	-	1,485	4,208	5,693
Net book values:				
September 30, 2001	4,213	500	-	4,713
September 30, 2000	4,213	542	-	4,755

Freehold buildings include building held at valuation with a gross book value of $1,654,000 (2000: $1,654,000).

(b) The Group:

	Freehold land $000s	**Freehold buildings $000s**	**Machinery, equipment and vehicles $000s**	**Construction in progress $000s**	**Total $000s**
At cost or valuation:					
September 30, 2000	138,524	576,002	1,605,196	293,436	2,613,158
Additions	-	18,905	323,360	230,218	572,483
Transfers and reclassifications	-	-	164,254	(164,254)	-
Disposals	(74,242)	(71)	(16,509)	-	(90,822)
September 30, 2001	64,282	594,836	2,076,301	359,400	3,094,819
At cost	32,345	478,732	2,076,301	359,400	2,946,778
At valuation	31,937	116,104	-	-	148,041
	64,282	594,836	2,076,301	359,400	3,094,819
Depreciation:					
September 30, 2000	-	97,887	671,117	-	769,004
Charge for the year	-	16,399	159,502	-	175,901
Eliminated on disposals	-	-	(15,133)	-	(15,133)
September 30, 2001	-	114,286	815,486	-	929,772
Net book values:					
September 30, 2001	64,282	480,550	1,260,815	359,400	2,165,047
September 30, 2000	138,524	478,115	934,079	293,436	1,844,154

(c) With the exception of certain freehold land and buildings, all assets of the company and the group are stated at cost. The last major valuation, of certain freehold land and buildings, was performed in 1984. The surplus arising on revaluations is included in capital reserve.

14 Share capital

	The Company	
	2001	2000
	$000s	$000s
Authorised in shares, issued and fully paid in stock units:		
96,000,000 Ordinary units of 20c each	19,200	19,200
10,000 6% Cumulative preference units of $20 each	200	200
50,000 15% Cumulative preference units of $20 each	1,000	1,000
	20,400	20,400

Stockholders are entitled to one vote for every 1,600 ordinary units, and one vote for each preference unit. The ordinary and preference units are listed on the Jamaica Stock Exchange.

15 Insurance funds

	The Group	
	2001	2000
	$000s	$000s
Outstanding claims	178,057	129,594
Unearned premiums	95,269	60,277
Technical reserves	87,473	69,886
	360,799	259,757

(a) Outstanding claims relate to incidents occurring prior to the balance sheet date but not settled at that date.

(b) Unearned premiums are accounted for in periods for which risks have been underwritten.

(c) Technical reserves represent unexpired risks and claims equalisation provisions.

16 Long term liabilities

	The Group	
	2001	2000
	$000s	$000s
(a) Bank loans - 2001/2005	419,192	114,870
(b) Foreign currency denominated loans [US$6.7 million (2000: US$1.5 million)]	307,562	68,031
(c) Government of Jamaica loans 1998/2002	68,516	76,213
(d) Loan from a related party	3,655	66,655
(e) Mortgage loan	15,086	23,444
(f) Other	205,000	205,000
	1,019,011	554,213
Less: Current maturities	(325,409)	(364,525)
	693,602	189,688

The long term liabilities are unsecured and repayable in Jamaica dollars unless otherwise disclosed. They bore interest at rates which, during the year, ranged from 3-18% (2000: 3-18%). The liabilities are subject to the following repayment terms:

(a) The bank loans are repayable in monthly, quarterly or semi-annual instalments. Bank loans in the amount of $300,111,000 (2000: $39,870,000) form part of subsidiaries' bank borrowings covered by the arrangement described in note 6. Bank loans in the amount of $106,333,000 (2000: $75,000,000) are fully secured on the assets financed.

(b) The foreign currency denominated loans are materially repayable by December 2002 and include US$333,000 (2000: US$500,000) which is part of the bank borrowing arrangements described in note 6 and US$6 million (2000: US$Nil) secured by a similar amount in bank deposits of a subsidiary.

(c) The Government of Jamaica loans are part of a programme of support for the sugar industry. These are repayable over three crop years, after a moratorium of one crop year, out of future sugar cane sales by the group's estates.

(d) These loans are materially repayable by February 28, 2002.

