SEPROD LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2004

---

1 . Principal Activities and Operations

Seprod Limited (the company) is a company limited by shares. The company, its subsidiaries and associated companies (the Group) are incorporated and domiciled in Jamaica, with the exception of associated companies CBM Limited and Productive Business Solutions Limited, which are incorporated in St Lucia. The principal activities of the Group are the manufacture and sale of oils and fats, corn products and cereals, the provision of document management services and the sale of industrial, pharmaceutical, consumer and telecommunications products.

The company is publicly listed on the Jamaica Stock Exchange, and has its registered office at 3 Felix Fox Boulevard, Kingston.

All amounts in these financial statements are stated in Jamaican dollars.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards, and have been prepared under the historical cost convention as modified by the revaluation of certain fixed and financial assets.

The preparation of financial statements in conformity with International Financial

Reporting Standards requires 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. Although these estimates are based on management's best knowledge of current events, and action, actual results could differ from those estimates.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition, The excess of the cost is recorded as goodwill. Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

The subsidiaries consolidated, their principal activities and the percentage ownership are as follows:

Name of company	**Principal activities**	**Percentage ownership**
Caribbean Products Company Limited	Manufacture and sale of oils and fats	100%
Jamaica Edible Oils and Fats Company Limited	Sale of oils and fats	100%
Jamaica Grain and Cereals Limited	Sale of corn products and cereals	100%
Industrial Sales Limited	Sale of consumer products	100%
Jamaica Detergents Limited	Dormant	100%
Jamaica Feeds Limited	Dormant	100%
Coper Limited	Dormant	100%
Jamaica Household Products Limited	Dormant	100%

(ii) Associated companies

Investments in associated companies are accounted for by the equity method of accounting. Under this method, the Group's share of post-acquisition profit or losses of the associated companies is recognised in the profit and loss account and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

The associated companies consolidated, their principal activities and the percentage ownership are as follows:

Name of company	**Principal activities**	**Percentage ownership**
Facey Commodity Company Limited	Sale of industrial, pharmaceutical, consumer and telecommunications products	48.8%
CBM Limited	Provision of document management services	50.0%
Productive Business Solutions Limited	Provision of document management services	50.0%
North Coast Milling Limited	Dormant	50.0%

The interest in CBM Limited and Productive Business Solutions Limited were acquired during the year (Note 13).

The Group's investment in associates includes goodwill on acquisition. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associates.

(c) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated using the weighted average closing exchange rate.

Exchange differences arising from the settlement of transactions at rates different from

those at the dates of the transaction, and unrealised foreign exchange difference on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

Exchange differences on non-monetary financial assets are reported as a component of the fair value gain or loss in equity.

(d) Fixed assets

Buildings, plant and equipment are recorded at deemed cost, less accumulated depreciation. All other fixed assets are carried at historical cost less accumulated depreciation, except land, which is not depreciated.

Depreciation is calculated on the straight line basis at.such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Buildings	40 - 50 years
Plant, equipment and furniture	5 - 40 years
Motor vehicles	3 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit.

Repairs and maintenance expenditure is charged to the profit and loss account during the financial period in which it is incurred.

(e) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(f) Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the assets exceeds its recoverable amount, which is the greater of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped up to the level for which separate cash flows can be identified.

(g) Investments

Management determines the classification of investments at the time of purchase and re-evaluates such designation on a regular basis. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale, and are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the balance sheet date or unless they will be sold to raise operating capital, in which case they are included in current assets. Available-for-sale investments are subsequently carried at fair value. Unreallsed gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity.

Purchases and sales of investments are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. The cost of purchase includes transaction costs. The fair values of investments are based on quoted bid prices or amounts derived from cash flow models. Fair values for unlisted equity securities are estimated using applicable price/cash flow models refined to reflect the specific circumstances of the issuer. Equity securities for which fair values cannot be measured reliably are recognised at cost, less a provision for impairment. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the profit and loss account as gains and losses from investment securities.

(h) Inventories

Inventories are stated at the lower of cost or net reallsable value. The cost of finished goods and work in progress includes cost of raw materials used, direct labour and an appropriate proportion of overhead expenses. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

(i) Trade receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowings. Bad debts are written off during the year in which they are identified.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash at bank and in hand.

