GOODYEAR

ANNUAL REPORT
2006

Committed to Growth and the Future

GOODYEAR JAMAICA LIMITED

DIRECTORS

S. R. Miller	E. Fortunato	D. Wells	R. Zanola
R.A. Jenkinson	V. M. Goldson	T. Miller	A. Peart

OFFICERS

E. Fortunato - Chairman of the Board
S. R. Miller - General Manager
G. Leonardi - Assistant Secretary
A. Peart - Financial Controller/Secretary

ATTORNEYS
Nunes, Scholefield, DeLeon & Co.

REGISTRAR & TRANSFER AGENT
N.C.B. Jamaica (Nominees) Limited
P.O. Box 314, Kingston, Jamaica

BANKERS
Citibank N.A.
National Commercial Bank Jamaica Ltd.

REGISTERED OFFICE
Goodyear Jamaica Limited
230 Spanish Town Road, Kingston 11
Jamaica

AUDITORS
PricewaterhouseCoopers

NOTICE OF MEETING

Notice is hereby given that the Annual General Meeting of Goodyear Jamaica Limited will be held at The Jamaica Pegasus, 81 Knutsford Boulevard, Kingston 5, Jamaica, on Monday, July 16, 2007 at 10:00 a.m.

1. To receive and consider the Balance Sheet, Profit and Loss Account and Reports of the Directors and Auditors circulated herewith.
2. To elect Directors.
3. To authorize the Directors to fix the remuneration of the Auditors.

By Order of the Board

Andrew Peart
Secretary
June 14, 2007

N.B. A member entitled to attend and vote at the meeting may appoint a proxy to attend and, on poll, vote instead of him. A proxy need not be a member.

GENERAL MANAGER'S REVIEW

Report to Shareholders

Goodyear Jamaica faced many challenges in 2006. The economic environment of our markets, escalating raw material costs, and turnover of personnel were some of the challenges facing our organization. These factors affected our financial performance throughout the year. However, our organization has grown stronger through a focus on activities that will establish the foundation for future growth in Jamaica and the Caribbean.

Revenue

In 2006, the company reported revenue of J$1,300 million, 10.4% above the 2005 performance of J$1,178 million. Revenue from exports, which accounted for 43 % of total business, increased by 27% while domestic revenue was flat. Revenue growth was primarily due to favorable pricing and an improved product mix. No new export markets were added in 2006.

Cost of Goods Sold

Cost of Goods Sold as a percentage of revenue was 88% in 2006 compared to 83% in 2005. Much of this increase is due to higher costs for raw materials, including oil and natural rubber, that affected the global tyre industry. Goodyear Jamaica utilized The Goodyear Tire & Rubber Company's global manufacturing footprint to source high quality products from cost competitive factories in an effort to minimize this impact. Given the price elasticity of Goodyear Jamaica's markets, such raw material increases could not be fully recovered through pricing activities.

Selling, Administrative, and Distribution Costs (SAD)

SAD expenses in 2006 were J$116.5 million, 11% above J$104.5 million in 2005. SAD, as a percentage of revenue, was 9% in 2006 compared with 9% in 2005. This result is consistent with management's objective to maintain an SAD expense of less than 10% of revenues. 2006 SAD includes revaluation of pension fund for IAS 19, which led to a J$104 thousand negative impact against SAD.

Steven Miller - General Manager

Profit Before Taxation

Largely driven by higher Cost of Good Sold and reduction in interest income as a result of lower cash balances and lower interest rates, Profit Before Taxation was J$39.68 million compared to J$111.62 in 2005 representing a year-over-year decrease of 65%.

Net Income

Net income in 2006 was J$25.4 million (EPS: $0.43) compared to J$73.07million (EPS: $1.23) recorded in 2005.

As a corporation, The Goodyear Tire & Rubber Company has established seven strategic drivers that will help advance its global performance. The seven drivers include Leadership, Lower Cost Structure, Cash is King, Leveraged Distribution, Build Brand Strength, Product Leadership, and Advantaged Supply Chain. All of these drivers are relevant to our operation in Jamaica and the Caribbean, and our local leadership team uses them to help guide our strategy and tactical decisions.

More specifically, there are three areas within this global game-plan that are specific points of emphasis for our local operation.

"Smart" Product Screen

Caribbean drivers face a myriad of challenges in their tyre purchasing behaviour. Some consumer segments are highly price sensitive. Other segments are primarily concerned with product durability under challenging road conditions. Another consumer segment is largely concerned with tyre performance and wants assurance that every start, every turn, and every stop meets a required expectation.

Goodyear invests a large number of resources in research and development and has developed a global portfolio of products to meet the needs of a wide variety of consumers. The challenge for Goodyear Jamaica is to develop a consumer-centric approach that requires us to fully understand consumer needs in our markets and source the appropriate products from Goodyear's global portfolio to meet these needs.

Exceptional Distribution

Having outstanding, consumer-centric products is not enough. We must also make sure these tyres are available when and where consumers want to purchase them. Exceptional distribution refers to the quality and quantity of retail touch points in our respective markets. Within Jamaica, Goodyear has a core of strong and committed dealers that would benefit from an even closer working relationship with our company. Through such relationships, we will have a better opportunity to help these dealers grow their respective Goodyear business through improved retailing initiatives.

