

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

(Expressed in Jamaican Dollars)

# CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

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Year ended 31 December 2005

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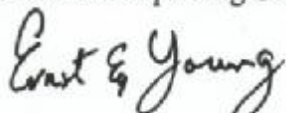
## **INDEPENDENT AUDITORS' REPORT**

To the Shareholders of Caribbean Cement Company Limited and its Subsidiaries

We have audited the accompanying consolidated balance sheet of Caribbean Cement Company Limited and its subsidiaries (the "Group") as at 31 December 2005 and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and the balance sheet of Caribbean Cement Company Limited (the "Company") as at 31 December 2005 and the related Company statements of income, changes in equity and cash flows for the year then ended and have received all the information and explanations which we considered necessary. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the Group's and the Company's affairs as at 31 December 2005 and of the results of operations, changes in equity and cash flows for the Group and the Company for the year then ended in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.



Chartered Accountants  
Kingston, Jamaica

26 May 2006

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Consolidated Balance Sheet  
As at 31 December 2005  
(Expressed in Jamaican Dollars)

	Note	2005 \$'000	2004 \$'000
<b>NET ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	3,281,130	2,636,149
Due from related party	16	283,091	303,531
Deferred tax asset	7	137,508	190,029
		<u>3,701,729</u>	<u>3,129,709</u>
<b>Current assets</b>			
Inventories	14	1,221,632	903,032
Receivables and prepayments	15	350,445	407,765
Due from related companies	16	212,113	107,162
Taxation recoverable		43,183	-
Cash and cash equivalents	17	103,266	99,719
		<u>1,930,639</u>	<u>1,517,678</u>
<b>Current liabilities</b>			
Bank overdraft	18	110,266	77,972
Payables and accruals	19	903,537	532,059
Due to parent and related companies	20	634,656	639,744
Taxation payable		-	138,391
Short-term loans	21	323,231	-
Current portion of long-term loans	22	12,210	10,847
		<u>1,983,900</u>	<u>1,399,013</u>
Working capital (deficit) surplus		<u>(53,261)</u>	<u>118,665</u>
<b>Non-current liabilities</b>			
Due to parent and related companies	20	435,200	-
Long-term loans	22	10,248	9,315
Deferred tax liability	7	436,327	467,938
		<u>881,775</u>	<u>477,253</u>
<b>TOTAL NET ASSETS</b>		<u><u>2,766,693</u></u>	<u><u>2,771,121</u></u>

The accompanying notes form an integral part of these financial statements.



## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Earnings  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

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	<b>Note</b>	<b>2005</b> \$'000	<b>2004</b> \$'000
<b>Revenue</b>	3	<u>5,999,295</u>	<u>5,452,759</u>
<b>Operating profit</b>	3	245,293	888,777
Finance costs – net	5	<u>(29,842)</u>	<u>(29,765)</u>
<b>Profit before taxation</b>		215,451	859,012
Taxation	7	<u>(46,524)</u>	<u>(16,651)</u>
<b>Profit after taxation</b>	8	<u>168,927</u>	<u>842,361</u>
		Cents	Cents
<b>Earnings per ordinary stock unit</b>	9	<u>20</u>	<u>99</u>

The accompanying notes form an integral part of these financial statements.

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Consolidated Statement Of Changes In Equity  
 Year ended 31 December 2005  
 (Expressed in Jamaican Dollars)

	Share premium \$'000	Revaluation reserves \$'000	Realized capital gain \$'000	Arising on consolidation \$'000	Accumulated losses \$'000	Total reserves \$'000	Share capital \$'000	Total capital & reserves \$'000
<b>Balance as at 31 December 2003</b>	1,383,268	195,040	575,770	(17,489)	(1,102,894)	1,033,695	425,569	1,459,264
Net profit for the year	-	-	-	-	842,361	842,361	-	842,361
Transfer of realized gain (Note 6)	-	-	113,775	-	(113,775)	-	-	-
Amortisation for the year (Note 24)	-	(47,462)	47,462	-	-	-	-	-
Dividends paid (7 cents per share)	-	-	-	-	(59,580)	(59,580)	-	(59,580)
<b>Balance as at 31 December 2004</b>	1,383,268	147,578	737,007	(17,489)	(433,888)	1,816,476	425,569	2,242,045
Net profit for the year	-	-	-	-	168,927	168,927	-	168,927
Transfer of realized gain (Note 6)	-	-	113,775	-	(113,775)	-	-	-
Amortisation for the year (Note 24)	-	(47,462)	47,462	-	-	-	-	-
Dividends paid (7 cents per share)	-	-	-	-	(59,580)	(59,580)	-	(59,580)
<b>Balance as at 31 December 2005</b>	1,383,268	100,116	898,244	(17,489)	(438,316)	1,925,823	425,569	2,351,392

The accompanying notes form an integral part of these financial statements.

