

Caribbean Cement Company Limited

Notes to the Financial Statements

31 December 2002

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 mining 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.

In addition, the company has adopted International Accounting Standards (IAS) 19 - Employee Benefits and IAS 12 - Income Taxes and accordingly these financial statements reflect all the required material disclosures of these standards.

(b) Comparative information

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

(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 12.

(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%
Plant, machinery and equipment	3%	to	33.3%
Motor vehicles	20%	to	33.3%
Office furniture	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 and charged to the profit and loss account in the period to which they relate.

(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 29.

(p) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

Employee leave entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(q) Operating leases

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the statement of earnings on a straight-line basis over the period of the lease.

(r) Deferred expenditure

The costs of installed refractories, chains and grinding media are amortised over a period of six to twelve months to match the estimated period of their economic usefulness.

Thousand of Jamaican dollars	Group		Parent	
	2002	2001	2002	2001
3. Operating Profit				
Revenue	3,676,266	3,160,402	3,630,408	3,061,060
Raw materials, finished goods and consumables	874,471	620,515	856,362	603,975
Fuels and electricity	779,290	651,983	771,639	644,860
Personnel remuneration and benefits (Note 4)	714,795	628,270	693,712	610,290
Depreciation	191,034	175,932	180,823	165,809
Other operating expenses	663,133	750,741	624,087	699,897
Changes in inventories of finished goods and work in progress	(21,918)	(26,339)	(21,049)	(26,628)
	<u>3,200,805</u>	<u>2,801,102</u>	<u>3,105,574</u>	<u>2,698,203</u>
Other income	<u>164,856</u>	<u>158,023</u>	<u>153,699</u>	<u>152,533</u>

Profit from Operations	<u>640,317</u>	<u>517,323</u>	<u>678,533</u>	<u>515,390</u>
Other income includes:				
Amortisation of deferred gain (Note 6)	(113,775)	(113,775)	(113,775)	(113,775)
Gain on disposal of fixed assets	(52)	(1,138)	(52)	(1,138)
Operating profit is stated net of:				
Audit fees				
Current year	2,975	2,975	2,551	2,551
Prior year	-	-	(125)	-
Directors' emoluments				
Fees	3,565	4,070	3,565	4,070
Management remuneration	2,864	2,518	2,864	2,518
Compensation for loss of office	-	9,725	-	9,725
Technical assistance fees and related charges	47,069	52,071	47,069	52,071
Operating lease charges	503,234	476,895	503,234	476,895

Thousands of Jamaican dollars

	Group		Parent	
	2002	2001	2002	2001

4. Personnel Remuneration and Benefits

Wages and salaries	578,484	505,499	562,060	489,082
Statutory contributions	49,751	43,394	48,220	41,831
Pension costs (Note 31)	24,108	24,193	24,108	24,193
Other post retirement benefits	-	9,725	-	9,725
Other personnel costs	<u>62,452</u>	<u>45,459</u>	<u>59,324</u>	<u>45,459</u>
	<u>714,795</u>	<u>628,270</u>	<u>693,712</u>	<u>610,290</u>
Average number of employees:	=====	=====	=====	=====
Full - time	284	264	254	250
Part - time	<u>53</u>	<u>27</u>	<u>45</u>	<u>10</u>
	<u>337</u>	<u>291</u>	<u>299</u>	<u>260</u>
	=====	=====	=====	=====

5. Finance Costs - Net

Interest expense	70,644	84,806	70,038	84,383
Interest income	<u>(8,187)</u>	<u>(5,272)</u>	<u>(8,018)</u>	<u>(5,013)</u>
	62,457	79,534	62,020	79,370
Loss on currency exchange	<u>51,777</u>	<u>43,380</u>	<u>53,741</u>	<u>44,997</u>
	<u>114,234</u>	<u>122,914</u>	<u>115,761</u>	<u>124,367</u>
	=====	=====	=====	=====

Thousands of Jamaican dollars

	Group		Parent	
	2002	2001	2002	2001

6. Deferred Gain

Balance at 1 January	870,401	984,176	870,401	984,176
Amortisation for the year	<u>(113,775)</u>	<u>(113,775)</u>	<u>(113,775)</u>	<u>(113,775)</u>
Balance at 31 December	<u>756,626</u>	<u>870,401</u>	<u>756,626</u>	<u>870,401</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 30 (b)).