(k) Payables

Payables are recorded at cost.

(l) Borrowings

Borrowings are recognised initially at the proceeds received, Borrowings are subsequently 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.

(m) Income taxes

Current tax is the expected tax payable on the taxable income for the year, using tax rates in force at the balance sheet date, and any adjustment to tax payable and tax losses in respect of previous years.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the carrying amounts of assets and liabilities and the corresponding tax bases. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited to the profit and loss account, except where it

relates to items charged or credited to equity, in which case, deferred taxis also dealt with in equity.

Current and deferred tax assets and liabilities are offset when they arise within the same taxable entity, relate to the same tax authority and when the legal right of offset exists.

(n) Employee benefits

i) Pension obligations

The Group operates a defined benefit plan, the,assets of which are generally held in a separate trustee-administered fund. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of the defined benefit plan is the difference between the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets, together with adjustments for actuarial gains and losses and past service cost. The defined benefit obligation is determined annually by independent actuaries, using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the remaining service lives of the employees.

ii) Other post-retirement obligations

The Group provides post-retirement health benefits to its retirees, The entitlements to these benefits are usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required

to settle the obligation, and when a reliable estimate of the amount can be made.

(p) Leases

Leases of fixed assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of the finance balance outstanding. The interest element of the finance cost is charged to the profit and loss account over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The fixed assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

(q) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, payables, associated companies balances, short term loans and long term liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the Group's financial instruments is discussed in Note 26.

(r) Revenue recognition

Revenue represents the invoiced value of goods and services sold to external customers of the Group, net of General Consumption Tax, discounts and other allowances. Sales are recognised based on delivery of products and customers acceptance.

Interest and rental income are recognised on an accrual basis.

(s) Dividends

Dividends are recorded as a reduction of equity in the financial statements in the period in which they have been approved.

(t) Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments.

(u) Comparative Information

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

3. Segment Reporting

The Group is organised into two main business segments:

a) Manufacturing - This incorporates the operations for manufacturing and sale of oils and fats, corn products and cereals.

b) Distribution - The merchandising of consumer goods.

2004

	Manufacturing $'000	Distribution $'000	Eliminations $'000	Group $'000
External revenue	1,204,938	2,141,713	-	3,346,651
Inter-segment revenue	1,074,790	-	(1,074,790)	-
Total revenue	2,279,728	2,141,713	(1,074,790)	3,346,651
Segment result	101,139	142,658	-	243,797
Unallocated corporate expenses				(16,955)
Operating profit				226,842
Segment assets	1,524,152	467,990	-	1,992,142
Investment in associates				1,418,213

Unallocated corporate assets				913,935
Total consolidated assets				4,324,290
Segment liabilities	(304,998)	(288,329)	-	593,327
Unallocated corporate liabilities				231,190
Total consolidated liabilities				824,517
Other segment items -				
Capital expenditure	105,903	1,274	-	107,177
Unallocated capital expenditure				11,860
Total capital expenditure				119,037
Depreciation	46,276	14,757	-	61,033
Unallocated depreciation				9,356
Total depreciation				70,389

2003

	Manufacturing $'000	Distribution $'000	Eliminations $'000	Group $'000
External revenue	1,561,977	1,293,734	-	2,855,711
Inter-segment revenue	413,694	-	(413,694)	-
Total revenue	1,975,671	1,293,734	(413,694)	2,855,711
Segment result	309,794	11,034	-	320,828
Unallocated corporate expenses				(127,431)
Operating profit				193,397
Segment assets	1,304,403	262,499	(15,520)	1,551,382
Investment in associates				842,402

Unallocated corporate assets				1,106,458
Total consolidated assets				3,500,242
				=========
Segment liabilities	(149,778)	(205,407)	15,520	(339,665)
Unallocated corporate liabilities				(126,776)
Total consolidated liabilities				(466,441)
				==========
Other segment items -				
Capital expenditure	61,330	2,539	-	63,839
Unallocated capital expenditure				5,539
Total capital expenditure				69,408
				=========
Depreciation	61,732	1,679	-	63,411
Unallocated depreciation				11,575
Total depreciation				74,986
				=========

4. Administrative Expenses

Included in administrative expenses is a charge of $400,000 (2003 - credit of $44,700,000) in relation to the retirement benefit asset and a charge of $11,600,000 (2003 - $4,200,000) in relation to the retirement benefit obligations (Note 6).

