Trinidad Cement Limited

Notes to the Consolidated Financial Statements

1. Incorporation and activities

The parent company is incorporated in the Republic of Trinidad and Tobago. The Group is involved in the manufacture and sale of cement and lime, premixed concrete, packaging materials and the winning and sale of sand, gravel and gypsum. The registered office of the parent company is Southern Main Road, Claxton Bay, Trinidad.

2. Significant accounting policies

a) Basis of preparation

These financial statements are prepared under the historical cost convention, in accordance with International Financial Reporting Standards.

The Group early adopted IFRS 3 "Business Combinations" in 2004. IFRS also requires the simultaneous adoption of the revised standards IAS 36 "Impairment of Assets" and IAS 38 "Intangible Assets". IFRS 3 requires prospective application after 30th March, 2004.

The early adoption of IFRS 3 resulted in a change in the accounting policy for goodwill, until 31 st December, 2003:

- Goodwill was amortised on a straight line basis over a period ranging between fifteen (15) years and thirty (30) years; and
- Goodwill was assessed for an indication of impairment at each balance

sheet date; and
- Negative goodwill was amortised over a period not exceeding fifteen (15) years.

In accordance with the provisions of IFRS 3:

- The Group ceased the amortization of goodwill from 1st January, 2004; and
- From the year ended 31 st December, 2004 onwards, goodwill is reviewed annually for impairment, as well as when there are indications of impairment; and
- The balance of negative goodwill was transferred directly to retained earnings.

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

All assets and liabilities of the subsidiaries at the date of acquisition are stated at fair value.

c) Goodwill and negative goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the assets, liabilities and contingent liabilities of the acquired subsidiary undertaking at the date of acquisition. Goodwill on acquisition is reported in the balance sheet as an intangible asset. At least annually, the asset is reviewed for impairment.

Where the cost of acquisition is less than the fair value of the Group's share of the assets, liabilities and contingent liabilities of the acquired subsidiary at the date of acquisition, the difference is negative goodwill which is written off immediately to the statement of earnings.

d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. (See Note 7).

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%-4%
Plant, machinery and equipment	-	3%-25%
Motor vehicles	-	10%-20%
Office furniture and equipment	-	10%-25%

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

Leasehold land and improvements are amortised over the remaining term of the lease. The limestone reserves contained in the leasehold land at a subsidiary is valued at fair market value determined at the date of acquisition of the subsidiary. A depletion charge is recognised based on units of production from those reserves. All other limestone reserves which are contained in lands owned by the Group are not carried at a fair value but the related land is stated at historical cost.

It is the Group's policy to capitalize interest on loans specific to capital projects during the period of construction. In 2004, the total capitalized interest was $1.4m (2003-nil). Repairs and renewals are expensed when the expenditure is incurred.

e) Investments

Unquoted equity investments, classified as long term, are stated at cost and provision is only made where, in the opinion of the directors, there is an impairment in value.

Fixed income held to maturity securities are carried at amortised cost using the effective interest rate method.

f) Inventories

Plant spares, raw materials and consumables are valued at the lower of weighted average cost and net realisable value. Net realisable value is arrived at after review by technical personnel.

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 direct selling expenses.

g) Foreign currencies

Transactions originating in foreign currencies are recorded in the reporting currencies of Group companies at the rates of exchange ruling at the dates of the transactions. Assets and liabilities in foreign currencies are translated at rates ruling at the balance sheet date. Differences arising therefrom are reflected in the current year's results.

Income statements of foreign entities are translated into the Group's reporting currency, Trinidad and Tobago dollars, at average exchange rates for the year and the balance sheets are translated at the year end exchange rates.

Exchange differences arising from the translation of the net investment in foreign subsidiaries at the balance sheet date are taken to the currency translation account in shareholders' equity in accordance with International Accounting Standard 21.

h) Deferred expenditure

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

i) Segment information

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices. Revenues are attributable to geographic areas based on the location of the assets producing the revenues.

j) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, investments, receivables, trade creditors and borrowings and are stated at their approximate fair values determined in accordance with the policy statements disclosed.