The current and prior year amortisation gains were transferred to capital reserve as realised capital gains.

Thousands of Jamaican dollars

	Parent	
	2002	2001

7. Taxation

(a) Taxation charge

Decrease in deferred tax asset	<u>151,311</u>	<u>100,567</u>
Taxation charge (Note 14(a) & 14(b))	<u>151,311</u>	<u>100,567</u>
	=====	=====

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

Profit before taxation	<u>562,772</u>	<u>391,023</u>
	=====	=====
Tax calculated at 33 1/3% (2001 - 33 1/3%)	187,591	130,341
Income not subject to tax	(42,462)	(61,623)
Net effect of other charges and allowances	<u>6,182</u>	<u>31,849</u>
Effective tax charge	<u>151,311</u>	<u>100,567</u>
	=====	=====

The Group and the parent company have available tax losses of \$1,361,879,000 (2001 \$1,810,869,000) and \$638,131,000 (2001 - \$1,116,857,000) respectively for set off against future taxable profits. Tax losses of the subsidiaries amount to \$723,748,000 (2001 - \$694,012,000) and are available for set off against future taxable profits. These tax losses can be carried forward indefinitely subject to agreement with the Taxpayer Audit and Assessment Department.

Thousands of Jamaican dollars

	Group		Parent	
	2002	2001	2002	2001

8. Profit After Taxation and Accumulated Losses

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

Parent company	411,461	290,456
Subsidiaries	<u>(36,689)</u>	<u>3,386</u>
	<u>374,772</u>	<u>293,842</u>

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

Parent company	(1,024,452)	(1,322,138)
Subsidiaries	<u>(697,938)</u>	<u>(661,249)</u>
	<u>(1,722,390)</u>	<u>(1,983,387)</u>

9. Earnings per Ordinary Stock Unit

Net profit attributable to stockholders	374,772	293,842	411,461	290,456
Number of stock units in issue (thousands)	851,138	851,138	851,138	851,138
Profit per stock unit-cents	44.0	34.5	48.3	34.1

10. 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 \$47,069,000 (2001 - \$52,071,000). The balance outstanding at 31 December 2002 - \$55,418,000 (2001 - \$57,534,000).

Sales of gypsum and shale valued at \$15,562,000 (2001 - \$17,963,000) were made by a wholly owned subsidiary, Jamaica Gypsum and Quarries Limited to TCL Group.

The company purchased products from the TCL Group amounting \$124,203,000 (2001 - \$98,394,000).

At year end, the company owed short term advances of US\$4,000,000 (2001 - US\$8,869,000) and TT\$22,027,000 (2001 - NIL) at interest rates of 5.89 and 11.25 per cent respectively to TCL Group. The advances owed in Trinidad & Tobago dollars resulted from the conversion of one of the advances previously denominated in United States dollars. Interest charged on these advances is J\$33,882,000 (2001 - J\$31,323,000). Interest accrued on these advances is US\$15,000

(2001 - US\$957,000) and TT\$4,311,000 (2001 - NIL). None of the advances are secured on the assets of the company.

Balances with related parties are shown in notes 17 and 22.

Thousands of Jamaican dollars

Group

11. Property, Plant and Equipment

	Land and Buildings	Plant, Machinery, Equipment and Motor Vehicles	Office and Furniture Equipment	Capital Work in Progress	Total
At 31 December 2002					
Cost or valuation	929,084	2,498,529	165,982	62,194	3,655,789
Accumulated depreciation	(306,900)	(964,660)	(106,133)	-	(1,377,693)
Net book value	<u>622,184</u>	<u>1,533,869</u>	<u>59,849</u>	<u>62,194</u>	<u>2,278,096</u>
Net Book Value	=====	=====	=====	=====	=====
1 January 2002	628,242	1,401,753	72,068	208,473	2,310,536
Additions	18,640	13,840	5,745	121,694	159,919
Transfers	-	267,973	-	(267,973)	-
Disposals and adjustments	-	(1,325)	-	-	(1,325)
Depreciation charge	(24,698)	(148,372)	(17,964)	-	(191,034)
31 December 2002	<u>622,184</u>	<u>1,533,869</u>	<u>59,849</u>	<u>62,194</u>	<u>2,278,096</u>
	=====	=====	=====	=====	=====
At 31 December 2001					
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	<u>628,242</u>	<u>1,401,753</u>	<u>72,068</u>	<u>208,473</u>	<u>2,310,536</u>
Net Book Value	=====	=====	=====	=====	=====
1 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 27)	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	<u>628,242</u>	<u>1,401,753</u>	<u>72,068</u>	<u>208,473</u>	<u>2,310,536</u>
	=====	=====	=====	=====	=====