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended 31 December 2005

(Expressed in Jamaican Dollars)

	<b>2005</b>	<b>2004</b>
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	215,451	859,012
<b>Adjustments for:</b>		
Depreciation	262,190	269,380
Amortisation of deferred gain	(113,775)	(113,775)
Gain on disposal of property, plant and equipment	(354)	(28,360)
Interest income	(11,364)	(16,242)
Interest expense	55,777	62,117
Unrealised foreign exchange losses (gains)	29,503	(4,581)
Provision for tax recoverable	-	17,552
	437,428	1,045,103
(Increase) decrease in inventories	(318,600)	42,640
Decrease (increase) in receivables and prepayments	64,974	(264,677)
Increase in due from related companies	(32,766)	(8,269)
Increase (decrease) in payables and accruals	370,941	(47,937)
Decrease in due to parent and related companies	(86,336)	(114,147)
	435,641	652,713
Cash generated from operations	435,641	652,713
Interest received	3,710	6,807
Interest paid	(55,240)	(97,129)
Taxation paid	(207,188)	-
	176,923	562,391
<b>Net cash generated from operating activities</b>	176,923	562,391
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(911,165)	(389,954)
Proceeds from disposal of property, plant and equipment	4,348	39,960
	(906,817)	(349,994)
<b>Net cash used in investing activities</b>	(906,817)	(349,994)
<b>Cash flows from financing activities</b>		
Loans received	534,569	567,224
Repayment of loans	(209,042)	(645,649)
Dividends paid	(59,580)	(59,580)
Related parties	435,200	-
	701,147	(138,005)
<b>Net cash provided by (used in) financing activities</b>	701,147	(138,005)
<b>(Decrease) increase in net cash and cash equivalents</b>	(28,747)	74,392
<b>Net cash and cash equivalents - beginning of year</b>	21,747	(52,645)
	(7,000)	21,747
<b>Net cash and cash equivalents - end of year</b>	(7,000)	21,747
Represented by:		
Cash and short-term deposits	103,266	99,719
Bank overdraft	(110,266)	(77,972)
	(7,000)	21,747

The accompanying notes form an integral part of these financial statements.



## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Company Balance Sheet  
As at 31 December 2005  
(Expressed in Jamaican Dollars)

	Notes	2005 \$'000	2004 \$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	3,093,642	2,465,040
Investment in subsidiaries	12	103,010	103,010
Due from subsidiaries	13	558,226	767,475
Due from related company	16	283,091	303,531
		4,037,969	3,639,056
<b>Current assets</b>			
Inventories	14	1,216,020	878,232
Receivables and prepayments	15	314,085	315,961
Due from related companies	16	204,991	102,838
Taxation recoverable		43,183	-
Cash and cash equivalents	17	101,014	95,653
		1,879,293	1,392,684
<b>Current liabilities</b>			
Bank overdraft	18	108,582	77,972
Payables and accruals	19	869,135	509,685
Due to parent and related companies	20	634,656	639,744
Taxation payable		-	138,391
Short-term loans	21	323,231	-
Current portion of long-term loans	22	12,210	10,539
		1,947,814	1,376,331
<b>Working capital (deficit) surplus</b>		(68,521)	16,353
<b>Non-current liabilities</b>			
Due to parent and related companies	20	435,200	-
Long-term loans	22	10,248	9,315
Deferred tax liability	7	436,327	467,938
		881,775	477,253
<b>TOTAL NET ASSETS</b>		3,087,673	3,178,156

The accompanying notes form an integral part of these financial statements.

# CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Company Balance Sheet  
As at 31 December 2005  
(Expressed in Jamaican Dollars)

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	Notes	2005 \$'000	2004 \$'000
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	23	425,569	425,569
Reserves		2,246,803	2,223,511
		<hr/>	<hr/>
		2,672,372	2,649,080
Deferred gain	6	415,301	529,076
		<hr/>	<hr/>
<b>COMPANY EQUITY</b>		<u>3,087,673</u>	<u>3,178,156</u>

The accompanying notes form an integral part of these financial statements.

On 26 May 2006, the Board of Directors authorised these financial statements for issue.

.......... Director.......... Director  
Brian W. Young Hollis N. Hosein

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Company Statement of Earnings  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

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	<b>Notes</b>	<b>2005</b> \$'000	<b>2004</b> \$'000
<b>Revenue</b>	3	5,765,114	5,343,651
<b>Operating profit</b>	3	108,191	767,997
Finance costs - net	5	(31,316)	(30,315)
<b>Profit before taxation</b>		76,875	737,682
Taxation	7	5,997	(206,680)
<b>Profit after taxation</b>	8	82,872	531,002

The accompanying notes form an integral part of these financial statements.

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Company Statement of Changes In Equity  
 Year ended 31 December 2005  
 (Expressed in Jamaican Dollars)

	Share premium \$'000	Revaluation reserves \$'000	Realised capital gain \$'000	Accumulated losses \$'000	Total reserves \$'000	Share capital \$'000	Total capital & reserves \$'000
<b>Balance as at 31 December 2003</b>	1,383,268	195,040	575,765	(401,984)	1,752,089	425,569	2,177,658
Net profit for the year	-	-	-	531,002	531,002	-	531,002
Transfer of realized gain (Note 6)	-	-	113,775	(113,775)	-	-	-
Amortisation for the year (Note 24)	-	(47,462)	47,462	-	-	-	-
Dividends paid (7 cents per share)	-	-	-	(59,580)	(59,580)	-	(59,580)
<b>Balance as at 31 December 2004</b>	1,383,268	147,578	737,002	(44,337)	2,223,511	425,569	2,649,080
Net profit for the year	-	-	-	82,872	82,872	-	82,872
Transfer to realized gain (Note 6)	-	-	113,775	(113,775)	-	-	-
Amortisation for the year (Note 24)	-	(47,462)	47,462	-	-	-	-
Dividends paid (7 cents per share)	-	-	-	(59,580)	(59,580)	-	(59,580)
<b>Balance as at 31 December 2005</b>	1,383,268	100,116	898,239	(134,820)	2,246,803	425,569	2,672,372

The accompanying notes form an integral part of these financial statements.