(e) This represents a seller's mortgage, advanced by Factories Corporation of Jamaica Limited, and is repayable in sixteen quarterly payments which commenced on June 30, 2001. The mortgage is secured by the property purchased.

(f) These loans are repayable in full on or before September 30, 2002.

17 Operating revenue

This represents the price of goods and services sold to external customers, after deducting returns and discounts, and includes consumption taxes aggregating $1,121,663,000 (2000:$1,056,984,000)

18 Disclosure of (income)/expenses

Profit before taxation and extraordinary items is stated after charging/(crediting):

	The Group	
	2001	2000
	$000s	$000s
Depreciation	175,901	136,787
Directors'emoluments:		
Fees	1	1
Management remuneration	11,660	10,342
Auditors'remuneration	20,255	20,369
Interest expense:		
Long term liabilities	73,953	65,527
Other related parties	14,991	43,866
Other third parties	156,018	157,720
Interest income:		
Bank deposits	(1,578)	(50,145)
Associated company	-	(407)
Other related parties	(40,101)	(21,374)
Other	(698)	(166,794)
(Gain)/loss on exchange, net	(2,003)	89,785
Other investment income	(249,715)	(275,198)
Pension costs	33,957	31,605
Redundancy payments	15,987	38,822
Other staff costs	1,502,673	1,300,428
Purchases from associated companies	2,333	164,126

19 Taxation

(a) Taxation, which is materially for the company and its Jamaican subsidiaries, is based on the profit for the year adjusted for tax purposes and is computed as follows:

	The Group	
	2001	2000
	$000s	$000s
Income tax @ 33⅓%	123,452	106,619
Tax credits in respect of bonus shares issued by subsidiaries	(9,500)	(8,500)
Share of associated companies' tax expense	9	4,813
	113,961	102,932

The effective tax rate of approximately 11% (2000: 13%) reflects adjustments to the accounting profits for differences in financial statement and tax treatment. The notable differences occur on account of differences between accounting depreciation and tax capital allowances on fixed assets, recognition of interest receivable and payable, disallowed exchange differences on certain items, net of tax losses brought forward.

(b) At September 30, 2001, taxation losses of subsidiaries, subject to agreement by the Commissioner of Taxpayer Audit and Assessment, available for offset against future profits of those subsidiaries, amounted to approximately $859 million (2000: $835 million). Of this amount, $261 million (2000: $312 million) of farm losses and investment allowances can only be utilised in respect of future profits arising from farming and sugar manufacturing activities. If unutilised, these losses can be carried forward indefinitely.

20 Extraordinary items

	2001	2000
	$000s	$000s
Special capital distribution received	-	206,080
Provision in respect of investment in and advances to West Indies Glass Company Limited (a)	-	89,906
Provision for amounts receivable from The Sugar Company of Jamaica Limited (b)	-	(16,694)
	-	99,480

(a) The group's interests in West Indies Glass Company Limited [see note 10(a)], including trade advances, were fully provided for at September 30, 2000, consequent on that company indicating an intention to significantly curtail its operations and, ultimately, seeking to fully realise its assets and settle its liabilities.

(b) In 1998, the group booked a loss on disposal of its 17% interest in The Sugar Company of Jamaica Limited. Since then, further disagreements in trading balances recoverable arose. At September 30, 2000, the directors determined that it is prudent to provide for disagreed amounts whilst pursuing a settlement in respect of amounts recoverable from that company.

21 Unappropriated profits

(a) At September 30, 2001, this is included in the financial statements of:

	The Group	
	2001	**2000**
	$000s	**$000s**
The company	619,190	420,520
Subsidiaries	3,290,034	2,508,556
Associated companies	9,116	7,764
	3,918,340	2,936,840
	=========	=========

(b) Unappropriated profits of the group include profits from subsidiary companies' approved farming operations available for distribution free of tax to Jamaican stockholders, aggregating approximately $87,851,000 (2000: $87,851,000).

22 Dividends and distributions

(a) Dividends and distributions paid, gross, are as follows:

	The Company	
	2001	**2000**
	$000s	**$000s**
Ordinary stock units @ 2c per stock unit	1,920	1,920
6% cumulative preference stock units	12	12
15% cumulative preference stock units	150	150
	2,082	2,082
	=====	=====

(b) The distribution to ordinary stockholders was declared payable out of accumulated franked income and therefore, relieved of taxation to stockholders. In 2001 it was declared partly out of agricultural profits available for distribution and partly by way of capital distribution.