Parent

	Land and Buildings	Plant, Machinery, Equipment and Motor Vehicles	Office and Furniture Equipment	Capital Work in Progress	Total
At 31 December 2002					
Cost or valuation	832,317	2,427,714	164,869	50,802	3,475,702
Accumulated depreciation	(291,602)	(908,457)	(105,197)	-	(1,305,256)
Net book value	<u>540,715</u>	<u>1,519,257</u>	<u>59,672</u>	<u>50,802</u>	<u>(2,170,446)</u>
	=====	=====	=====	=====	=====
Net Book Value					
1 January 2002	544,001	1,381,368	71,779	205,911	2,203,059
Additions	18,628	12,298	5,745	112,864	149,535
Transfers	-	267,973	-	(267,973)	-
Disposals and adjustments	-	(1,325)	-	-	(1,325)
Depreciation charge	(21,914)	(141,057)	(17,852)	-	(180,823)
31 December 2002	<u>540,715</u>	<u>1,519,257</u>	<u>59,672</u>	<u>50,802</u>	<u>2,170,446</u>
	=====	=====	=====	=====	=====
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	<u>544,001</u>	<u>1,381,368</u>	<u>71,779</u>	<u>205,911</u>	<u>2,203,059</u>
	=====	=====	=====	=====	=====
Net Book Value					
1 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	<u>544,001</u>	<u>1,381,368</u>	<u>71,779</u>	<u>205,911</u>	<u>2,203,059</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 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 30 b).

12. Investments

	Group		Parent	
	2002	2001	2002	2001
At cost				
Subsidiaries				
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 1,000 ordinary shares of \$2.00 each	-	-	4,000	4,000
Other				
Jamaica Production Fund Limited 5,000,000 ordinary shares of \$1 each	5,000	5,000	5,000	5,000
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>6,775</u>	<u>109,785</u>	<u>109,785</u>
	=====	=====	=====	=====

These financial statements include the following subsidiaries:

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

Caribbean Gypsum Company Limited

Jamaica

100%

13. Long Term Receivable

	Group		Parent	
	2002	2001	2002	2001
Long term receivable	470	470	470	470
	=====	=====	=====	=====

This amount represents contributions to the National Housing Trust and is recoverable from 2003 to 2004.

Thousands of Jamaican dollars

	Group		Parent	
	2002	2001	2002	2001

14. Deferred Taxation

(a) Movements on the deferred taxation account:

Balance at 1 January	(21,010)	(121,577)	(21,010)	(121,577)
Decrease for the year (Note 7)	<u>151,311</u>	<u>100,567</u>	<u>151,311</u>	<u>100,567</u>
Balance at 31 December	<u>130,301</u>	<u>(21,010)</u>	<u>130,301</u>	<u>(21,010)</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 liability at 31 December 2002 of approximately \$130,301,000 and deferred tax asset at 31 December 2001 of \$21,010,000.

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 / liability in its financial statements. Consequently, this amount is recorded in the company's balance sheet.

(b) Sources of Deferred Tax Liability/(Asset)

Accelerated tax depreciation:

Balance at 1 January	420,516	405,901	420,516	405,901
Charge to earnings	<u>2,674</u>	<u>14,615</u>	<u>2,674</u>	<u>14,615</u>
Balance at 31 December	<u>423,190</u>	<u>420,516</u>	<u>423,190</u>	<u>420,516</u>

Tax losses carry forward and net

Provisions balance at 1 January	(372,248)	(492,600)	(372,248)	(492,600)
Charge to earnings	<u>159,559</u>	<u>120,352</u>	<u>159,559</u>	<u>120,352</u>
Balance at 31 December	<u>(212,689)</u>	<u>(372,248)</u>	<u>(212,689)</u>	<u>(372,248)</u>