In addition to same-store growth, Goodyear Jamaica will also examine key geographic void areas for our brands and pursue opportunities that will benefit our business.

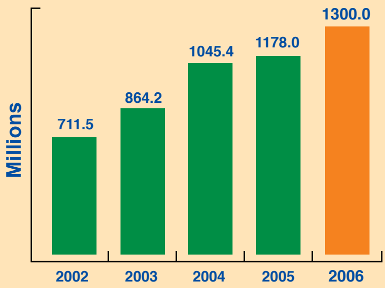
Outstanding Marketing & Communication

Tyres are not commodity products. Product development, engineering, and manufacturing precision all contribute to differentiated tyre products. As such, our responsibility is to articulate to consumers the features, benefits, and other differentiators that make our products special. Strong marketing and communication activities will help separate our brands from competitor tyres that exist in our markets.

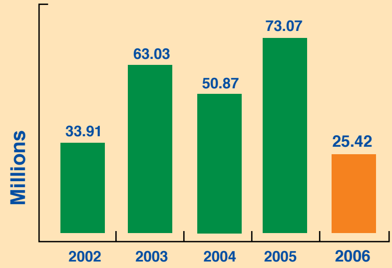
Steven Miller
General Manager

FINANCIAL HIGHLIGHTS

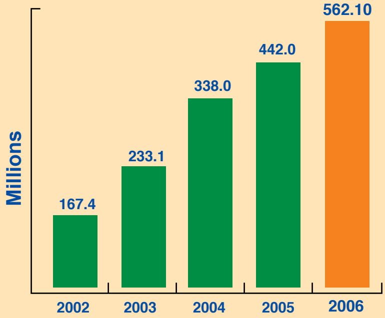
Revenue



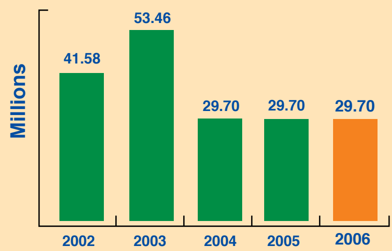
Net Profit



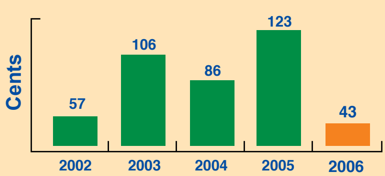
Export Sales



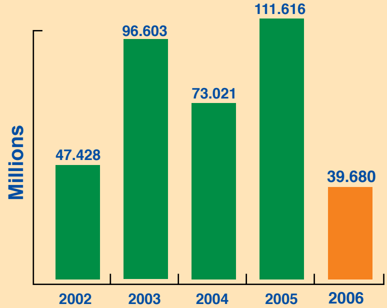
Dividends Payout



Earnings Per Share



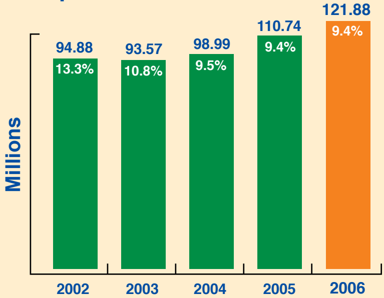
Profit Before Tax



*Restated

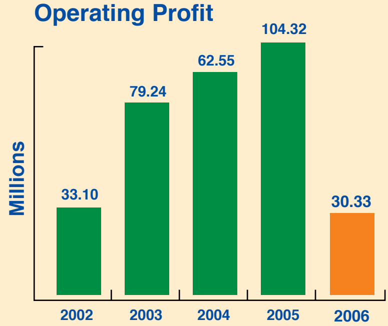
FINANCIAL HIGHLIGHTS (cont.)

Expenses (% to revenue)

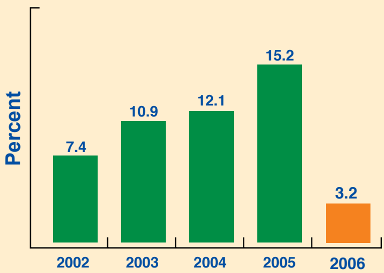


Excludes impart of Pension Fund Surplus

Operating Profit

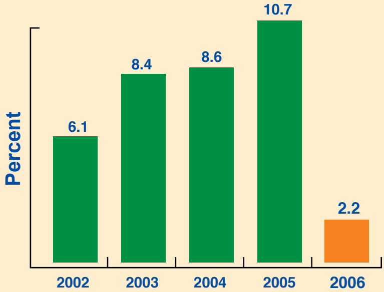


Return on Average Equity (%)



Excludes impart of Pension Fund Surplus

Return on Assets (%)



Excludes impart of Pension Fund Surplus

REPORT OF THE DIRECTORS

The Directors take pleasure in submitting their report together with the audited accounts for the year ended 31 December 2006.

Gross sales for the year ended 31 December 2006 amounted to J$1,300,212,000 compared to J$1,178,028,000 for 2005. Net profit for 2006 was J$25,420,000 compared to J$73,074,000 for 2005.

DIRECTORS

Pursuant to Article 79, all Directors retire from office, and the following being eligible offer themselves for re-election:

S.R. Miller   R. A. Jenkinson   E. Fortunato   D. Wells   T. Miller   R. Zanola

Further, A. Peart having been elected since the last Annual General Meeting also retire from office and being eligible offer himself for re-election.