(c) The preference dividends are treated as a charge before taxation in accordance with the Income Tax Act.

23 Earnings per ordinary stock unit

The calculation of earnings per ordinary stock unit is based on the net profit attributable to members before and after extraordinary items, less fixed preference dividends, and the 96,000,000 fully paid ordinary stock units of 20c each in issue.

24 Subsidiaries

(a) During the year, there were no material changes in the group except that the company acquired a controlling interest in West Indies Metal Products Limited, through additional investment in that company by a subsidiary (note 10). The results of West Indies Metal Products Limited are not significant to the group statement of operations.

(b) The principal operating subsidiaries, in which the company holds equity capital, are:

Company	Holding	Main activities
Lascelles Merchandise Limited	100%	Distribution of food, liquor and other consumer supplies.
Ajas Limited	100%	Handling of passenger and cargo operations for international airlines.
Transportation Agencies Limited	100%	General sales agents of international airlines.
C. P. Stephenson Limited	100%	Holding of investments.
Tradewell Limited	100%	Holding of investments.
John Crook Limited	100%	Holding of investments and rental of real estate.
Globe Insurance Company of the West Indies Limited, and	100%	General insurance underwriters; operation

its wholly-owned subsidiary, GWI Insurance Services Limited		of an insurance agency; holding of investments.
Turks Islands Importers Limited and its wholly-owned subsidiary, Timco Limited	100%	Wholesale and retail merchandising of provisions and household goods; holding of investments.
Federated Pharmaceutical Company Limited, and its wholly-owned subsidiary, Lascelles Laboratories Limited	84.3%	Manufacture and distribution of pharma-ceutical preparations and other personal care products, and agri-cultural chemicals.
West Indies Metal Products Limited [see note 24(a)]	66.67%	Manufacture of metal caps and seals; holding and rental of real estate.
Wray & Nephew Group Limited and its wholly-owned subsidiaries	100%	See note 24 (c)

(c) The main activities of the Wray & Nephew Group of companies are the cultivation of sugar cane; manufacture of sugar; distillation, blending, bottling, distribution and export of alcohol, rum, wines and other liquor based products; tours in the hospitality industry distribution of motor vehicles and spares; servicing and repair of motor vehicles; and the

The principal operating subsidiaries of Wray & Nephew Group Limited, all of whom are wholly-owned, are:

Company	Company
J. Wray & Nephew Limited	CICO Limited
Daniel Finzi & Co. (Suc) Limited	J. Wray & Nephew (International) Limited
New Yarmouth Limited	The Rum Company (International) Limited
Newton Cane Farms Limited	Kingston Industrial Garage Limited
Henriques Brothers Limited	Wray & Nephew (Canada) Limited
John Crook Automobiles Limited	J. Wray & Nephew (U.K.) Limited
Cars & Commercials Limited	Rum Company (New Zealand)
Edwin Charley (Jamaica) Limited	
The Rum Company (Jamaica) Limited	

Estate Industries Limited	Limited
Plastic Containers Limited	J. Wray y Sobrino de Costa Rica, S. A.

(d) Except as noted, all subsidiaries are wholly-owned and are incorporated and resident in Jamaica. The subsidiaries incorporated and resident outside Jamaica are:

Company	Territory of incorporation
Turks Islands Importers Limited	Turks and Caicos Islands
Timco Limited	Turks and Caicos Islands
CICO Limited	The Bahamas
J. Wray & Nephew (U.K.) Limited	England
Rum Company (New Zealand) Limited	New Zealand
J. Wray & Nephew (International) Limited	Cayman Islands
The Rum Company (International) Limited	Cayman Islands
Wray & Nephew (Canada) Limited	Canada
J. Wray y Sobrino de Costa Rica, S.A	Costa Rica

25 Commitments and contingencies

(a) Lease commitments:
At September 30, 2001, material unexpired lease commitments by the group comprised those in respect of:

(i) Motor vehicles and agricultural equipment, under operating leases, terminating between 2001 and 2002 with amounts payable totalling $180,460,000 (2000: $162,167,000) of which $80,973,000 (2000: $82,857,000) is payable within one year. Of these lease cormnitments, amounts aggregating $172,768,000 (2000: $134,367,000) are in respect of leases extended by a related party.