5. Operating Profit

The following items have been charged/(credited) in arriving at operating profit:

	2004 $'000	2003 $'000
Depreciation	70,389	74,986
Auditors' remuneration	5,459	4,812
Directors' emoluments -		

Fees	3,173	2,648
Other	17,924	14,944
Trade receivables - impairment provision	-	70,446
Impairment loss on fixed assets (Note 12)	46,384	-
Gain on disposal of fixed assets	(89)	(480)
Staff costs (Note 6)	289,850	212,772

6. Staff Costs

	2004 $'000	2003 $'000
Wages and salaries	222,442	191,519
Statutory contributions	21,435	16,271
Pension (Note 14)	400	(44,700)
Other post-retirement obligations (Note 14)	11,600	4,200
Other	33,973	45,482
	289,850	212,772

The number of persons employed by the Group at the end of the year was:

	2004 No.	2003 No.
Staff	31	29
Contractors	230	312
	261	341

7. Finance Income

	2004 $'000	2003 $'000
Interest income	150,499	149,118
Dividend income	826	8
Foreign exchange gain	30,088	59,608
Gain on sale of investments	3,720	30,512
Interest expense	(3,491)	(4,825)
	181,642	234,421

8. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 33 1/3%:

	2004	2003
	$'000	$'000
Current taxation	108,650	28,198
Tax credit on bonus issue of shares	-	(12,151)
	108,650	16,047
Associated company	117,691	32,372
Deferred taxation (Note 22)	9,545	49,617
	235,886	98,036

The tax on the Group's profit differs from the theoretical amount that would arise using the applicable tax rate of 33 1/3%, as follows:

	2004	2003
	$'000	$'000
Profit before taxation	783,603	519,061
Tax calculated at a tax rate of 33 1/3%	261,201	173,027
Adjusted for the effects of:		
Tax credit on bonus issue of shares	-	(12,151)
Income not subject to tax	(19,748)	(63,097)
Expenses not deductible for tax purposes and other allowances	(5,567)	257
	235,886	98,036

9. Net Profit Attributable to Stockholders

Dealt with as follows in the financial statements

2004	2003
$'000	$'000

The company	132,594	251,174
Subsidiaries	157,695	110,980
Associated companies	257,428	58,891
	547,717	421,045

10. Earnings per Stock Unit

Earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue.

	2004	2003
Net profit attributable to stockholders, ($'000)	547,717	421,045
Weighted average number of ordinary stock units ('000)	516,398	516,398
Basic earnings per stock unit ($)	1.06	0.82

The company has no dilutive potential ordinary shares.

11. Dividends

	2004 $'000	2003 $'000
Interim dividend - $0.20 (2003 - $0.20) per stock unit	103,280	103,280

12. Fixed Assets

The Group

	Freehold Land & Site Improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
At Cost -						
At 1 January 2004	34,958	542,142	1,120,740	10,710	30,844	1,739,394
Additions	-	-	5,078	4,633	109,326	119,037
Disposals	-	-	(6,704)	(576)		(7,280)
Transfers	-	2,709	34,749	-	(37,458)	
Impairment charge	-		(130,336)	-	-	(130,336)
At 31 December 2004	34,958	544,851	1,023,527	14,767	102,712	1,720,815
Accumulated Depreciation -						

At 1 January 2004	-	391,181	720,336	9,816	-	1,121,333
Charge for the year	-	12,419	55,806	2,164	-	70,389
On disposals	-	-	(4,329)	(527)	-	(4,854)
Impairment charge	-	-	(83,952)	-	-	(83,952)
At 31 December 2004	-	403,600	687,861	11,455	-	1,102,916
Net Book Value -						
At 31 December 2004	34,958	141,251	335,666	3,312	102,712	617,899
At 31 December 2003	34,958	150,961	400,404	894	30,844	618,061