AUDITORS

The auditors, PricewaterhouseCoopers, have signified their willingness to continue in office in accordance with Section 153 of the Companies Act 1965.

By Order of the Board

A. Peart
Secretary
June 14, 2007

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Scotiabank Centre
Duke Street
Box 372
Kingston Jamaica
Telephone (876) 922 6230
Facsimile (876) 922 7581

Independent Auditors' Report

To the Members of
Goodyear Jamaica Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Goodyear Jamaica Limited, set out on pages 9 to 37, which comprise the balance sheet as of 31 December 2006 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Members of Goodyear Jamaica Limited
Independent Auditors' Report
Page 2

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Additional Requirements of the Jamaican Companies Act

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

Chartered Accountants

1 March 2007
Kingston, Jamaica

PROFIT AND LOSS ACCOUNT

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Revenue		1,300,212	1,178,028
Cost of sales		(1,154,682)	(977,593)
Gross profit		145,530	200,435
Other operating income	6	10,602	15,672
Selling and distribution costs		(70,134)	(56,603)
Administrative expenses		(46,318)	(47,888)
Profit before taxation		39,680	111,616
Taxation	9	(14,260)	(38,542)
Profit for the year		25,420	73,074
Earnings per stock unit	10	$0.43	$1.23

GOODYEAR JAMAICA LIMITED

BALANCE SHEET

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
ASSETS			
Non-current assets			
Property, plant and equipment	11	20,471	28,472
Intangible assets	12	241	1,095
Retirement benefit asset	13	55,955	49,751
		76,667	79,318
Current assets			
Inventories	14	200,955	181,730
Taxation recoverable		2,472	1,665
Trade and other receivables	15	228,736	196,749
Cash and cash equivalents	16	176,639	194,092
		608,802	574,236
Total assets		685,469	653,554
STOCKHOLDERS' EQUITY			
Share capital	17	11,880	11,880
Retained earnings		445,434	449,714
		457,314	461,594
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	18	8,303	10,147
Retirement benefit obligations	13	7,078	6,301
		15,381	16,448
Current liabilities			
Trade and other payables	19	47,676	29,235
Taxation payable		1,852	5,496
Group companies	20	163,246	140,781
		212,774	175,512
Total liabilities		228,155	191,960
Total equity and liabilities		685,469	653,554

Approved for issue by the Board of Directors on 1 March 2007 and signed on its behalf by:

Steven Miller — Director

Andrew Peart — Director

STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Stock Units '000	Share Capital $'000	Retained Earnings $'000	Total $'000
Balance at 31 December 2004		59,400	11,880	406,340	418,220
Net profit for the year				73,074	73,074
Total income recognised for 2005		-	-	73,074	73,074
Dividends paid	21	-	-	(29,700)	(29,700)
Balance at 31 December 2005		59,400	11,880	449,714	461,594
Net profit for the year		-	-	25,420	25,420
Total income recognised for 2006		-	-	25,420	25,420
Dividends paid	21	-	-	(29,700)	(29,700)
Balance at 31 December 2006		59,400	11,880	445,434	457,314

STATEMENT OF CASH FLOWS

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Cash Flows from Operating Activities			
Cash generated from operations	22	22,648	130,403
Income tax paid		(20,555)	(36,076)
Net cash from operating activities		2,093	94,327
Cash Flows from Investing Activities			
Additions to property, plant and equipment	11	(3,708)	(18,057)
Proceeds from sale of property, plant and equipment		1,419	1,232
Interest received		9,844	6,620
Cash provided by/(used) in investing activities		7,555	(10,205)
Cash Flows from Financing Activity			
Dividends paid		(29,733)	(29,798)
Cash used in financing activity		(29,733)	(29,798)
Net (decrease)/increase in cash and cash equivalents		(20,085)	54,324
Cash and cash equivalents at beginning of year		194,092	136,656
Exchange gains on cash and cash equivalents		2,632	3,112
Cash and cash equivalents at end of the year	16	176,639	194,092

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

Goodyear Jamaica Limited (the company) is a limited liability company incorporated and domiciled in Jamaica. It is a 60% subsidiary of the Goodyear Tire & Rubber Company, which is incorporated in Akron, Ohio, U.S.A.

The company's principal activities are the importation and distribution of tyres, tubes and related rubber products, all of which are imported from related parties. Its registered office is located at 230 Spanish Town Road, Kingston 11, Jamaica.

The company is a public company listed on the Jamaica Stock Exchange.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

(a) Basis of preparation

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

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in 2006

Certain interpretations and amendments to existing standards have been published that became effective during the current financial year. The company has assessed the relevance of all such new interpretations and amendments, and has adopted the following IFRS, which is relevant to its operations.

IAS 19 (Amendment) Employee Benefits

The adoption of IAS 19 did not result in substantial changes to the company's accounting policies. In summary:

- IAS 19 (Amendment), introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the company does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment only impacts the format and extent of disclosures presented in the accounts.