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Company Statement of Cash Flows  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

	<b>2005</b>	<b>2004</b>
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Profit before taxation	76,875	737,682
<b>Adjustments for:</b>		
Depreciation	244,285	253,324
Amortisation of deferred gain	(113,775)	(113,775)
Gain on disposal of property, plant and equipment	(354)	(28,360)
Interest income	(11,364)	(15,177)
Interest expense	55,750	61,278
Unrealised foreign exchange losses (gains)	29,503	(4,581)
Provision for tax recoverable	-	17,552
	280,920	907,943
(Increase) decrease in inventories	(337,788)	42,650
Decrease (increase) in receivables	9,675	(191,039)
Increase in due from related companies	(29,968)	(4,263)
Increase (decrease) in payables and accruals	358,767	(60,107)
Decrease in due to parent and related companies	(86,336)	(114,147)
	195,270	581,037
Cash generated from operations	195,270	581,037
Interest received	3,565	5,743
Interest paid	(55,067)	(96,290)
Taxation paid	(207,188)	-
	(63,420)	490,490
<b>Net cash (used in) generated from operating activities</b>	(63,420)	490,490
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(876,881)	(361,525)
Proceeds from disposal of property, plant and equipment	4,348	39,960
Repayment by (advances to) subsidiaries	209,249	(33,727)
	(663,284)	(355,292)
<b>Net cash used in investing activities</b>	(663,284)	(355,292)
<b>Cash flows from financing activities</b>		
Loans received	534,569	567,224
Repayment of loans	(208,734)	(562,161)
Dividends paid	(59,580)	(59,580)
Related parties	435,200	-
	701,455	(54,517)
<b>Net cash provided by (used in) financing activities</b>	701,455	(54,517)
<b>(Decrease) increase in cash and cash equivalents</b>	(25,249)	80,681
<b>Net cash and cash equivalents - beginning of year</b>	17,681	(63,000)
<b>Net cash and cash equivalents – end of year</b>	(7,568)	17,681
Represented by:		
Cash and short-term deposits	101,014	95,653
Bank overdraft	(108,582)	(77,972)
	(7,568)	17,681

The accompanying notes form an integral part of these financial statements.

# CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

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## 1. Corporate information

Caribbean Cement Limited (the “Company”) and its Subsidiaries are incorporated under the laws of Jamaica. The Company is a public company listed on the Jamaica Stock Exchange.

The Company is a 65.65% owned subsidiary of TCL (Nevis) Limited. TCL (Nevis) Limited is a wholly owned subsidiary of Trinidad Cement Limited (the “Ultimate Parent Company”) which also owns 8.45% of the ordinary shares of the Company. The principal activities of Caribbean Cement Company and its Subsidiaries (the “Group”) are the manufacture and sale of cement and the mining and sale of gypsum.

The registered office of the Company is Rockfort, Kingston, Jamaica.

## 2. Significant accounting policies

The most significant policies are summarised below:

### a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are prepared under the historical cost convention except for the measurement at deemed cost of certain property, plant and equipment. Deemed cost represents fair value at the date of transition to IFRS.

The Group has adopted all the new and revised accounting standards and interpretations to existing accounting standards that are mandatory for annual accounting periods beginning on or after 1 January 2005 and which are relevant to the Group’s operations. The following revised accounting standards were adopted:

- IAS 1 – Presentation of financial statements
- IAS 2 – Inventories
- IAS 8 – Accounting policies, changes in accounting estimates and errors
- IAS 10 – Events after the balance sheet date
- IAS 16 – Property, plant and equipment
- IAS 17 – Leases
- IAS 21 – The effects of changes in foreign exchange rates
- IAS 24 – Related party disclosures
- IAS 27 – Consolidated and separate financial statements
- IAS 32 – Financial instruments: Presentation
- IAS 36 – Impairment of assets
- IAS 39 – Financial instruments: Recognition and measurement

The adoption of these revised accounting standards has had no material effect on the Group’s accounting policies.

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

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### 2. Significant accounting policies (continued)

#### b) Basis of consolidation

The Group's financial statements present the results of operations and financial position of the Company and its Subsidiaries as follows:

Subsidiaries:	Ownership Level
Jamaica Gypsum and Quarries Limited	100%
Caribbean Gypsum Company Limited	100%
Rockfort Mineral Bath Complex Limited	100%

#### c) Interest bearing loans and borrowings

Borrowings are stated initially at cost, being the fair value of consideration received net of transaction cost associated with the borrowings. After initial recognition, borrowings are measured at amortised cost using the effective interest method; any difference between proceeds and the redemption value is recognised in the statement of earnings over the period of the borrowings.

#### d) Property, plant and equipment

Land and buildings, held for use in the production or supply of goods and services or for administrative purposes, and certain machinery and equipment are stated in the balance sheet at their deemed cost, being the fair value on the basis of their existing use at the date of the adoption of IFRS 1, less any subsequent accumulated depreciation and impairment losses. The values of these assets are subject to annual management reviews.