The Company

	Freehold Land & Site Improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
At Cost -						
At 1 January 2004	20,218	291,889	104,939	9,349	2,844	429,239
Additions	-	-	417	4,633	6,810	11,860
Disposals	-	-	-	(172)	-	(172)
Transfers	-	-		-	-	-
At 31 December 2004	20,218	291,889		13,810	9,654	440,927
Accumulated Depreciation -						
At 1 January 2004	-	196,131	95,459	8,504	-	300,094
Charge for the year	-	8,109	(917)	2,164	-	9,356
Relieved on disposals	-	-	-	(172)	-	(172)
At 31 December 2004	-	204,240	94,542	10,496	-	309,278
Net Book Value -						
At 31 December 2004	20,218	87,649	10,814	3,314	9,654	131,649
At 31 December 2003	20,218	95,758	9,480	845	2,844	129,145

Included in the tables above are amounts totalling $830,622,000 for the Group and $188,841,000 for the company representing the previous Jamaican GAAP revalued amounts of buildings and plant and equipment which have been used as the deemed cost of these assets on transition to IFRS on 1

January 2002.

A subsidiary ceased manufacturing operations; accordingly, certain items of plant, equipment and furniture with a net book value of $46,384,000 have been deemed to be irrecoverable.

13. Investments

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Available-for-sale				
Quoted equity securities	41,290	31,564	41,290	31,564
Amounts held in US$ mutual funds	339,930	186,745	339,930	186,745
Government of Jamaica securities	896,037	741,679	896,037	741,679
	1,277,257	959,988	1,277,257	959,988
Less: Government of Jamaica securities maturing within 12 months	(428,148)	(250,989)	(428,148)	(250,989)
	849,109	708,999	849,109	708,999
Associated companies				
North Coast Milling Limited	25,000	25,000	25,000	25,000
Facey Commodity Company Limited	229,018	229,018	229,018	229,018
CBM Limited	205,038	-	205,038	-
Productive Business Solutions Limited	113,345	-	113,345	-
Group's share of reserves	845,812	588,371		-
	1,418,213	842,402	572,401	254,018
	2,267,322	1,551,401	1,421,510	963,017

Included in the Facey Commodity Company Limited (Facey) balance is an amount of $1, which represented the realisable value of a loan to Facey that was acquired from the previous shareholders at the date of the company's acquisition of its interest in Facey. The fair value of this loan, which has a face value of $826,086,000, cannot be reliably determined as it is interest free and has no fixed payment terms.

Included in the CBM Limited balance is a loan receivable of $95,229,000. This loan attracts interest at a rate of 12%, and is to be repaid no later than 31 October 2015, or such later date as may be agreed between the parties.

The weighted average effective interest rate on Government of Jamaica securities was 14% (2003 - 15%).

14. Retirement Benefits

Assets/(liabilities) recognised in the balance sheet are as follows:

	The Group & The Company	
	2004	2003
	$'000	$'000
Pension scheme	92,540	155,300
Other post-retirement benefits	(37,900)	(31,200)

Pension scheme

The Group participates in a defined benefit scheme, which is open to all permanent employees and administered by West Indies Trust Company Limited. The plan provides benefits to members based on average earnings for the final 2 years of service (formerly 3 years), with the Group and employees each contributing 5% of pensionable salaries. The defined benefit scheme is valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuation was carried out as at 31 August 2004.

A funding actuarial valuation carried out as at 31 August 2004 revealed that the scheme was adequately funded.

The defined benefit asset recognised in the balance sheet was determined as follows:

	2004	2003
	$'000	$'000
Fair value of plan assets	425,240	338,000
Present value of obligations	(221,500)	(213,400)
	203,740	124,600
Unrecognised actuarial (gain)/loss	(101,000)	30,700
Limitation due to uncertainty in obtaining future economic benefits	(10,200)	-

	92,540	155,300

Pension plan assets include investment in ordinary stock units of the company with a fair value of $45,548,000 (2003 - $18,922,000).