There was no impact on opening retained earnings at 1 January 2005 from the adoption of the above-mentioned standard.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not yet effective, and which the company has not early adopted. The company has assessed the relevance of all such new standards, interpretations and amendments, and has determined that the following may be relevant to its operations, and has concluded as follows:

- **IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures** (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The company assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The company will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007;

- **IFRIC 8, Scope of IFRS 2** (effective for annual periods beginning on or after 1 May 2006) IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. The company will apply IFRIC 8 from 1 January 2007, but it is not expected to have any impact on the company's accounts;

- **IFRIC 10, Interim Financial Reporting and Impairment** (effective for annual periods beginning on or after 1 November 2006) IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The company will apply IFRIC 10 from 1 January 2007, but it is not expected to have any impact on the company's accounts; and

- **IFRS 8, Operating Segments** (effective for annual periods beginning on or after 1 January 2009) IFRS 8 sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It requires identification of operating segments on the basis of internal reports that are regularly reviewed by, and the amount reported for each operating segment item to be the measure reported to, the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance. IFRS 8 will replace IAS 14 – Segment Reporting. The company is currently assessing the impact of this standard. The company will apply IFRS 8 from 1 January 2009, but it is not expected to have any significant impact on the company's accounts.

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (continued)

Standards, interpretations and amendments to published standards that are not yet effective (continued)

The company has concluded that the following interpretations to existing standards, which are published but not yet effective, are not relevant to the company's operations:

- **IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies** (effective for annual periods beginning on or after 1 March 2006).
- **IFRIC 9, Reassessment of Embedded Derivatives** (effective for annual periods beginning on or after 1 June 2006).
- **IFRIC 11, IFRS 2 - Group and Treasury Share Transactions** (effective for annual periods beginning on or after 1 March 2007).
- **IFRIC 12, Service Concession Arrangements** (effective for annual periods beginning on or after 1 January 2008).

(b) Foreign currency translation

(i) Functional and presentation currency
The company operates primarily in Jamaica, as such the functional and presentation currency is Jamaican dollars.

(ii) Transaction and balances
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 currencies are translated using the Bank of Jamaica weighted average closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the company's activities. The company recognises revenue when the amounts of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been measured. Revenue is shown net of General Consumption Tax, returns, rebates and discounts. Revenue is recognised as follows:

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Revenue recognition (Continued)

Sales of goods – wholesale
Sales of goods are recognised when the company has delivered products to the customer, the customer has accepted the products, there is no unfulfilled obligation that could affect the customer's acceptance and collectibility of the related receivables is reasonably assured.

Sales of goods – retail
Sales of goods are recognised when the company sells a product to the customer. Retail sales are usually in cash or by credit card.

It is the company's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Property, plant and equipment
Property, plant and equipment are carried at historical cost, less accumulated depreciation and are depreciated on the straight-line basis at annual rates that will write off their carrying values to their estimated residual values over their expected useful lives. Historical cost includes expenditure that is attributable to the acquisition of the items.

The rates are as follows:

Leasehold improvements	20%
Machinery, equipment, furniture & fixtures	10% - 20%
Motor vehicles	25%

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. (Note 2(f))

Repairs and maintenance expenses are charged to the profit and loss account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits are in excess of the originally assessed standard of performance of the existing asset that will flow to the company. Major renovations are depreciated over the remaining useful life of the related asset.

(e) Intangible assets
Costs that are directly associated with identifiable and unique computer software products controlled by the company, and which will probably generate economic benefits beyond one year, are recognised as intangible assets. The costs are amortised using the straight line method over their expected useful lives of three years.

2. Significant Accounting Policies (Continued)

(f) Impairment of non-current assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Employee benefits

(i) Pension obligations

The company operates a defined benefit plan, the assets of which are generally held in a separate trustee-administered fund. The pension plan is funded by payments from employees and by the company, taking into account the recommendations of qualified actuaries.

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The asset or liability recognised in the balance sheet in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates based on market yields on government securities that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Significant Accounting Policies (Continued)

(g) Employee benefits (Continued)

(ii) Other retirement obligations
The entitlement to these benefits is 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 the defined benefit pension plan. Actuarial gains and losses arising from experience adjustments, and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation, are charged or credited to income over the expected average remaining working lives of the related employees. Those obligations are valued annually by the independent qualified actuaries.

(iii) Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The company recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to the term of employment or to provide termination benefits as a result of an offer made to encourage voluntary redundancy.

(h) Inventories
Inventories are valued at the lower of cost and net realisable value. Cost is determined using a weighted average cost basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

(i) Trade receivables
Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. 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 borrowers. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit and loss account within selling and distribution costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and distribution costs in the profit and loss account.

(j) Cash and cash equivalents
Cash and cash equivalents include cash at bank and in hand, and deposits held on call with banks.

(k) Share Capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

2. **Significant Accounting Policies (Continued)**

(l) Income taxes

Current income tax charges are based on taxable profits for the year which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The company's liability to current income taxes is calculated at tax rates that have been enacted at balance sheet date.

Deferred income tax liabilities are recognised for temporary differences between the carrying amounts of assets and liabilities and their amounts as measured for tax purposes, which will result in taxable amounts in future periods. Deferred income tax assets are recognised for temporary differences which will result in deductible amounts in future periods, but only to the extent it is probable that sufficient taxable profits will be available against which these differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset will be realised or the liability will be settled, based on enacted rates.

Current and deferred income taxes are recognised as income tax expense or benefit in the profit and loss account.

(m) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) Dividends

Dividend distribution to the company's stockholders is recognised as a liability in the financial statements in the period in which the dividends are approved.