Financial risk factors

The Group's activities expose it to a variety of financial risks, including the effects of changes in debt and equity prices, interest rates, market liquidity conditions, and foreign currency exchange rates which are accentuated by the Group's substantial foreign operations, the earnings of which are denominated in foreign currencies. Accordingly, the Group's financial performance and position are subject to the unpredictability of financial markets. Overall risk management measures are focused on minimising the potential adverse effects on the financial performance of the Group from changes in financial markets and to the extent that hedging strategies are available and cost effective, they are utilised. Where financial risks cannot be fully hedged the Group remains so exposed with respect to its financial performance and position.

k) Leases

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.

Finance leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased assets or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

l) Taxation

The Group recognises deferred taxation principally arising from differences between the book value and the tax base of assets and liabilities. Additionally, deferred taxation credits arising from available tax losses, which are reasonably expected to be utilised in the future are recognised. The resulting deferred tax asset or liability is accounted for using the liability method at the current corporation tax rate.

m) Pension plans and post-retirement medical benefits

Defined benefit pension plans are generally funded by payments from employees and by the relevant Group companies, taking into account the recommendations of independent actuaries.

For defined benefit plans, the pension accounting costs are assessed using the projected unit credit method. Under this method, the annual cost of providing pensions is charged to the statement of earnings so as to spread the regular cost over the service lives of employees in accordance with the advice of independent actuaries who carry out a full valuation of the plans every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturities approximating the terms of the related liabilities. All actuarial gains and losses to be recognised are spread forward over the average remaining service lives of employees.

Defined contribution plans are accounted for on the accrual basis, as the Group's liabilities are limited to its contributions.

Certain subsidiaries provide post-retirement healthcare benefits to their retirees. The expected costs of these benefits are measured and recognised in a manner similar to that for defined benefit pension plans. Valuation of these obligations is carried out by independent actuaries.

n) Revenue

Revenue, net of value added tax and discounts, is recognised upon delivery of products or performance of services and customer acceptance. Interest and investment income are recognised as they accrue unless collectibility is in doubt.

o) Trade receivables

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

p) Borrowings

Borrowings are recognised initially as the proceeds received net of transaction cost. In subsequent periods, borrowings are stated at amortised cost using the effective interest method, any differences between proceeds and the redemption value is recognised in the statement of earnings over the period of the bonds.

q) Provisions

Provisions are recorded when the Group has a present 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.

r) Earnings per share

Earnings per share is computed by dividing net profit for the year by the weighted average number of ordinary shares in issue during the year.

s) Cash and cash equivalents

Cash and cash equivalents include all cash and overdraft balances with maturities of less than three months from date of establishment.

t) Equity compensation benefits

The Group accounts for profit sharing entitlements which are settled in the shares of the parent company through an Employee Share Ownership Plan (ESOP) as an expense determined at market value. The costs incurred in administering the Plan and interest on a parent company guaranteed loan are recorded in the earnings statement of the parent company.

u) Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Operating profit	2004 $	2003 $
Revenue	1,329,900	1,155,671
Less expenses:		
Personnel remuneration and benefits	275,861	237,456
Other operating expenses	276,629	303,344
Fuel and electricity	230,416	198,078
Raw materials and consumables	142,105	135,594
Depreciation	109,588	79,784
Amortisation of goodwill - net	-	5,388
Changes in finished goods and work in progress	24,506	(48,174)

	270,795	244,201
Other income (see note below)	33,303	19,755
Operating profit	304,098	263,956

Personnel remuneration and benefits include:		
Salaries and wages	236,312	200,468
Other benefits	28,649	29,616
Statutory contributions	11,221	10,713
Pension costs - defined contribution plan	2,689	2,626
Termination benefits	1,971	110
Pension costs - defined benefit plans (Note 10a)	(4,981)	(5,477)
	275,861	237,456

The average number of permanent employees in 2004 was 1,193 (2003 - 1,112) whilst there were 173 (2003 - 234) part-time employees.