Other property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment in value.

Depreciation is calculated on the straight-line method over the useful lives of the assets. Current annual rates of depreciation are:

Buildings	2.5% to 50%
Plant, machinery and equipment	3% to 33.3%
Office furniture and equipment	25% to 33.3%
Motor vehicles	20% to 33.3%

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

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### 2. Significant accounting policies (continued)

#### d) Property, plant and equipment (continued)

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. The interest rate is determined by using the weighted average cost of capital. Repairs and renewals are charged against income when the expenditure is incurred.

#### e) 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 estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale.

#### f) Foreign currency translation

Monetary assets and liabilities denominated in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the balance sheet date. Non-monetary assets and liabilities and transactions denominated in currencies other than Jamaican dollars are translated at the rate of exchange in effect at the date of the transaction. Exchange differences on foreign currency translations are recognised in the statement of earnings. Exchange rates are determined by the published weighted average rate at which commercial banks trade in foreign currencies.

#### g) Financial instruments

Financial instruments carried on the balance sheet include cash and bank balances, short-term deposits, receivables, long-term loans, related company balances and payables. 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 financial instruments are discussed in Note 29.



## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

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### 2. Significant accounting policies (continued)

#### h) Taxation

The taxation charge for the current year is based on the results for the year as adjusted for items, which are non-assessable or disallowed. The taxation charge is calculated using the tax rate in effect at the balance sheet date.

A deferred tax charge is provided, using the liability method, on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profits will be available against which these deductible temporary differences, carry-forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

#### i) Pension benefits

The Group has a defined contribution pension scheme for all permanent employees. The scheme is managed by an outside agency. The Group's liability is limited to its contributions which are accounted for on the accrual basis and charged to the statement of earnings in the period to which they relate.

#### j) Revenue recognition

Revenue is recognised when the significant risk and rewards of ownership of goods have been passed to the buyers and the amounts of revenue can be measured reliably.

Rental and interest income are recognised as they are accrued unless collectability is in doubt.

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

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### 2. Significant accounting policies (continued)

**k) Receivables and payables**

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. Bad debts are written off when identified.

Liabilities for trade and other accounts payable, which are normally settled on 30 to 90 days terms, are recorded at amounts representing the fair value of the consideration to be paid in the future for goods and services received by the balance sheet date, whether or not billed.

**l) Net cash and cash equivalents**

For the purpose of the statement of cash flows, net cash and cash equivalents comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, net of bank overdraft.

**m) Earnings per stock unit**

The 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 the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

**o) 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 embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. The expense relating to any provision is charged to the statement of earnings net of any reimbursement.

**p) 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.

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

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### 2. Significant accounting policies (continued)

**q) Deferred expenditures**

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.

**r) Comparative information**

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, they represent balances for interest expense and interest paid in the statement of cash flows for the Group and the Company.

**s) Investments**

Equity investments in subsidiaries, classified as non-current, are stated at cost.

**t) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other segments. The Directors are of the view that there are no material, business or geographic, segments into which the Group's business should be disclosed that would enhance the proper understanding of the Group's financial statements.

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
 Year ended 31 December 2005  
 (Expressed in Jamaican Dollars)

### 3. Operating profit

Operating profit consists of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> \$'000	<b>2004</b> \$'000	<b>2005</b> \$'000	<b>2004</b> \$'000
Revenue	5,999,295	5,452,759	5,765,114	5,343,651
Raw materials, finished goods and consumables	685,621	513,486	763,288	573,856
Fuels and electricity	1,366,408	1,130,548	1,339,466	1,130,548
Personnel remuneration and benefits (Note 4)	1,033,331	922,690	989,075	893,541
Depreciation	262,190	269,380	244,285	253,324
Other operating expenses	2,343,986	1,702,931	2,247,362	1,635,259
Changes in inventories of finished goods and work in progress	210,082	238,597	190,895	238,606
<b>Total expenses</b>	<b>5,901,618</b>	<b>4,777,632</b>	<b>5,774,371</b>	<b>4,725,134</b>
Profit/(loss) before other income	97,677	675,127	(9,257)	618,517
Other income	147,616	213,650	117,448	149,480
<b>Operating profit</b>	<b>245,293</b>	<b>888,777</b>	<b>108,191</b>	<b>767,997</b>
Other income includes:				
Amortisation of deferred gain (Note 6)	(113,775)	(113,775)	(113,775)	(113,775)
Gain on disposal of property, plant and equipment	(354)	(28,360)	(354)	(28,360)

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
 Year ended 31 December 2005  
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### 3. Operating profit (continued)

Operating profit is arrived at after charging:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Audit fees				
Current year	6,988	3,963	6,300	3,500
Prior year	53	(1,428)	-	(1,428)
Directors' emoluments				
Fees	6,237	5,939	6,237	5,939
Management remuneration	-	-	-	-
Technical assistance fees and and related charges	70,791	67,009	70,791	67,009
Operating lease charges	578,381	615,200	578,381	615,200
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 4. Personnel remuneration and benefits

Personnel remuneration and benefits consist of the following:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Wages and salaries	859,360	759,505	821,604	732,459
Statutory contributions	82,771	55,231	80,080	53,229
Pension costs (Note 27)	41,115	26,182	37,306	26,182
Other personnel costs	50,085	81,772	50,085	81,671
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>1,033,331</u>	<u>922,690</u>	<u>989,075</u>	<u>893,541</u>