(o) Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Where the company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(p) Fair value of financial instruments

Financial instruments carried on the balance sheet include trade receivables, cash and short-term deposits, trade payables and accruals, and group company balances. The amounts carried on the balance sheet reflect their approximate fair values because of the short-term nature of these instruments.

(q) Segment reporting

A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in the other economic environments.

(r) Capital work in progress

Costs incurred acquire or produce items of a capital nature are carried as capital work in progress until the items are completed and available for use in the ordinary course of business. On completion the accumulated costs are transferred to property, plant and equipment.

(s) Comparative information

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

3. Financial Risk Management

Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

Management seeks to minimise potential adverse effects on the financial performance of the company by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(a) Market risk

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The company is exposed to foreign exchange risk arising mainly from purchasing of tyres, primarily with respect to the US dollar and the Euro. The balance sheet at 31 December 2006 includes aggregate net foreign assets of approximately US$963,000 (2005 – US$661,000) and liabilities of Euro 70,000 (2005 – Euro 92,000), in respect of such transactions.

Price risk

Price 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 instrument or its issuer or factors affecting all instruments traded in the market. At 31 December 2006, the company had no significant exposure to such risk.

(b) 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 company has no significant concentrations of credit risk as the company 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 company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards.

(c) 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 implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the company aims to maintain flexibility in funding by keeping committed credit lines available.

(d) Cash flow and fair value 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. As the company has no interest-bearing liabilities, the company's income and operating cash flows are substantially independent of changes in market interest rates.

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

3. Financial Risk Management(Continued)

Capital risk management

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

4. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Provision for impairment of receivables

Periodically, the company assesses the collectibility of the trade receivables. Provisions are established as described in Note 2(i). This however, does not necessarily mean that the company will collect the total remaining unimpaired balance, as some balances that are estimated to be collectible as at the year end may subsequently become impaired.

(b) Pension and post-retirement benefits

The cost of these benefits and the present value of the pension and the other retirement obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net periodic cost (income) for pension and other retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and other retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The company determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and other retirement benefit obligations.

In determining the appropriate discount rate, the company considered interest rate of high-quality corporate bonds that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the economy. Past experience has shown that the actual medical costs have increased on average by one time the rate of inflation. Other key assumptions for the pension and other retirement benefits cost and credits are based in part on current market conditions.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

Segment Information

The company's operations are focused in two geographical segments, Jamaica and the Eastern Caribbean. These operations are so organised to meet customer requirements and regional competition.

The segment results are as follows:

	2006		
	Jamaica	Caribbean, Central and South America	Consolidated
	$'000	$'000	$'000
Revenue	738,090	562,122	1,300,212
Segment result			
Profit/(Loss) from operations	(13,797)	51,088	37,291
Unallocated income			2,389
Profit before taxation			39,680
Taxation			(14,260)
Net profit			25,420
Segment assets	482,675	146,839	629,514
Unallocated assets			55,955
Total assets			685,469
Segment liabilities	210,922	-	210,922
Unallocated liabilities			17,233
Total liabilities			228,155
Other information			
Capital expenditure	3,708	-	3,708
Depreciation	11,043	-	11,043
Amortisation	854	-	854

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Information (Continued)

	2005		
	Jamaica	Caribbean, Central and South America	Consolidated
	$'000	$'000	$'000
Revenue	736,019	442,009	1,178,028
Segment result			
Profit from operations	41,599	63,771	105,370
Unallocated income			6,246
Profit before taxation			111,616
Taxation			(38,542)
Net profit			73,074
Segment assets	500,265	103,538	603,803
Unallocated assets			49,751
Total assets			653,554
Segment liabilities	170,016	-	170,016
Unallocated liabilities			21,944
Total liabilities			191,960
Other information			
Capital expenditure	18,057	-	18,057
Depreciation	10,862	-	10,862
Amortisation	855	-	855

6. Other Operating Income

	2006	2005
	$'000	$'000
Interest income	9,342	7,292
Bad debts recovered	-	7,000
Other income	1,260	1,380
	10,602	15,672

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

7. Expenses by Nature

	2006 $'000	2005 $'000
Auditors' remuneration	2,200	1,938
Cost of inventories recognised as expense	1,154,682	972,125
Legal fees	4,221	2,856
Marketing and promotion	12,846	17,726
Depreciation and amortisation	11,043	11,717
Property expenses	7,762	10,833
Staff costs (Note 8)	46,612	36,683
Travelling and entertainment	847	2,901
Other expenses	30,921	25,305
Total cost of sales, selling, distribution and administrative expenses	1,271,134	1,082,084

8. Staff Costs

	2006 $'000	2005 $'000
Salaries and wages	39,608	35,170
Statutory contributions	3,697	3,187
Pension costs (Note 13)	(5,979)	(6,883)
Other post-retirement benefits (Note 13)	1,419	1,593
Other	7,867	3,616
	46,612	36,683

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

9. Taxation

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

	2006 $'000	2005 $'000
Current income tax	16,593	37,419
Adjustment to prior year provision	(489)	34
Deferred income tax (credit)/charge (Note 18)	(1,844)	1,089
	14,260	38,542

The income tax expense differs from the theoretical amount that would arise as follows:

	2006 $'000	2005 $'000
Profit before tax	39,680	111,616
Tax calculated at 33 1/3%	13,227	37,205
Adjusted for the effect of:		
Expenses not deductible for tax purposes	285	349
Adjustment to prior year provision	(489)	34
Other charges and allowances	1,237	954
Income tax expense	14,260	38,542

10. Earnings per Stock Unit

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

	2006	2005
Net profit attributable to stockholders ($'000)	25,420	73,074
Weighted average number of stock units in issue ('000)	59,400	59,400
Earnings per stock unit	$0.43	$1.23

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

11. Property, Plant and Equipment

	Leasehold Improvements $'000	Machinery, Equipment, Furniture & Fixtures $'000	Motor Vehicles $'000	Construction Work in Progress $'000	Total $'000
			2006		
At Cost -					
1 January 2006	10,829	35,277	19,116	4,740	69,962
Additions	-	3,489	-	219	3,708
Disposal	-	(2,919)	(2,305)	-	(5,224)
Transfer	-	-	4,740	(4,740)	-
31 December 2006	10,829	35,847	21,551	219	68,446
Depreciation -					
1 January 2006	10,829	22,975	7,686	-	41,490
Charge for the year	-	6,539	4,504	-	11,043
On disposals	-	(2,253)	(2,305)	-	(4,558)
31 December 2006	10,829	27,261	9,885	-	47,975
Net Book Value -					
31 December 2006	-	8,586	11,666	219	20,471
			2005		
At Cost -					
1 January 2005	10,829	32,654	13,042	-	56,525
Additions	-	2,623	10,694	4,740	18,057
Disposal	-	-	(4,620)	-	(4,620)
31 December 2005	10,829	35,277	19,116	4,740	69,962
Depreciation -					
1 January 2005	8,761	16,438	10,049	-	35,248
Charge for the year	2,068	6,537	2,257	-	10,862
On disposals	-	-	(4,620)	-	(4,620)
31 December 2005	10,829	22,975	7,686	-	41,490
Net Book Value -					
31 December 2005	-	12,302	11,430	4,740	28,472

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

12. Intangible Assets

	2006 $'000	2005 $'000
Cost	7,177	7,177
Accumulated amortisation	(6,936)	(6,082)
Net book amount	241	1,095
Opening net book amount	1,095	1,950
Amortisation charge (included in administrative expenses)	(854)	(855)
Closing net book amount	241	1,095

These represent the cost of acquired computer software projects.

13. Retirement Benefits

	2006 $'000	2005 $'000
(Assets)/liabilities recognised on the balance sheet are as follows:		
Pension scheme	(55,955)	(49,751)
Other retirement benefits	7,078	6,301
Amounts recognised in the profit and loss account (Note 8)		
Pension scheme	(5,979)	(6,883)
Other retirement benefits	1,419	1,593

Pension scheme benefits

The company 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 the sum of 2% of the member's annualised earnings at 31 December 2002 for each year of pensionable service up to 31 December 2002, 2% of member's total earnings after 31 December 2002, and the pension purchased by member's voluntary contributions (if any) accumulated with interest to the date of retirement. Employees contribute 5% of pensionable salaries and may elect to pay additional voluntary contribution of up to 5% to secure additional benefits. The plan is valued by independent actuaries annually using the projected unit credit method; the latest such valuation being as at 31 December 2006.

13. Retirement Benefits (Continued)

Pension scheme benefits (Continued)

The amounts recognised in the balance sheet are determined as follows:

	2006 $'000	2005 $'000
Present value of funded obligations	143,673	106,841
Fair value of plan assets	(476,145)	(420,041)
	(332,472)	(313,200)
Unrecognised actuarial gains	102,333	113,535
Limitation on asset due to uncertainty of obtaining economic benefits	174,184	149,914
Asset on the balance sheet	(55,955)	(49,751)

The movement in fair value of plan assets during the year was as follows:

	2006 $'000	2005 $'000
At the beginning of year	420,041	377,469
Expected return in plan assets	41,798	37,579
Actuarial gains on plan assets	18,428	8,362
Employer contributions	225	253
Employee contributions	1,912	1,879
Benefits paid	(6,259)	(5,500)
At end of year	476,145	420,041

The movement in present value of the defined benefit obligations during the year was as follows:

	2006 $'000	2005 $'000
At the beginning of year	106,841	93,287
Current service cost	4,074	3,212
Interest cost	12,964	11,317
Actuarial gains on plan assets	26,053	4,525
Benefits paid	(6,259)	(5,500)
At end of year	143,673	106,841

13. Retirement Benefits (Continued)

Pension plan (Continued)

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

	2006 $'000	2005 $'000
Current service cost, net of employee contributions	2,162	1,333
Interest cost	12,964	11,317
Expected return on plan assets	(41,798)	(37,579)
Net actuarial gains recognised in year	(3,577)	(3,787)
Change in limitation on asset	24,270	21,833
Total, included in staff costs (Note 8)	(5,979)	(6,883)

The total charge of $5,979,000 (2005 - $6,883,000) was included in administration expenses.

The actual return on plan assets was $60,226,000 (2005 - $45,940,000).

The expected contribution to the plan for the year ended 31 December 2007 amount to $418,000.