The movement in the defined benefit asset during the year is as follows:

	2004 $'000	2003 $'000
At beginning of year	155,300	166,700
Amounts recognised in the profit and loss account	(400)	44,700
Contributions paid	1,900	1,900
Amounts refunded to Seprod Limited	64,260	(58,000)
At end of year	92,540	155,300

The amounts recognised in the profit and loss account are as follows:

	2004 $'000	2003 $'000
Current service cost	(3,000)	(2,500)
Interest cost	(28,800)	(23,000)
Expected return on plan assets	41,600	38,600
Net actuarial gain recognised during the year	-	16,200
Change in asset limitation	(10,200)	15,400
Total included in staff costs (Note 6)	(400)	44,700
Actual return on plan assets	162,500	63,900

The principal actuarial assumptions used were as follows:

	2004	2003
Discount rate	12.5%	15.0%
Expected return on plan assets	11.0%	12.5%
Future salary increases	9.0%	8.0%
Future pension increases	5.0%	5.0%

==========

Other post-retirement benefits

In addition to pension benefits, the Group offers retirees medical benefits. Funds are not built up to cover the obligations under these retirement benefit schemes. The method of accounting and frequency of valuations are similar to those used for the defined benefit pension scheme. In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long term increase in health costs of 11% per year (2003 - 13%).

The liability recognised in the balance sheet was determined as follows:

	2004 $'000	2003 $'000
Present value of obligations	(68,300)	(63,000)
Unrecognised actuarial losses	30,400	31,800
	(37,900)	(31,200)

The movement in the liability during the year is as follows:

	2004 $'000	2003 $'000
At beginning of year	(31,200)	(30,300)
Amounts recognised in the profit and loss account	(11,600)	(4,200)
Benefits paid	4,900	3,300
At end of year	(37,900)	(31,200)

The amounts recognised in the profit and loss account are as follows:

	2004 $'000	2003 $'000
Current service cost	(500)	(200)
Interest cost	9,100	(4,000)
Net actuarial losses recognised during the year	(2,000)	-
Total included in staff costs (Note 6)	(11,600)	(4,200)

15. Inventories

	The Group	
	2004	2003
	$'000	$'000
Raw materials	328,584	210,886
Work in progress	12,599	13,129
Finished goods	121,419	81,866
	462,602	305,881

16. Receivables

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade receivables	318,245	304,637	-	-
Less: Provision for impairment	(62,738)	(70,446)	-	-
	255,507	234,191	-	-
Advances and prepayments	40,220	27,894	28,027	18,343
Interest receivable	19,987	34,112	19,987	34,112
Other	24,228	21,539	15,489	8,430
	339,942	317,736	63,503	60,885

17. Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Cash at bank and in hand	89,943	139,261	10,172	129,516

18. Payables

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Trade payables	131,275	39,256	-	-
Accruals	91,175	55,389	61,654	30,818
Other	23,406	21,556	7,749	7,956
	245,856	116,201	69,403	38,774

19. Share Capital

	2004	2003
	$'000	$'000
Authorised -		
Ordinary shares of $1 each	530,000	530,000
Issued and fully paid -		
Ordinary stock units of $1 each	516,398	516,398

20. Capital Reserve

This comprises:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Revaluation surplus on assets carried at deemed cost	346,551	346,551	105,340	105,340
Fair value gains on available-for-sale investments	39,141	17,606	39,141	17,606
Profits of subsidiaries capitalised	336,537	336,537	-	-
Redemption reserve	1,800	1,800	-	-
Gain on sale of shares in Seprod Wharf & Storage Limited	10,829	10,829	10,829	10,829
Gain on sale of investments	58,413	54,693	58,413	54,693
Gain on sale of units in Unit Trusts	8,235	8,235	8,235	8,235
Other realised surplus	22,230	22,230	20,289	20,289
	823,736	798,481	242,247	216,992

21. Borrowings

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Long term loans	226,058	30,000	175,130	-
Less: Current portion	(163,214)	(10,000)	(145,937)	-
	62,844	20,000	29,193	-
Loans from associated companies	143,514	103,514	143,514	103,514
	206,358	123,514	172,707	103,514

(a) Long term loans

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
(i) 7% Development Bank of Jamaica Limited	20,000	30,000	-	-
(ii) 10.5% Development Bank of Jamaica Limited	30,928	-	-	-
(ii) Xerox Corporation	175,130	-	175,130	-
	226,058	30,000	175,130	-
Less: Current portion	(163,214)	(10,000)	(145,937)	-
	62,844	20,000	29,193	-

(i) This loan is repayable by equal quarterly instalments ending in 2006. The loan is secured by a Deed of Charge over Government of Jamaica Indexed Bond.