Operating profit is stated after deducting directors' fees of:

	2004	2003
Directors' fees	1,568	1,100

Other income includes:		
Amortisation of gain from sale and leaseback of plant(Note 17)	-	11,851
Port rental	2,875	1,848
Delivery and trucking services	1,811	1,112
Gain/(loss) from disposal of property, plant and equipment	2,924	(683)
Miscellaneous income	25,693	5,627
	33,303	19,755

4. Finance costs - net	2004 $	2003 $
Interest expense	143,883	168,255
Interest income	(1,705)	(48,458)
Accretion in value of bond redemption options (Note 15)	(37,666)	(40,814)

	104,512	78,983
Foreign currency exchange loss	238	11,726
	104,750	90,709

5. Taxation

a) Taxation charge

Deferred taxation from tax liability (Note 5c)	(5,283)	19,571
Current taxation	20,839	16,490
	15,556	36,061

b) Reconciliation of applicable tax charge to effective tax charge

Profit before taxation	199,348	173,247
Tax calculated at 30% (2003-30%)	59,804	51,974
Net effect of other charges and allowances	(5,685)	11,796
Impact of income not subject to tax	(15,257)	(29,945)
Tax losses not previously recognized (see note below)	(23,753)	-
Business and green fund levies	1,061	
Change in estimate of previously reported charges	(783)	-
Effect of different tax rates outside Trinidad and Tobago	169	2,236
Effective taxation charge	15,556	36,061

Tax losses available for set off against future taxable profits at a subsidiary, Jamaica Gypsum and Quarries Limited, have now been recognized as a deferred tax asset as a result of the restructuring of the company's operations which are projected to utilize the tax losses against taxable profits over the next five years.

Arawak Cement Company Limited is exempt from the payment of corporation tax of up to a total of $30.9m (2003 - $37-0m) for the period 2005 to 2007.

Caribbean Cement Company Limited and its subsidiaries have tax losses of $59.3m (2003 - $92.5m) available for set off against future taxable profits.

Readymix (West Indies) Limited and its subsidiaries have tax losses of $8.lm (2003 - $1.1m) available for set off against future taxable profits. Of the tax losses available, $1.6m has not been recognized in these financial statements on the basis that the RML Group would not generate sufficient taxable profits before the tax losses expire.

c) Deferred tax liability

	Accelerated tax depreciation $	Tax losses and provisions $	Total $
Year ended 31st December, 2004			
Balance at 1st January	163,315	25,125	188,440
Exchange rate adjustment	(795)	191	(604)
Arising from acquisition	258	(1,657)	(1,399)
Charge/(credit) to earnings	26,476	(31,759)	(5,283)
Balance at 31 st December, 2004	189,254	(8,100)	181,154
Year ended 31st December, 2003			
Balance at 1st January, 2003	176,682	(2,826)	173,856
Exchange rate adjustment	(10,417)	5,430	(4,987)
(Credit)/charge to earnings	(2,950)	22,521	19,571
Balance at 31 st December, 2003	163,315	25,125	188,440

6. Earnings per share

	2004 $	2003 $
Net profit attributable to shareholders	162,271	121,441
Weighted average number of ordinary shares issued (thousands)	243,748	243,563

Earnings per share - basic and diluted (cents)	67	50

Effective December 2001, balances of the TCL Employee Share Ownership Plan relating to the unallocated shares held by the Plan have been consolidated with the financial statements of the Group. In accordance with best practice, the average number of unallocated shares of 6.017m (2003: 6.202m) held by the Plan during the year is deducted in computing the weighted average number of ordinary shares in issue.

The Group has no dilutive potential ordinary shares in issue.