The distribution of plan assets was as follows:

	2006		2005	
	$'000	%	$'000	%
Quoted equities	120,847	25.4	129,263	30.8
Real estates	99,000	20.8	72,158	17.2
Government of Jamaica securities	163,118	34.3	173,804	41.4
Repurchase agreements	56,128	11.8	12,520	3.0
Lease	15,282	3.2	10,666	2.5
Other	21,770	4.5	21,630	5.1
	476,145		420,041	

The pension plan assets include the company's stock units with a fair value of $578,000 (2005 - $751,000).

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

13. Retirement Benefits (Continued)

The five-year trend for the fair value of plan assets, the defined benefit obligation, the surplus in the plan, and experience adjustments for plan assets and liabilities is as follows:

	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000
Fair value of plan assets	476,145	420,041	377,469	256,507	227,387
Defined benefit obligations	(143,673)	(106,841)	(93,287)	(79,022)	(60,753)
Surplus	332,472	313,200	284,182	177,485	166,634
Experience adjustments –					
Fair value of plan assets	(132,844)	(156,608)	(148,280)	(58,041)	(84,076)
Defined benefit obligations	(143,673)	(106,841)	(93,287)	(79,022)	(60,753)

Other retirement obligations
In addition to pension benefits, the company offers medical benefits to retirees. The funds are not built up to cover the obligations under the medical benefit scheme. The method of accounting assumptions and frequency of valuations are similar to those used for the defined benefit pension plan.

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 (2005 - 11%) and a salary rate increase of 9% per year (2005– 9%).

The amounts recognised in the balance sheet are determined as follows:

	2006 $'000	2005 $'000
Present value of the unfunded obligations	9,087	9,733
Unrecognised actuarial losses	(2,009)	(3,432)
Liability in the balance sheet	7,078	6,301

The movement in present value of the defined benefit obligation during the year was as follows:

	2006 $'000	2005 $'000
At the beginning of year	9,733	10,507
Current service cost	119	122
Interest cost	1,177	1,269
Actuarial gains on plan assets	(1,300)	(1,462)
Benefits paid	(642)	(703)
At end of year	9,087	9,733

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

13. Retirement Benefits (Continued)

Other retirement obligations (Continued)

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

	2006 $'000	2005 $'000
Current service cost	119	122
Interest cost	1,177	1,269
Actuarial losses recognised in the year	123	202
Total, included in staff costs (Note 8)	1,419	1,593

The total charge of $1,419,000 (2005 – $1,593,000) was included in administration expenses.

The effects of a 1% movement in the assumed medical cost trend rate were as follows:

	Increase $'000	Decrease $'000
Effect on the aggregate of the current service cost and interest cost	204	(160)
Effect on the defined benefit obligations	1,063	(872)

The five-year trend for the defined benefit obligation and experience adjustments is as follows:

	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000
Defined benefit obligations	9,087	9,733	10,507	7,138	4,224
Experience adjustments	(2,009)	(3,432)	(5,096)	(2,236)	530

Principal actuarial assumptions used in valuing post-employment benefits

The principal actuarial assumptions used in valuing post-employment benefits were as follows:

	2006	2005
Discount rate	12.0%	12.5%
Expected return of plan assets	10.0%	10.0%
Future salary increases	9.0%	9.0%
Future pension increases	6.0%	6.0%
Medical cost trend rate	11.0%	11.0%

13. Retirement Benefits (Continued)

Principal actuarial assumptions used in valuing post-employment benefits (Continued)

Mortality rate
The average life expectancy in years of a pensioner retiring at age 65 and 60 for male and female respectively, on the balance sheet date is as follows:

	2006	2005
Male	22.6	22.6
Female	27.8	27.8

The average expected remaining service life of the employees is 20 years (2005 – 20 years).

Post-employment mortality for active members and mortality for pensioners and deferred pensioners is based on the PA (90) Tables for Pensioners (British mortality tables) with ages rated down by 6 years.

The in-service specimen rates (number of occurrences per 1,000 members) are as follows:

	Males			Females		
Age	Withdrawals from service	Ill-health retirements	Deaths in service	Withdrawals from service	Ill-health retirements	Deaths in service
20	65	-	0.8	120	-	0.6
25	50	-	0.8	147	-	0.6
30	35	0.2	0.9	99	0.2	0.7
35	20	0.3	1.1	45	0.4	0.9
40	10	0.5	1.5	17	0.8	1.4
45	-	1.2	2.7	7	1.8	1.9
50	-	2.8	5.4	-	3.6	3.2
55	-	5.8	8.7	-	10.0	5.3
60	-	12.0	14.0	-	-	-

14. Inventories

	2006 $'000	2005 $'000
Merchandise	141,621	103,169
Goods in transit	60,146	79,373
	201,767	182,542
Less: Provision for impairment of inventories	(812)	(812)
	200,955	181,730

15. Trade and Other receivables

	2006 $'000	2005 $'000
Trade	220,002	186,265
Provision for impairment of receivables	(3,866)	(6,004)
Trade receivables - net	216,136	180,261
Advances to dealers	3,866	5,355
Prepayments	7,198	5,990
Other	1,536	5,143
	228,736	196,749

16. Cash and Cash Equivalents

	2006 $'000	2005 $'000
Cash at bank and in hand	114,879	128,463
Short-term deposits	61,760	65,629
	176,639	194,092

The weighted average effective interest rate on short-term deposits was 11.9% (2005 – 12.4%). These deposits have maturities of less than 90 days.