(ii)This loan is repayable by equal quarterly instalments ending in 2009. The loan is secured by a Deed of Charge over Government of Jamaica Indexed Bond.

(iii)This represents amounts due to Xerox Corporation for the acquisition of certain companies within the Caribbean region. These companies are wholly owned by associated companies CBM Limited and Productive Business Solutions Limited (Note 2(b)(ii)). The loan is unsecured, interest free and is scheduled to be repaid by 2006.

(b) Loans from associated companies

This is comprised of a loan from Facey Commodity Company Limited of $95,000,000 and from

North Coast Milling Limited of $48,514,000. The loans are interest free and have no fixed terms of repayment.

22. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 33 1/3%.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities. The amounts determined after appropriate offsetting are as follows:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Deferred tax assets	21,263	57,284	-	-
Deferred tax liabilities	(156,180)	(182,656)	(41,986)	(74,840)
	(134,917)	(125,372)	(41,986)	(74,840)

The movement in deferred taxation is as follows:

	The Group		The Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Balance at start of year	(125,372)	(75,755)	(74,840)	(73,781)
Credit/(charge) to profit and loss account (Note 8)	(9,545)	(49,617)	32,854	(1,059)
Balance at end of year	(134,917)	(125,372)	(41,986)	(74,840)

The deferred tax charge in the Group's profit and loss account comprises the following temporary differences:

	2004	2003
	$'000	$'000
Accelerated tax depreciation	1,182	(6,544)
Retirement benefits	23,153	4,100
Tax losses carried forward	(37,494)	(41,062)

Other items	3,614	(6,111)
	(9,545)	(49,617)

The deferred tax assets/(liabilities) in the balance sheet comprises the following temporary differences:

	The Group		The Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Accelerated tax depreciation	(135,852)	(137,211)	(19,608)	(25,714)
Retirement benefits	(18,214)	(41,367)	(18,214)	(41,367)
Tax losses carried forward	21,900	59,395	-	-
Other items	(2,751)	(6,189)	(4,164)	(7,759)
	(134,917)	125,372	(41,986)	(74,840)

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits of a certain subsidiary amount to $65,700,000 (2003 - $178,185,000).

Deferred tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries and associated companies, to the extent that such earnings are expected to be permanently reinvested. Such undistributed earnings totalled $738,072,000 at 31 December 2004 (2003 - $611,801,000) for subsidiaries and $845,812,000 (2003 $588,384,000) for associated companies.

23. Cash Generated from Operations

	2004 $'000	2003 $'000
Net profit	547,717	421,045
Items not affecting cash resources:		

Depreciation	70,389	74,986
Impairment loss	46,384	-
Unrealised foreign exchange gain	(30,745)	(68,313)
Gain on sale of investments	(3,720)	(30,512)
Gain on sale of fixed assets	(89)	(480)
Share of results of associated companies	(375,119)	(91,263)
Interest income	(150,499)	(149,118)
Interest expense	3,491	4,825
Dividend income	(826)	(8)
Taxation	235,886	98,036
	342,869	259,198
Changes in operating assets and liabilities:		
Inventories	(156,721)	37,862
Accounts receivable	(36,331)	(2,435)
Associated companies	51,735	(630)
Retirement benefits	69,460	12,300
Accounts payable	129,655	2,984
	400,667	309,279
Taxation paid	(48,548)	(60,561)
Cash provided by operating activities	352,119	248,718

24. Related Party Transactions

(a) The Group has entered into the following transactions with related parties:

(i) A subsidiary in the Group paid cess of $4,583,000 (2003 - $3,613,000) based on the sales of copra-based and substitute products, to Coconut Industry Board, a major shareholder.

(ii) Sales of $233,228,000 (2003 - $206,162,000) to and purchases of $53,000,000 (2003 - $37,291,000) from Musson Jamaica Limited, T. Geddes Grant (Distributors) Limited and Facey Commodity Company Limited. The Company's chairman is a major shareholder and chairman of these entities.

(iii) Seprod Limited has signed the following guarantees on behalf of Facey Commodity Company Limited:
- In favour of Kraft Foods Jamaica Limited for 50% of all debts owed;

- In favour of Bank of Nova Scotia Jamaica Limited for debts and liabilities to limit of $175,000,000; and
- In favour of Citibank N.A. for debts and liabilities to limit of US$16,000,000.