(ii) Office buildings, over a fifteen-year period terminating in 2012, at an aggregate annual sum of $11,347,000 (2000: $12,378,000) payable to a related party.

(iii) A tourist attraction complex, over a fifteen year period, terminating in 2003, at an annual sum of $1,037,000 (2000: $1,037,000) payable to a related party.

(b) Capital commitments:

At September 30, 2001, contractual commitments by the group for capital expenditure, for which no provision has been made in these financial statements, were as follows:

	2001	2000
	$000s	$000s
Authorised and contracted	492,045	726,000
Authorised but not contracted	-	77,898
	492,045	803,898
	=======	=======

(c) Contingent liabilities:

The company guarantees the bank loans, overdrafts and long term liabilities of all its subsidiaries. At September 30, 2001, the indebtedness covered by these guarantees aggregated approximately $251,548,000 (2000: $325,546,000).

26 Pension schemes

The group operates trusteed contributory pension schemes; benefit-based for salaried supervisory and clerical employees and cost-based for non-clerical employees. The schemes are open to employees who have satisfied certain minimum service requirements. In addition to normal retirement benefits, the schemes provide for disability and death benefits. The most recent actuarial valuation of the main benefit-based scheme, performed at September 30, 2000, indicates that the scheme is adequately funded.

Certain subsidiaries also operate contributory cost-based pension schemes for various categories of employees not covered by group schemes. These schemes are, in the main, administered by trust organisations.

27 Financial instruments

(a) Financial instrument risk:

Exposure to credit, interest rate and currency risks arises in the ordinary course of the group's business. Derivative financial instruments are not presently used to reduce exposure to fluctuations in interest and foreign exchange rates.

(i) Credit risk:

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The group generally does not require collateral in respect of financial assets, materially trade receivables. Management has a credit policy in place to minimise exposure to credit risk. Credit evaluations are performed on all customers requiring credit.

At the balance sheet date, there were no significant concentrations of credit risk and the maximum exposure to credit risk is represented by the carrying amount of each financial asset.

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The group materially contracts fixed long term liabilities at interest rates for the duration of the loans. Bank overdrafts, short term loans and other fixed term loans are also subject to interest rates which are fixed in advance and which may be varied by appropriate notice by the lender.

At September 30, 2001, financial liabilities subject to interest aggregated approximately $2,116 million (2000: $1,762 million).

Interest bearing financial assets mainly comprise a long term loan, monetary instruments, bank deposits and other short term investments, which have been contracted at fixed interest rates for the duration of their terms. At September 30, 2001, financial assets subject to interest aggregated $1,613 million (2000: $1,196 million),

(iii) Foreign currency risk:

The group incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Jamaica dollar. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in that currency. The principal foreign currency risks of the group are denominated in United States dollars (US$).

At September 30, 2001, net foreign currency assets aggregated approximately US$17,234,000 (2000: $14,678,000).

Exchange rates for the US dollar, in terms of Jamaica dollars, were as follows:

At September 30, 2000: $44.83
At September 30, 2001: $45.95
At December 20, 2001: $47.34

In accordance with accounting policies applied consistently, exchange gains and losses are recognised in the statement of operations when incurred [see note 2(m)].

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The group's significant exposure to market risk relates to the holding of quoted investments which are reflected in the financial statements at cost. Changes in market value of these investments are disclosed in note 9.

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying business, the management of the group aims at maintaining flexibility in funding by keeping lines of funding available as well as by maintaining prudent cash resources in appropriate currencies.

(b) Fair value disclosures:

(i) Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. Therefore, these instruments have been valued using present value or other valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

(ii) The fair values of amounts disclosed as cash resources, accounts and loans receivable, short term borrowings, accounts payable and balances due to/from related parties are assumed to approximate to their carrying value, due to their short-term nature. Long term assets and liabilities are carried at their contracted settlement value. The fair value of investments is reflected in note 9. Amounts due to/from subsidiaries are considered to approximate their carrying value as they represent an ability to effect set-offs in future in the amounts disclosed.