17. Share Capital

	2006 $'000	2005 $'000
Authorised -		
59,400,000 ordinary shares	11,880	11,880
Issued and fully paid -		
59,400,000 ordinary stock units	11,880	11,880

Pursuant to the Jamaican Companies Act 2004, the ordinary shares of the company are deemed to have been converted from $0.20 par value shares to no par value shares on 1 February 2005, as the company did not elect to retain its shares with a nominal or par value under Section 37(i).

The shares are stated in these financial statements without a nominal or par value. The no par shares in issue comprise the stated capital of the company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

18. Deferred Taxation

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

The gross movement on the deferred income tax account is as follows:

	2006 $'000	2005 $'000
Liabilities at beginning of year	10,147	9,058
Income tax (credit)/charge to profit and loss account (Note 9)	(1,844)	1,089
Liabilities at end of year	8,303	10,147

The movement of deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:	**Property, plant and equipment**	**Retirement benefit obligation**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January 2006	4,689	2,100	108	6,897
Credited to the profit and loss account	645	259	2,707	3,611
At 31 December 2006	5,334	2,359	2,815	10,508

Deferred income tax liabilities:	**Interest receivable**	**Retirement benefit asset**	**Other**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January 2006	328	16,583	133	17,044
(Credited)/charged to the profit and loss account	(168)	2,068	(133)	1,767
At 31 December 2006	160	18,651	-	18,811

The amounts shown on the balance sheet include the following:

	2006 $'000	2005 $'000
Deferred tax assets to be recovered after more than 12 months	(7,693)	(6,789)
Deferred tax liabilities to be settled after more than 12 months	18,651	16,583

19. Trade and Other payables

	2006 $'000	2005 $'000
Trade	8,906	1,811
Accruals	13,702	19,143
Statutory deductions	643	934
Dividends payable	3,665	3,698
Other	20,760	3,649
	47,676	29,235

20. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions and balances are recognised and disclosed for the following:

(i) Enterprises and individuals owning directly or indirectly an interest in the voting power of the company that gives them significant influence over the company's affairs and close members of the family of these individuals.

(ii) Key management personnel, that is those persons having authority and responsibility for planning, directing and controlling the activities of the company, including directors and officers and close member of the families of these individuals.

Transactions and balances with related parties are as follows:

(a) Purchases of goods

	2006 $'000	2005 $'000
Fellow subsidiaries	811,907	581,055
Parent company	105,007	107,213
	916,914	688,268

Services are usually negotiated with related parties on cost-plus basis. Services are bought on the basis of the price lists in force with non-related parties.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

20. Related Party Transactions and Balances (Continued)

(b) Key management compensation

	2006 $'000	2005 $'000
Salaries and other short-term employee benefits	18,265	14,737
Other retirement benefits	494	489
	18,759	15,226
Directors' emoluments –		
Fees	200	200
Management remuneration (included above)	14,958	10,637

(c) Year end balances arising from purchases of goods

	2006 $'000	2005 $'000
Payables to related parties:		
Fellow subsidiaries	(144,990)	(117,232)
Parent company	(18,256)	(23,549)
	(163,246)	(140,781)

21. Dividends

	2006 $'000	2005 $'000
First interim, paid out of unfranked income, gross $0.25 (2005 – $0.25)	14,850	14,850
Second interim, proposed/paid out of unfranked income, gross $0.25 (2005 – $0.25)	14,850	14,850
	29,700	29,700

NOTES TO THE FINANCIAL STATEMENTS
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

22. Net Cash Provided by Operating Activities

	Note	2006 $'000	2005 $'000
Net profit		25,420	73,074
Items not affecting cash:			
Depreciation	11	11,043	10,862
Amortisation of intangible assets	12	854	855
Gain on disposal of property, plant and equipment		(753)	(1,232)
Income tax charge	9	14,260	38,542
Interest income	6	(9,342)	(7,292)
Retirement benefit asset/obligations		(5,427)	(6,246)
		36,055	108,563
Changes in operating assets and liabilities:			
Receivables		(32,489)	(8,101)
Inventories		(19,225)	22,071
Payables		15,842	4,091
Group companies		22,465	3,779
Cash generated from operations		22,648	130,403

23. Subsequent Event

On 11 January 2007, a fire gutted the leased premises occupied by the company located at 230 Spanish Town Road, Kingston 11, Jamaica. The inventories totaling $120,140,000 as well office equipment valued at $250,000 were lost. The inventories and office equipment were insured through the parent company's Global Insurance Policy. No adjustments were made in the financial statements as this event does not constitute an adjusting event.

TEN LARGEST STOCKHOLDERS

	Holdings
Goodyear Tyre & Rubber Co. Ltd.	35,640,000
Scotia Ja. Trust & Merchant A/C 542	1,017,203
National Insurance Fund	967,662
Life of Jamaica Pooled Equity Fund No. 1	901,853
Albert Gordon	771,987
First Jam./H.E.A.R.T./NTA Pension Scheme	649,000
Guardian Life Limited/Pension Funds	628,940
Globe Insurance Co. of the W.I.	542,796
Trading A/C - SJIM A/C 268	500,194
NCB Capital Markets Ltd. A/C 2231	500,000

GOODYEAR

2006