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
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### 5. Finance costs

Finance costs consist of the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Interest expense	13,237	43,009	13,210	42,170
Interest income	(11,364)	(16,242)	(11,364)	(15,177)
	<u>1,873</u>	<u>26,767</u>	<u>1,846</u>	<u>26,993</u>
Loss on currency exchange	27,969	2,998	29,470	3,322
	<u>29,842</u>	<u>29,765</u>	<u>31,316</u>	<u>30,315</u>

### 6. Deferred gain

	Group and Company	
	2005 \$'000	2004 \$'000
Balance at 1 January	529,076	642,851
Amortisation for the year	(113,775)	(113,775)
Balance at 31 December	<u>415,301</u>	<u>529,076</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 original operating lease (Note 11).

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

### 7. Taxation

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Statement of earnings</b>				
The taxation charge consists of:				
Deferred tax charge (credit)	20,910	(127,682)	(31,611)	62,347
Income tax	25,614	144,333	25,614	144,333
	<u>46,524</u>	<u>16,651</u>	<u>(5,997)</u>	<u>206,680</u>

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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### 7. Taxation (continued)

The taxation charge differs from the theoretical amount that would arise using the income tax rate as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Profit before taxation	215,451	859,012	76,875	737,682
Taxed at 33.3%	71,817	286,337	25,625	245,894
Tax on non-assessable income	(37,600)	(54,045)	(37,600)	(54,045)
Tax on non-allowable expenses	12,307	15,749	5,978	14,831
Tax on prior year's losses recognised in subsidiary	-	(231,390)	-	-
Effective tax charge	46,524	16,651	(5,997)	206,680
	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
<b>Deferred tax liability</b>				
Balance at beginning of year	277,909	405,591	467,938	405,591
Deferred tax charge (credit) for the year	20,910	(127,682)	(31,611)	62,347
Balance at end of year, net	298,819	277,909	436,327	467,938

Deferred tax (asset) liability comprises the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred asset in Subsidiary, net	(137,508)	(190,029)	-	-
Deferred liability in Company, net	436,327	467,938	436,327	467,938
	298,819	277,909	436,327	467,938

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
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### 7. Taxation (continued)

The significant components of deferred tax asset (liability) are as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Property, plant and equipment	475,047	495,902	464,473	490,963
Losses	(147,677)	(194,900)	-	-
Other	(28,551)	(23,093)	(28,146)	(23,025)
	<u>298,819</u>	<u>277,909</u>	<u>436,327</u>	<u>467,938</u>

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits amount to approximately \$441,655,000 (2004 - \$620,507,000) for the Group and Nil (2004 - Nil) for the Company.

### 8. Profit after taxation and accumulated losses

	2005 \$'000	2004 \$'000
(i) The net profit is dealt with in the financial statements as follows:		
Company	82,872	531,002
Subsidiaries	86,055	311,359
	<u>168,927</u>	<u>842,361</u>
(ii) The accumulated losses are reflected in the financial statements as follows:		
Company	(134,820)	(44,337)
Subsidiaries	(303,496)	(389,551)
	<u>(438,316)</u>	<u>(433,888)</u>



## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

### 9. Earnings per ordinary stock unit

	<b>Group</b>	
	<b>2005</b> \$'000	<b>2004</b> \$'000
Profit attributable to stockholders	168,927	842,361
Number of stock units in issue (thousands)	851,138	851,138
Earnings per ordinary stock unit (cents)	20	99

### 10. Related party transactions

a) Transactions with Trinidad Cement Limited and its subsidiaries:

	<b>Group</b>		<b>Company</b>	
	<b>2005</b> \$'000	<b>2004</b> \$'000	<b>2005</b> \$'000	<b>2004</b> \$'000
<b>Included in the statement of earnings:</b>				
(Income) expenses –				
Inventory storage fee received	(1,249)	(1,020)	(1,249)	(1,020)
Sale of gypsum and shale	(28,542)	(18,194)	-	-
Interest earned on long-term loan	(8,120)	(9,427)	(8,120)	(9,427)
Sale of spares	(21,457)	-	(21,457)	-
Inventory usage fee paid	11,707	11,328	11,707	11,328
Technical fee charges	69,065	45,925	69,065	45,925
Purchase of goods and materials	291,382	284,964	291,382	284,964
Interest charges on advances	38,805	32,442	38,805	32,442
Payments under operating lease (Note 11)	578,381	615,200	578,381	615,200

#### **Included in balance sheet:**

	<b>Group and Company</b>	
	<b>2005</b> \$'000	<b>2005</b> \$'000
Short-term advances received, net	21,497	59,315
Long-term advances received	435,200	-

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
 Year ended 31 December 2005  
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### 10. Related party transactions (continued)

On 10 March 2003, the Company sold at book value to an affiliated company, TCL Trading Limited, excess spares valued at US\$6,174,362 (J\$345,764,000). Under the terms of the agreement the sale price will be paid over ten years, commencing 1 April 2004, by ten equal installments and at an annual interest rate of 2.5%. The agreement further provides for TCL Trading Limited to make spares available to the Company when required. The Company is required to pay an annual usage fee of US\$185,000 for these services and TCL Trading Limited is required to pay the Company an annual inventory storage fee of US\$20,000.