Other adjustments

Net Balance at 31 December	<u>(80,200)</u>	<u>(69,278)</u>	<u>(80,200)</u>	<u>(69,278)</u>
	<u>130,301</u>	<u>(21,010)</u>	<u>130,301</u>	<u>(21,010)</u>
	=====	=====	=====	=====

Thousands of Jamaican dollars

	Group		Parent	
	2002	2001	2002	2001

15. Inventories

Plant spares	378,276	396,194	370,048	393,443
Consumables	218,208	153,802	218,208	153,802
Raw materials and work in progress	235,244	198,820	226,941	190,327
Finished goods	113,316	106,585	113,316	106,585
Goods in transit	<u>2,251</u>	<u>10,317</u>	<u>2,251</u>	<u>10,317</u>
	<u>947,295</u>	<u>865,718</u>	<u>930,764</u>	<u>854,474</u>
	=====	=====	=====	=====

16. Receivables and Prepayments

Trade receivables	10,414	12,092	6,122	124
Sundry receivables and prepayments	67,621	62,387	63,132	59,946

Deferred expenditure	<u>9,134</u>	<u>14,997</u>	<u>9,134</u>	<u>14,997</u>
	<u>87,169</u>	<u>89,476</u>	<u>78,388</u>	<u>75,067</u>
	=====	=====	=====	=====

17. Due from Related Companies

TCL Cement Limited	4,282	6,312	1,570	-
TCL Trading Limited	9,137	-	9,137	-
Arawak Cement Company Limited	<u>8,567</u>	<u>14,048</u>	<u>7,564</u>	<u>11,986</u>
	<u>21,986</u>	<u>20,360</u>	<u>18,271</u>	<u>11,986</u>
	=====	=====	=====	=====

18. Cash and Short Term Deposits

Cash at bank and in hand	<u>175,224</u>	<u>47,120</u>	<u>173,404</u>	<u>40,166</u>
	=====	=====	=====	=====

Thousands of Jamaican dollars

	Group		Parent	
	2002	2001	2002	2001

19. Borrowings

The interest rate exposure of the borrowings are as follows:

Total borrowings:				
At fixed rates	85,570	181,752	82,932	179,115
At floating rates	18,647	128,494	18,647	128,494
Weighted average effective interest rates:	%	%	%	%
Bank overdrafts	22.0	22.0	22.0	22.0
Bank borrowings (US\$ loans)	6.5	6.5	6.5	6.5
Parent company	10.0	10.0	10.0	10.0
Other	9.25	9.25	9.25	9.25

20. Bank Advances

Overdrafts	18,647	128,494	18,647	128,494
	=====	=====	=====	=====

The advances are unsecured.

Thousands of Jamaican dollars	Group		Parent	
	2002	2001	2002	2001
21. Payables and Accruals				
Sundry payables and accruals	380,415	327,168	369,892	321,226
Trade payables	152,289	106,137	152,289	106,137
Operating lease payable	175,045	163,059	175,045	163,059
Technical assistance fees	60,912	60,912	60,912	60,912
Statutory obligations	49,569	64,964	49,569	64,964
	<u>818,230</u>	<u>722,240</u>	<u>807,707</u>	<u>716,298</u>
	=====	=====	=====	=====

22. Due to Parent and Related Companies

TCL Services Limited	1,984	1,848	1,984	1,848
TCL Cement Limited	455,697	501,014	455,697	501,014
TCL Nevis Limited	61,880	63,553	61,880	63,553
TCL Packaging Limited	41,820	54,592	41,820	54,592
Arawak Cement Company Limited	37	8,113	37	8,113
TCL Trading Limited	-	14,365	-	14,365
	<u>561,418</u>	<u>643,485</u>	<u>561,418</u>	<u>643,485</u>
	=====	=====	=====	=====

Thousands of Jamaican dollars	Group	Parent
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	2002	2001	2002	2001
23. Medium and Long Term Loans				
Amounts repayable within:				
One year	85,012	100,007	82,932	98,208
Two years	250	81,158	-	80,908
Three years	250	250	-	-
Four years	58	250	-	-
Five years and over	-	87	-	-
	<u>85,570</u>	<u>181,752</u>	<u>82,932</u>	<u>179,115</u>
Current portion	<u>85,012</u>	<u>100,007</u>	<u>82,932</u>	<u>98,208</u>
	558	81,745	-	80,908
	=====	=====	=====	=====

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 \$54,852,000.