7. Property, plant and equipment

	Land and buildings	Plant, machinery and equipment and motor vehicles	Office furniture and equipment	Capital work in progress	Total
At 31st December, 2004					
Cost	442,133	1,605,721	57,545	114,183	2,219,582
Accumulated depreciation	(101,730)	(587,643)	(46,366)	-	(735,739)
Net book amount	340,403	1,018,078	11,179	114,183	1,483,843
Net book amount					
1st January, 2004	345,053	1,024,962	13,417	34,227	1,417,659
Exchange rate adjustment	(3,219)	(2,529)	(74)	(273)	(6,095)
Additions	5,033	66,234	3,794	96,909	171,970
Additions from acquisition	3,572	7,219	319	-	11,110
Disposals and adjustments	952	14,578	(63)	(16,680)	(1,213)
Depreciation charge	(10,988)	(92,386)	(6,214)	-	(109,588)
31st December, 2004	340,403	1,018,078	11,179	114,183	1,483,843
At 31st December, 2003					
Cost	440,454	1,534,090	56,399	34,227	2,065,170
Accumulated depreciation	(95,401)	(509,128)	(42,982)	-	(647,511)

Net book amount	345,053	1,024,962	13,417	34,227	1,417,659
Net book amount					
1st January, 2003	395,055	737,482	18,428	16,051	1,167,016
Exchange rate adjustment	(41,605)	(31,112)	(1,168)	(1,480)	(75,365)
Additions	1,901	457,099	2,797	19,698	481,495
Disposals and adjustments	119	(75,845)	65	(42)	(75,703)
Depreciation charge	(10,417)	(62,662)	(6,705)	-	(79,784)
31st December, 2003	345,053	1,024,962	13,417	34,227	1,417,659

8. Investments

	2004 $	2003 $
Unquoted equity investments	50	50

9. Intangible assets

	Goodwill $	Negative goodwill $	Total $
Year ended 31st December, 2004			
Opening net book amount	215,357	(18,061)	197,296
Transfer to retained earnings	-	18,061	18,061
Goodwill ftom acquired subsidiaries	9,827	-	9,827
Closing net book amount	225,184	-	225,184
Cost	268,137	-	268,137
Accumulated amortisation	(42,953)	-	(42,953)
Net book amount	225,184	-	225,184
Year ended 31st December, 2003			
Opening net book amount	224,356	(21,672)	202,684
Amortisation for the year	(8,999)	3,611	(5,388)
Closing net book amount	215,357	(18,061)	197,296

Cost	258,310	54,171	204,139
Accumulated amortisation	(42,953)	36,110	(6,843)
Net book amount	215,357	(18,061)	197,296

With effect from 1st January, 2004, the Group adopted International Financial Reporting Standard (IFRS) 3. As required by IFRS 3, the amortisation of goodwill ceased and the balance of negative goodwill of $18.1m was transferred to retained earnings. This change was applied prospectively and therefore no adjustment of the prior period comparatives is required.

Effective 1st July, 2004, Readymix (West Indies) Limited acquired 100% equity interest in two related companies, Island Concrete N.V. ("IC N.V.") and Island Concrete SARL ("IC SARL') located in St. Maarten, which are both engaged in the pre-mixed concrete business. Consideration was in the form of a cash payment of $15.6m for net tangible assets of $5.8m and goodwill of $9.8m. The net cash outlay for the investment amounted to $12.9m after deducting the cash of $2.7m held by the acquirees at the date of acquisition. The components of net tangible assets acquired are as follows:

	IC N.V. 2004 $	ICSARL 2004 $
Property, plant and equipment	9,261	1,849
Deferred tax asset	1,657	-
Inventories	510	-
Receivables	1,223	512
Cash.	2,665	70
Payables and accruals	(7,768)	(170)
Medium term loans	(2,856)	(921)
Deferred tax liability	-	(240)
Net tangible assets	4,692	1,100
Cash consideration	(14,519)	(1,100)
Goodwill	(9,827)	-

The goodwill of $9.8m represents the excess of the purchase price over the fair value of the net tangible assets acquired. Included in the $9.8m of goodwill recognized above are certain intangible assets that cannot be individually separated and reliably measured from the acquiree due to their nature. Such assets include an established customer base that is available to the acquirees.