- b) Transactions between the Company and its subsidiary, Jamaica Gypsum and Quarries Limited:

	<b>Company</b>	
	<b>2005</b>	<b>2004</b>
	\$'000	\$'000
<b>Included in the Company statement of earnings:</b>		
(Income) expenses –		
Purchase of gypsum and shale	179,505	60,370
Rental and management fee paid	115,094	15,000
	<u>                    </u>	<u>                    </u>

- c) Compensation of directors and key management personnel

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	47,603	49,287	44,578	45,456
Directors' fees	6,237	5,939	6,237	5,939
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>53,840</u>	<u>55,226</u>	<u>50,815</u>	<u>51,395</u>

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
 Year ended 31 December 2005  
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### 11. Property, plant and equipment

Property, plant and equipment consist of the following:

#### Group:

	<b>Land and buildings</b> \$'000	<b>Plant machinery, equipment and motor vehicles</b> \$'000	<b>Office furniture and equipment</b> \$'000	<b>Capital work in progress</b> \$'000	<b>Total</b> \$'000
<b>At cost</b>					
Balance as at 1 January 2005	932,209	2,964,975	154,531	267,891	4,319,606
Additions	704	40,631	3,591	866,239	911,165
Disposals and adjustments	-	(6,511)	(440)	(1,086)	(8,037)
Transfers	-	45,630	-	(45,630)	-
Balance as at 31 December 2005	<u>932,913</u>	<u>3,044,725</u>	<u>157,682</u>	<u>1,087,414</u>	<u>5,222,734</u>
<b>Accumulated depreciation</b>					
Balance as at 1 January 2005	317,857	1,254,364	111,236	-	1,683,457
Charges during the year	21,425	225,806	14,959	-	262,190
Disposals	-	(3,806)	(237)	-	(4,043)
Balance as at 31 December 2005	<u>339,282</u>	<u>1,476,364</u>	<u>125,958</u>	<u>-</u>	<u>1,941,604</u>
<b>Net book value</b>					
Balance as at 31 December 2005	<u>593,631</u>	<u>1,568,361</u>	<u>31,724</u>	<u>1,087,414</u>	<u>3,281,130</u>
Balance as at 31 December 2004	<u>614,352</u>	<u>1,710,611</u>	<u>43,295</u>	<u>267,891</u>	<u>2,636,149</u>

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Notes to the Consolidated Financial Statements  
 Year ended 31 December 2005  
 (Expressed in Jamaican Dollars)

**11. Property, plant and equipment**

Property, plant and equipment consist of the following:

**Company:**

	<b>Land and buildings \$'000</b>	<b>Plant machinery, equipment and motor vehicles \$'000</b>	<b>Office furniture and equipment \$'000</b>	<b>Capital work in progress \$'000</b>	<b>Total \$'000</b>
<b>At cost</b>					
Balance as at 1 January 2005	808,098	2,822,526	153,398	267,246	4,051,268
Additions	704	19,073	3,591	853,513	876,881
Disposals and adjustments	-	(6,511)	(440)	(1,086)	(8,037)
Transfers	-	45,630	-	(45,630)	-
Balance as at 31 December 2005	<u>808,802</u>	<u>2,880,718</u>	<u>156,549</u>	<u>1,074,043</u>	<u>4,920,112</u>
<b>Accumulated depreciation</b>					
Balance as at 1 January 2005	296,278	1,179,989	109,961	-	1,586,228
Charges during the year	16,842	212,688	14,755	-	244,285
Disposals	-	(3,806)	(237)	-	(4,043)
Balance as at 31 December 2005	<u>313,120</u>	<u>1,388,871</u>	<u>124,479</u>	<u>-</u>	<u>1,826,470</u>
<b>Net book value</b>					
Balance as at 31 December 2005	495,682	1,491,847	32,070	1,074,043	3,093,642
Balance as at 31 December 2004	<u>511,820</u>	<u>1,642,537</u>	<u>43,437</u>	<u>267,246</u>	<u>2,465,040</u>

# CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
(Expressed in Jamaican Dollars)

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## 11. Property, plant and equipment (continued)

- a) In August 1999, the Company 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, the term of the resulting operating lease (Note 6). The lease was terminated in December 2003 and the related machinery and equipment sold by the lessor to TCL Services Limited, an affiliated company. A lease was established with TCL Services Limited under the same terms and conditions as the original lease, except that the Company could terminate the lease at any time.

In August 2004, the lease with TCL Services Limited was terminated and the machinery and equipment sold to Trinidad Cement Limited. A new lease was then established with Trinidad Cement Limited with similar terms and conditions to those that existed under the lease arrangements with TCL Services Limited (Note 26).

- b) The amount of borrowing costs capitalised during the year amounted to \$42,540,000 (2004 – 19,108,000).

## 12. Investment in subsidiaries

Investment in subsidiaries consists of the following:

	Company	
	2005 \$'000	2004 \$'000
At cost:		
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	20,010	20,010
Caribbean Gypsum Company Limited 1,000 ordinary shares of \$2.00 each	4,000	4,000
	<hr/>	<hr/>
	103,010	103,010
	<hr/>	<hr/>

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
Year ended 31 December 2005  
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### 13. Due from subsidiaries

	Company	
	2005 \$'000	2004 \$'000
Jamaica Gypsum and Quarries Limited	529,356	738,494
Rockfort Mineral Bath Complex Limited	27,759	27,899
Caribbean Gypsum Company Limited	1,111	1,082
	558,226	767,475
	558,226	767,475

These amounts represent net advances to subsidiaries, which are interest free and have no fixed dates for repayment.