(b) Advances to an Executive Director totalled $4,860,000 (2003 - $2,848,000) at 31 December 2004. These amounts represent advances on expected profit share, which is based on the audited financial statements at 31 December 2004.

(c) Advances to Officers totalled $11,270,000 (2003 - $6,760,000) at 31 December 2004. These amounts represent advances on expected profit share which is based on the audited financial statements at 31 December 2004. The profit sharing scheme allows 10% of the audited operating profit before taxation to be paid to the Executive Management of the company.

25. Financial Risk Management

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt market prices, foreign currency exchange rates and interest rates. Management seeks to minimise potential adverse effects on the financial performance of the Group by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(a) Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is primarily exposed to such risks arising from its US Dollar transactions for purchases, and its US Dollar denominated investments. The balance sheet at 31 December 2004 includes aggregate net foreign assets of approximately US$13,585,000 (2003 - US$10,615,000), in respect of such transactions.

(b) 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. At 31 December 2004, the Group's operating cash flows are substantially independent of changes in market interest rates. However, the Group has significant interest-bearing assets as disclosed in Note 13 and interest-bearing liabilities as disclosed in Note 21.

(c) 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. At 31 December 2004, the Group had exposure to market risk, namely through its significant portfolio of interest rate sensitive investments.

(d) 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 has no significant concentrations of credit risk attached to trade receivables as the Group has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Cash transactions are limited to high credit quality financial institutions. A significant level of investments is held in various forms of government instruments.

(e) Liquidity risk
Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities.

(f) Cash flow risk
Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Group manages this risk by ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

26. Fair Values of Financial Instruments

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates of fair value are not necessarily indicative of the amounts that the Group would realise in a current market exchange.

The face value, less any estimated credit adjustments, for financial assets and liabilities with

a maturity of less than one year are estimated to approximate their fair values, These financial assets and liabilities included in the financial statements are cash and bank balances, receivables, payables,. due from associates and short-term loan.

The estimated fair values of the Group's other financial instruments are as follows:

Available-for-sale investments
Available-for-sale investments comprise marketable equity securities, participation in mutual funds and government securities, and are fair valued annually at the balance sheet date. The fair value of available-for-sale is determined by reference to quoted market prices when available. If quoted market prices are not available then fair values are estimated on the basis of recognised valuation techniques.

Investment in associated companies
There is no active market for the shares held in the associated companies. The fair values of these investments have been estimated as the company's investment plus its share of post acquisition reserves.

Long term loans
The long term loans are carried at amortised cost reflecting their contractual obligations, and approximate fair values as the interest rates are reflective of current market rates for similar transactions.

Loans from associates
The fair values of the loans from associates could not be reasonably determined as these instruments were granted under special terms and are not likely to be traded in a fair market exchange.

27. Contingencies and Commitments

(a) A subsidiary is contingently liable in respect of a suit filed by a customer for damages amounting to $31,615,000, plus interest for the supply of rancid oil. No provision has been made in these financial statements, as in the opinion of the management the suit has no merit. The claim is covered by product liability insurance.

(b) Minimum annual lease payments required under operating lease arrangements in relation to factory rental by a subsidiary are as follows:

$'000

2005	5,577
2006	5,577
2007	5,577
2008	5,577
Thereafter, 2009 - 2011	11,424
	=======

(c) At 31 December 2004, management had approved $30,209,000 (2003 - $26,999,000) for capital expenditure in respect of a subsidiary.

28. Post Balance Sheet Events

(a) In January 2005, Seprod Limited and Musson Jamaica Limited, each 48.8% shareholders of Facey Commodity Company Limited. (Facey), transferred their entire shareholding in Facey to Gatcombe Investments Limited, a company incorporated in St. Lucia. Gatcombe Investments Limited is owned 50% each by Seprod Limited and Musson Jamaica Limited.

(b) On 1 April 2005, Seprod Limited entered into an agreement with ICD Group Limited to purchase the entire shareholding of Serge Island Dairies Limited and Serge Island Farms Limited. The agreed consideration for the purchase of both entities was $375m.