	2004	2003
10. Pension plans and other post-retirement benefits	$	$

The numbers below are extracted from information supplied by independent actuaries.

a) Amounts recognised in the statement of earnings in respect of pension costs

	2004	2003
Current service cost	12,090	8,959
Interest cost	21,105	19,828
Expected return on plan assets	(38,176)	(34,264)
Total, included in personnel remuneration and benefits (Note 3)	(4,981)	(5,477)
Actual return on plan assets	146,105	105,708

b) Pension plan assets

The Trinidad Cement Limited Employees' Pension Fund Plan is sectionalised for funding purposes into three segments to provide retirement pensions to the retirees of Trinidad Cement Limited, TCL Packaging Limited and Readymix (West Indies) Limited. The segment relating to Trinidad Cement Limited has a funding surplus whilst the other two segments have funding deficits, shown in section c). The pension plan covering the employees of Arawak Cement Company Limited also has a funding surplus and is included in pension plan assets as follows:

	2004	2003
The pension plan assets are derived as follows	$	$
Fair value of plan assets	590,575	446,139

Present value of funded obligations	(355,196)	(317,957)
	235,379	128,182
Unrecognised actuarial (gain)/loss	(88,388)	7,709
Pension plan assets	146,991	135,891

Movement in the pension plan assets

Balance at 1st January	135,891	125,332
Balance at 1st January - pension plan liability	-	(411)
Total credits for the year	6,602	6,366
Contributions paid	4,498	4,604
Balance at 31 st December	146,991	135,891

c) Pension plan obligations and other post-retirement liabilities

Pension plan obligations	2,192	1,820
Termination benefit obligations	150	126
Retirees' medical benefit liabilities	5,341	4,216
	7,683	6,162

The pension plan obligations are derived as follows:

Fair value of plan assets	12,933	8,902
Present value of funded obligations	(15,503)	(11,878)
	(2,570)	(2,976)
Unrecognised actuarial loss	378	1,156
Pension plan obligations	(2,192)	(1,820)

Movement in the pension plan obligations

Balance at 1st January	(1,820)	(2,636)
Balance at 1st January - transferred to pension plan asset	-	411
Total expense for the year	(1,620)	(888)
Contributions paid	1,248	1,293
Pension plan obligations	(2,192)	(1,820)

The parent company's employees and employees of TCL Packaging Limited and Readymix (West Indies) Limited are members of the Trinidad Cement Limited Employees' Pension Fund Plan. This is a defined benefit Pension Plan which provides pensions related to employees' length of service and basic earnings at retirement. The Plan's financial funding position is assessed by means of triennial actuarial valuations carried out by an independent actuary. The last such valuation was carried out as at 31st December, 2003 and the preliminary results revealed that the Trinidad Cement Limited section was in surplus by $100.2m but the TCL Packaging Limited and Readymix (West Indies) Limited sections were in deficit by $2.1m and $3.3m respectively. The recommended future service contribution rates as a percentage of salaries were 6%, 26.5% and 19.8% respectively. A roll-forward valuation, usIng assumptions indicated below, was done as at 31st December, 2004 for the sole purpose of preparing these financial statements.

Principal actuarial assumptions used for Trinidad Cement Limited Employees' Pension Fund Plan:

	2004	2003
Discount rate	6.5%	8.0%
Expected return on plan assets	8.5%	8.5%
Rate of future salary increases	5.5%	5.5%
Rate of future pension increases	2.0%	2.0%

Employees of Arawak Cement Company Limited are members of a defined benefit pension plan, which became effective in September 1994. The plan is established under an irrevocable trust and its assets are invested through an independently administered segregated fund policy. The triennial actuarial valuation was carried out at September 2000 and established an unfunded liability in respect of past service cost of $2.2m. The actuary has recommended that the company and employees fund this liability and future service benefits at 7% of members' earnings. A roll-forward valuation, using assumptions indicated below, was done as at 31st December, 2004 for the sole purpose of preparing these financial statements.