### 14. Inventories

Inventories consist of the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Plant spares	539,773	512,093	539,773	512,093
Consumables	355,078	282,209	355,078	282,209
Raw materials and work in progress	66,974	82,358	61,362	57,558
Finished goods	157,434	155,750	157,434	155,750
Goods in transit	151,204	17,274	151,204	17,274
	1,270,463	1,049,684	1,264,851	1,024,884
Provision for obsolescence	(48,831)	(146,652)	(48,831)	(146,652)
	1,221,632	903,032	1,216,020	878,232

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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### 15. Receivables and prepayments

Receivables and prepayments consist of the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade receivables	182,559	112,057	148,578	90,407
Sundry receivables and prepayments	144,889	284,895	141,476	214,741
Deferred expenditures	24,031	10,813	24,031	10,813
	<u>351,479</u>	<u>407,765</u>	<u>314,085</u>	<u>315,961</u>
Less: Provision for doubtful debts	(1,034)	-	-	-
	<u>350,445</u>	<u>407,765</u>	<u>314,085</u>	<u>315,961</u>

### 16. Due from related companies

Due from related companies consists of the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trinidad Cement Limited	24,165	2,408	21,808	1,188
TCL Trading Limited	449,870	398,294	449,870	398,294
Ready Mix Limited	3,681	1,872	3,681	1,872
Arawak Cement Company Limited	13,632	8,119	8,867	5,015
Trinidad Packaging Limited	3,856	-	3,856	-
	<u>495,204</u>	<u>410,693</u>	<u>488,082</u>	<u>406,369</u>
Long-term	283,091	303,531	283,091	303,531
Short-term	212,113	107,162	204,991	102,838
	<u>495,204</u>	<u>410,693</u>	<u>488,082</u>	<u>406,369</u>

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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### 17. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash at bank and in hand	72,997	73,884	70,745	69,818
Short-term deposits	30,269	25,835	30,269	25,835
	<u>103,266</u>	<u>99,719</u>	<u>101,014</u>	<u>95,653</u>

### 18. Bank overdraft

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Bank overdraft	110,266	77,972	108,582	77,972
	<u>110,266</u>	<u>77,972</u>	<u>108,582</u>	<u>77,972</u>

The bank overdraft facility is unsecured.

### 19. Payables and accruals

Payables and accruals consist of the following:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Sundry payables and accruals	441,191	428,783	412,131	415,330
Trade payables	417,332	79,587	413,082	71,512
Statutory obligations	45,014	23,689	43,922	22,843
	<u>903,537</u>	<u>532,059</u>	<u>869,135</u>	<u>509,685</u>



## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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### 20. Due to parent and related companies

The amounts due to parent and related companies consist of the following:

	Group and Company	
	2005	2004
	\$'000	\$'000
TCL Ponsa Manufacturing Ltd	410	202
Trinidad Cement Limited	582,334	423,802
TCL (Nevis) Limited	102,559	72,571
TCL Packaging Limited	164,357	62,120
Arawak Cement Company Limited	63,292	-
TCL Trading Limited	156,904	81,049
	<u>1,069,856</u>	<u>639,744</u>
	<u><u>1,069,856</u></u>	<u><u>639,744</u></u>
Long-term	435,200	-
Short-term	634,656	639,744
	<u>1,069,856</u>	<u>639,744</u>
	<u><u>1,069,856</u></u>	<u><u>639,744</u></u>

The long term amount comprises the following:

Trinidad Cement Limited	323,000	-
TCL Packaging Limited	112,200	-
	<u>435,200</u>	<u>-</u>
	<u><u>435,200</u></u>	<u><u>-</u></u>

These amounts represent advances made to the Company during the year that were converted to long term loans on 30 December 2005. The amount payable to Trinidad Cement Limited represents advances of TT\$31,666,579, bears interest at the rate of 7.5% per annum and is repayable over seven years, by equal quarterly installments, commencing March 2007. The amount payable to TCL Packaging Limited represents advances of TT\$11,000,000, bears interest at the rate of 8.25% per annum and is repayable over 24 months, by equal monthly installments, commencing January 2007.

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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### 21. Short-term loans

This comprises two loans received during the year from Citibank with outstanding balances of US\$2,000,000 and US\$3,000,000, respectively, at the year end. The loan balance of US\$2,000,000 is repayable on 28 January 2006 while the loan for US\$3,000,000 is repayable on 2 June 2006. They bear interest at the rate of 7% and 8%, respectively, and are secured by a letter of guarantee issued by the Company.