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:

	%	Repayable				
Standard Chartered Bank						
New York:						
1) US\$0.527 million	7	2003	8,915	24,916	8,915	24,916
2) US\$0.185 million	7	2002	-	8,793	-	8,793
3) US\$0.755 million	7	2003	<u>19,165</u>	<u>35,704</u>	<u>19,165</u>	<u>35,704</u>
			28,080	69,413	28,080	69,413
Government of Jamaica	9.25	2003	54,852	109,702	54,852	109,702
National Investment Bank of Jamaica	Nil	2002-2006	<u>2,638</u>	<u>2,637</u>	<u>-</u>	<u>-</u>
			85,570	181,752	82,932	179,115

Thousands of Jamaican dollars	Group		Parent	
	2002	2001	2002	2001
24. Dividend				
Capital distribution -				
Proposed				
- 5 cents per ordinary stock unit	-	42,557	-	42,557
	=====	=====	=====	=====

The dividend is subject to withholding tax.

These financial statements do not reflect proposed dividends which will be accounted for in shareholders' equity as an appropriation of retained earnings in the year ending 31 December 2003.

25. 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	Ordinary	Share	Total
	Stock Units	Stock Units	Premium	Total
	(thousands)	\$'000	\$'000	\$'000
At 31 December 2001	<u>851,138</u>	<u>425,569</u>	<u>1,383,268</u>	<u>1,808,837</u>
At 31 December 2002	<u>851,138</u>	<u>425,569</u>	<u>1,383,268</u>	<u>1,808,837</u>

Thousands of Jamaican dollars

Group		Parent	
2002	2001	2002	2001

26. Revaluation Reserve

Balance at 1 January	732,580	780,042	732,580	780,042
Realised during the year	<u>(47,462)</u>	<u>(47,462)</u>	<u>(47,462)</u>	<u>(47,462)</u>
	685,118	732,580	685,118	732,580
	=====	=====	=====	=====

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 an 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.

Thousands of Jamaican dollars

27. 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	268

The assets and liabilities arising from the acquisition are as follows:		=====
Cash and cash equivalents		1
Land (Note 11)		5,000
		<u>5,001</u>
Payables		(733)
Fair value of net assets acquired		<u>4,268</u>
Capital reserve		(268)
Total purchase consideration		<u>4,000</u>
Less:		
Discharged by shares previously held		(600)
Cash and cash equivalents in subsidiary acquired		<u>(1)</u>
Cash outflow on acquisition		<u>3,399</u>
		=====

28. 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.

29. 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.

30. Commitments**(a) Capital**

The group has capital commitments amounting to NIL (2001- \$49,350,000).

(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\$72,416,000 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:

**Machinery and
Equipment
Lease**

Other Leases

Other Leases

	US\$	US\$	J\$
2003	10,345,000	40,000	4,351,000
2004	10,345,000	10,000	4,182,000
2005	10,345,000	-	1,511,000
2006	10,345,000	-	1,092,000
2007-2009	31,035,000	-	-

31. Pension Plan

The parent company participates in a defined contribution pension scheme which is managed by an independent party, Life of Jamaica Limited. This scheme is mandatory for all categories of permanent employees. Contributions are 10% of pensionable salary for both employee and employer. The amount of annual pension at any date shall be that pension which can be secured by the accumulated contribution plus interest to that date. The group's contributions in the year amounted to \$24,108,000 (2001 - \$24,193,000).

32. 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 46 years remaining but exploitable reserves are expected to have a life of 176 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	
2002	2001	2002	2001

33. Net Foreign Currency Exposures

The net foreign currency exposures as at year end are as follows, asset/(liability)

United States (\$)				
Cash	1,175	822	1,171	751
Other balances	<u>(9,417)</u>	<u>(16,120)</u>	<u>(9,510)</u>	<u>(16,120)</u>
	<u>(8,242)</u>	<u>(15,298)</u>	<u>(8,339)</u>	<u>(15,369)</u>
	=====	=====	=====	=====
Trinidad & Tobago (\$)				
Other balances	<u>(26,338)</u>	-	<u>(26,338)</u>	-
	=====	=====	=====	=====
Euros (E)				
Other balances	<u>515</u>	-	<u>515</u>	-
	=====	=====	=====	=====