Principal actuarial assumptions used for Arawak Cement Company Limited

Pension Plan:

	2004	2003
Discount rate	6.0%	6.5%
Expected return on plan assets	6.0%	6.5%
Rate of future salary increases	5.0%	5.5%
Rate of future pension increases	2.0%	NIL
Future changes in national insurance ceiling	2.5%	NIL

Caribbean Cement Company Limited operates a defined contribution Pension Plan for all permanent employees. This plan is managed by an independent party.

11. Inventories

	2004 $	2003 $
Plant spares	141,302	118,679
Raw materials and work in progress	93,075	122,173
Consumables	69,218	57,858
Finished goods	34,974	32,676
	338,569	331,386

12. Receivables and prepayments

Trade receivables	99,955	82,967
Less: provision for doubtful debts	(6,461)	(4,678)
Trade receivables (net)	93,494	78,289
Sundry receivables and prepayments	40,737	31,617
Deferred expenditure	10,989	6,899
Taxation recoverable	4,663	5,132
	149,883	121,937

13. Bank advances

Bankers' acceptances and other advances	61,450	21,875
Overdraft	24,846	99,052
	86,296	120,927

Bank advances of $14.5m are secured by certain fixed assets of the Group, all remaining advances are unsecured. The advances are denominated in Trinidad and Tobago dollars, Jamaican dollars, Barbados dollars and United States dollars with rates of interest in the range of 3.7% to 22% per annum. The 22% rate of interest relates to overdraft borrowings by the subsidiary in Jamaica.

14. Payables and accruals	2004	2003
	$	$
Sundry payables and accruals	132,519	127,139
Trade payables	48,050	53,508
Statutory obligations - Jamaica Subsidiary	2,428	4,921
Taxation payable	18,527	457
	201,524	186,025

15. Medium and long term financing	2004 $	2003 $
Maturity of borrowings:		
One year	105,212	61,498
Two years	112,177	96,527
Three years	62,360	61,695
Four years	347,365	58,011
Five years and over	220,945	554,544
	848,059	832,275
Current portion	(105,212)	(61,498)
	742,847	770,777
Type of borrowings:		
Bonds	744,234	790,737
Bank term loans	90,071	34,526
Finance lease obligations	13,754	7,012
	848,059	832,275

Currency denomination of borrowings		
US dollar	63,411	385,938
Local currencies	784,648	446,337
	848,059	832,275

Interest rate profile		
Fixed rates	835,459	807,436
Floating rates	12,600	24,839
	848,059	832,275

The weighted average effective interest rate for medium and long term financing is:	10.21%	12.46%

The bonds with present value of $401.8m carry options to redeem the principal amounts at discounted values prior to their maturity dates. The difference between the bond proceeds and their discounted value is recognised in the statement of earnings over the period of the borrowings. For the year 2004, an amount of $37.6m (2003 - $40.8m) was credited to finance costs (Note 4).

Borrowings amounting to $63.4m (2003 - $385.9m) are denominated in United States dollars. All other borrowings are denominated in local currencies.

Borrowings amounting to $759.0m (2003 - $790.7m) are secured by charges on the fixed and floating assets of the Group. The remaining loans are unsecured.

Included in total borrowings are the present values of finance leases amounting to $13.8m (2003 - $7m). The minimum lease payments under these finance leases are as follows:

	2004	2003
Due not more than one year	3,512	1,161
Due in years two to five	10,745	4,647
Due after year five	2,450	3,611
Total minimum lease payments	16,707	9,419
Less: Finance charges	(2,953)	(2,407)
Total net present value	13,754	7,021

16. Stated capital

Authorised
An unlimited number of ordinary and preference shares of no par value

Issued and fully paid

249,765,136 (2003 - 249,765,136) ordinary shares of no par value	466,206	466,206

17. Deferred income

Balance at 1st January	-	93,897
Exchange rate adjustment	-	(14,866)
Credit to other income (Note 3)	-	(11,851)
Set-off against purchase price of plant and equipment	-	(67,180)
Balance at 31 st December	-	-

In August 1999, Caribbean Cement Company Limited entered into a sale and leaseback transaction with a third party involving certain of its plant and equipment. A gain, representing the difference between the net value of the assets and the sale proceeds, was realised and was being recognised on a straight line basis over ten years which was the term of the related operating lease.