### 22. Long-term loans

Long-term loans are repayable as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Amounts repayable within:				
One year	12,210	10,847	12,210	10,539
Two years	6,189	7,914	6,189	7,914
Three years	3,273	1,401	3,273	1,401
Four years	786	-	786	-
	<u>22,458</u>	<u>20,162</u>	<u>22,458</u>	<u>19,854</u>
Current portion	(12,210)	(10,847)	(12,210)	(10,539)
	<u>10,248</u>	<u>9,315</u>	<u>10,248</u>	<u>9,315</u>

These loans are comprised of:

	Interest rate percentage	Repayable	Group		Company	
			2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
RBTT Bank Jamaica Limited	21.75%	2007	22,458	19,854	22,458	19,854
National Investment Bank of Jamaica	nil	2006	-	308	-	-
			<u>22,458</u>	<u>20,162</u>	<u>22,458</u>	<u>19,854</u>

The loans from RBTT Bank Jamaica Limited are repayable in equal monthly installments and are secured by a bill of sale over certain of the Company's motor vehicles.

The loan from National Investment Bank of Jamaica was unsecured.

## CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES

Notes to the Consolidated Financial Statements  
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### 23. Share capital

Share capital consists of the following:

	Number of units 2005 (000)	Number of units 2004 (000)	Group and Company	
			2005 \$'000	2004 \$'000
<b>Authorised:</b>				
Ordinary shares of \$0.50	1,350,000	1,350,000	675,000	675,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Issued and fully paid:</b>				
Ordinary stock units of \$0.50	851,138	851,138	425,569	425,569
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

Under Section 36 of the Companies Act, 2004 (the "Act"), the Company is required to convert its existing shares into shares without nominal or par value. The Company has elected under Section 37 of the Act to have its shares converted at the end of the eighteen month period allowed.

### 24. Revaluation reserve

	Group and Company	
	2005 \$'000	2004 \$'000
Balance at 1 January	147,578	195,040
Realised during the year	(47,462)	(47,462)
Balance at 31 December	<u>100,116</u>	<u>147,578</u>

In August 1999, Caribbean Cement Company Limited entered into a sale and operating leaseback transaction with a third party involving certain of its machinery and equipment. This transaction resulted in the realisation of 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 original operating lease (Note 11).

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### 25. Contingencies

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 Company's Attorneys, that liability, if any, arising out of these claims is not likely to be material. Accordingly, no provision has been made in these financial statements in respect of these matters.

### 26. Commitments

#### a) Operating leases

The Company has a commitment of J\$4,381,230,000 (US\$66,889,000) under the operating lease with Trinidad Cement Limited, which is payable semi-annually in United States dollars (Note 11).

In the year ending 31 December:

	\$'000
2006	588,452
2007	563,497
2008	563,497
2009-2013	2,665,784
	<hr/>
	4,381,230
	<hr/> <hr/>

#### b) Capital commitment

The amount of \$119,374,000 (US\$1,823,000) was approved and contracted for as at 31 December 2005 in respect of the expansion and modernisation programme.

### 27. Pension plan

The Group participates in a defined contribution pension plan which is managed by an independent party, Life of Jamaica Limited. This plan 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 \$41,115,000 (2004 - \$26,182,000).

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## 28. Limestone reserves

The major raw material used in the cement manufacturing process is limestone. The limestone requirements of the Company are met from reserves in land leased from the Government of Jamaica. The lease term has 43 years remaining but exploitable reserves are expected to have a life of 173 years based on the current extraction rate. Deep reserves have a further exploitable life of approximately 130 years. These limestone reserves are not recorded in these financial statements.

## 29. Financial instruments

### Fair values

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

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

### Credit risk

The Group and the Company have no significant concentrations of credit risk. Cash and short-term deposits are placed with substantial financial institutions. The primary concentration of the Group's credit risk is with its trade receivables, which is mitigated by regular credit evaluation of its customers with the result that the Group's exposure to bad debts is not significant.

### 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 the balance sheet date, the Group's exposure to changes in interest rate relates primarily to bank overdraft which has a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The interest rate exposure of borrowings is as follows:

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Total borrowings:				
At fixed rates	781,347	20,162	781,347	19,854
At floating rates	110,266	77,972	108,582	77,972
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

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### 29. Financial instruments (continued)

#### Interest rate risk (continued)

Weighted average effective interest rates:

	(%)	(%)	(%)	(%)
Bank overdraft	22	22.5	22	22.5
Bank borrowings (US\$ loans)	8	7.2	8	7.2
Other bank borrowings	24	21.75	24	21.75
Related party loans	6.5	6.5	6.5	6.5

#### Liquidity risk

The Group maintains a balance between continuity of funding and flexibility through the use of bank overdraft, bank loans and related party financing.

#### Foreign currency risk

The significant net foreign currency exposures as at year end, expressed in Jamaican dollars are as follows, asset/(liability):

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
United States dollars:				
Cash	17,849	57,578	15,625	55,796
Receivables	113,923	125,240	82,293	103,552
Related parties, net	70,662	191,259	63,540	186,935
Payables	(399,442)	(139,114)	(399,442)	(139,114)
Bank loans	(323,231)	-	(323,231)	-
	<u>(520,239)</u>	<u>234,963</u>	<u>(561,215)</u>	<u>207,169</u>
Trinidad and Tobago dollars:				
Related parties, net	<u>(645,314)</u>	<u>(422,614)</u>	<u>(645,314)</u>	<u>(422,614)</u>

## **CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

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### **30. Subsequent event**

Subsequent to the year end, after a quantity of sub-standard cement was produced and released to the market, the Company received claims for damages from customers who used this cement in construction projects. The Company has estimated its liability arising from these claims to be \$160,000,000.