In December 2003, the Group re-acquired the plant and equipment and as a consequence the unamortised portion of the gain at the date of acquisition was credited against the purchase price in property, plant and equipment.

18. Dividends

	2004 $	2003 $
Paid 2003 Final - 10c (2002 - 10c)	24,977	24,977
Paid 2004 Interim - 8c (2003 - 8c)	19,981	19,981
	44,958	44,958

19. Employee share ownership plan (ESOP)

Number of shares held - unallocated (thousands)	5,643	6,123
Number of shares held - allocated (thousands)	3,673	3,352
	9,316	9,475
Fair value of shares held - unallocated	45,426	36,738
Fair value of shares held - allocated	29,568	20,112
	74,994	56,850
Cost of unallocated ESOP shares	38,573	41,849
Charge to earnings for shares allocated to employees	698	829

The parent company operates an Employee Share Ownership Plan (ESOP) to give effect to a contractual obligation to pay profit sharing bonuses to employees via shares of the parent company based on a set formula. Employees may acquire additional company shares to be held in trust by the Trustees but the costs of such purchases are for the employee's account. All employees of the parent company and certain subsidiaries are eligible to participate in the Plan which is directed, including the voting of shares, by a Management Committee comprising management of the parent company and the general membership. Independent Trustees are engaged to hold in trust all shares in the Plan as well as to carry out the necessary administrative functions.

Shares acquired by the ESOP are funded by parent company contributions, cash advances by the parent and by a third party financial institution loan to the ESOP that is guaranteed by the parent. The cost of the shares so acquired $38.6m (2003:$41.8m) which remain unallocated to employees have been recognised in shareholders' equity under 'Unallocated ESOP Shares' since 31st December, 2001. All future dealings in the shares will be credited against this account at fair value. The outstanding loan balance of $5.9m at 31 st December, 2003 was fully repaid to the financial institution.

The fair value of shares was derived from the closing market price prevailing on the Trinidad and Tobago Stock Exchange at year end.

20. Contingent liabilities

There are several pending legal actions and other claims in which the Group is involved. It is the opinion of the directors, based on the information provided by the Group's attorneys at law, that if any liability should arise out of these claims it is not likely to be material. Accordingly, no provision has been made in these financial statements in respect of these matters.

21. Cash from operations	2004 $	2003 $
Profit before taxation	199,348	173,247
Adjustments to reconcile profit before taxation to net cash generated by operating activities:		
Depreciation	109,588	79,784
Amortisation of goodwill - net	-	5,388
Net finance cost	142,178	119,797
(Gain)/loss on disposal of plant and equipment	(2,924)	683
Foreign exchange rate adjustment	238	11,726
Net pension benefit credit	(4,981)	(5,477)
Pension plan contribution	(5,746)	(5,897)
Other non-cash credits/(charges)	1,100	(18,254)
Changes in net current assets	438,801	360,997
Increase in inventories	(6,670)	(49,528)
Increase in receivables and prepayments	(26,691)	(17,380)
Decrease in payables and accruals	(12,793)	(24,501)
	392,647	269,588

22. Operating lease commitments

Operating lease commitments:

Year 2004	-	1,741
Year 2005	1,368	1,368
After 2005	790	790
	2,158	3,899

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23. Capital commitments

The Group has approved capital commitments amounting to $12.6m (2003 - $1.9m).

24. Subsidiary undertakings

The Group's subsidiaries are as follows:

	Country of incorporation	Ownership level	
		2004	2003
Readymix (West Indies) Limited	Trinidad and Tobago	70%	70%
TCL Packaging Limited	Trinidad and Tobago	80%	80%
TCL Ponsa Manufacturing Limited	Trinidad and Tobago	65%	65%
TCL Leasing Limited	Trinidad and Tobago	100%	100%
Caribbean Cement Company Limited	Jamaica	74%	74%
Jamaica Gypsum and Quarries Limited	Jamaica	74%	74%
Rockfort Mineral Bath Complex Limited	Jamaica	74%	74%
Caribbean Gypsum Company Limited	Jamaica	74%	74%
Arawak Cement Company Limited	Barbados	100%	100%
Premix & Precast Concrete Incorporated	Barbados	42%	42%
TCL Trading Limited	Anguilla	100%	100%
TCL Service Limited	Nevis	100%	100%
TCL (Nevis) Limited	Nevis	100%	100%
Island Concrete N.V. (see note 9)	St Maarten	70%	-
Island Concrete SARL (see note 9)	St Martin	70%	-
TCL Guyana Inc.	Guyana	80%	-

In 2004, the Group established a company in Guyana that has not yet commenced trading.

25. Financial instruments

Fair value

The fair values of cash and bank balances, receivables, payables, current portion of financing and other liabilities approximate their carrying amounts due to the short term nature of these instruments.

The fair value approximates the carrying amounts for non-current investments.

The fair value of the long term portion of the fixed rate bond financing as at 31 st December, 2004 is estimated to be $708.4m (2003: $837.3m) as compared to its carrying value of $657.3m (2003: $770.7m).

Credit risk

The Group has no significant concentration of credit risk.

26. Financial information by segment

26.1. Business segment information

	Cement 2004 $	**Cement 2003 $**	**Concrete 2004 $**	**Concrete 2003 $**	**Packaging 2004 $**	**Packaging 2003 $**	**GROUP 2004 $**	**GROUP 2003 $**
REVENUE								
Total sales	1,369,668	1,219,949	152,750	138,257	64,600	60,806	1,587,018	1,419,012
Inter-segment sales	(203,371)	(212,872)	-	-	(53,747)	(50,469)	(257,118)	(263,341)
GROUP REVENUE	1,166,297	1,007,077	152,750	138,257	10,853	10,337	1,329,900	1,155,671
SEGMENT OPERATING PROFIT	252,212	223,823	7,393	9,692	11,190	10,686	270,795	244,201
Other income					-		33,303	19,755
GROUP OPERATING PROFIT							304,098	263,956
SEGMENT ASSETS	2,184,993	2,072,826	152,226	110,797	57,312	55,808	2,394,531	2,239,431
GROUP TOTAL ASSETS							2,394,531	2,239,431
SEGMENT LIABILITIES	1,225,335	1,254,514	88,925	55,738	18,556	23,577	1,332,816	1,333,829
GROUP TOTAL LIABILITIES							1,332,816	1,333,829
Expenditure on property, plant and equipment	155,004	464,164	15,508	11,950	1,458	5,381	171,970	481,495
Expenditure on equity investments	-	-	12,884	-	-	-	12,884	-
Depreciation	96,549	70,141	10,687	7,472	2,352	2,171	109,588	79,784

	REVENUE 2004	REVENUE 2003	TOTAL ASSETS 2004	TOTAL ASSETS 2003	ADDITIONS PP&E 2004	ADDITIONS PP&E 2003
26.2 Geographical segment information						
TRINIDAD and TOBAGO	428,606	417,358	1,394,611	1,003,251	88,759	37,934
JAMAICA	558,790	420,773	566,976	534,800	40,049	49,732
BARBADOS	149,739	133,556	365,549	337,867	33,441	30,023
OTHER COUNTRIES	192,765	183,984	(67,395)	363,513*	9,721	363,806
GROUP TOTAL	1,329,900	1,155,671	2,394,531	2,239,431	171,970	481,495

P.P & E - Property, plant and equipment

*Total assets held in "Other countries" were impacted by the addition of plant assets of $363.8m and the disposal of fixed income securities of $385.4m.