Seprod Limited

Financial Statements
31 December 2006

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PRICEWATERHOUSECOOPERS

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Independent Auditors' Report

To the Members of
Seprod Limited

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Seprod Limited and its subsidiaries, and the accompanying financial statements of Seprod Limited standing alone set out on pages 1 to 49, which comprise the consolidated and company balance sheets as of 31 December 2006 and the consolidated and company profit and loss accounts, statements of changes in equity and cash flow statements 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 and with the requirements of the Jamaican Companies Act. 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.

E.L. McDonald M.G. Rochester P.W. Pearson E.A. Crawford D.V. Brown J.W. Lee C.D.W. Maxwell
P.E. Williams G.L. Lewars L.A. McKnight L.E. Augier A.K. Jain B.L. Scott B.J. Denning

PRICEWATERHOUSECOOPERS

Opinion
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 December 2006, and of financial performance and cash flows of the group and the company for the year then ended, so far as concerns the members of the company, 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.

PricewaterhouseCoopers

Chartered Accountants

17 July 2007
Kingston, Jamaica

Seprod Limited

Consolidated Profit and Loss Account

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Revenue		4,883,891	3,953,775
Direct expenses		(3,664,519)	(2,998,840)
Gross Profit		1,219,372	954,935
Finance and other operating income	6	217,635	221,242
Selling expenses		(173,651)	(174,622)
Administration expenses		(573,252)	(415,988)
Other operating expenses		(35,892)	(23,598)
Operating Profit		654,212	561,969
Finance costs	9	(49,413)	(34,650)
Negative goodwill on acquisition of subsidiaries	29	1,260	247,396
Share of results of associates	17(e)	72,727	147,704
Profit before Taxation		678,786	922,419
Taxation	10	(217,794)	(172,239)
NET PROFIT ATTRIBUTABLE TO STOCKHOLDERS	11	460,992	750,180
EARNINGS PER STOCK UNIT	12	$0.89	$1.45

Seprod Limited

Consolidated Balance Sheet

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Non-Current Assets			
Fixed assets	14	1,491,224	1,208,221
Intangible assets	15	39,600	44,400
Available-for-sale investments	16	602,055	993,481
Investment in associates	17	1,574,785	1,502,058
Retirement benefit asset	18	33,100	100,900
Biological assets	19	90,566	60,294
Deferred tax assets	27	53,915	93,560
		3,885,245	4,002,914
Current Assets			
Inventories	20	628,838	562,955
Receivables	21	948,507	493,908
Available-for-sale investments	16	261,552	151,006
Taxation recoverable		-	871
Cash and bank balances	22	133,990	135,112
		1,972,887	1,343,852
Current Liabilities			
Payables	23	329,064	406,752
Current portion of long term liabilities	26	233,631	78,552
Taxation payable		74,466	36,552
Bank overdraft		144,435	-
		781,596	521,856
Net Current Assets		1,191,291	821,996
		5,076,536	4,824,910
Equity			
Share capital	24	561,287	561,287
Capital reserve	25	854,409	836,631
Retained earnings		3,008,030	2,715,685
		4,423,726	4,113,603
Non-Current Liabilities			
Long term liabilities	26	399,145	467,434
Deferred tax liabilities	27	203,865	199,773
Retirement benefit obligations	18	49,800	44,100
		652,810	711,307
		5,076,536	4,824,910

Approved for issue by the Board of Directors on 17 July 2007 and signed on its behalf by:

A. Desmond Blades — Director

Nigel Clarke — Director

Seprod Limited

Consolidated Statement of Changes in Equity

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 January 2005		516,398	561,287	823,736	2,114,750	3,499,773
Total recognised income for 2005						
Net profit		-	-	-	750,180	750,180
Fair value gain on available-for-sale securities		-	-	20,185	-	20,185
Realised fair value gain on sale of investments		-	-	(14,526)	-	(14,526)
		-	-	5,659	750,180	755,839
Transfer to capital reserve – gain on sale of investments		-	-	7,236	(7,236)	-
Dividends paid	13	-	-	-	(142,009)	(142,009)
Balance at 31 December 2005		516,398	561,287	836,631	2,715,685	4,113,603
Total recognised income for 2006						
Net profit		-	-	-	460,992	460,992
Fair value gain on available-for-sale securities		-	-	11,687	-	11,687
Realised fair value gain on sale of investments		-	-	(7,636)	-	(7,636)
		-	-	4,051	460,992	465,043
Transfer to capital reserve – gain on sale of investments		-	-	13,727	(13,727)	-
Dividends paid	13	-	-	-	(154,920)	(154,920)
Balance at 31 December 2006		516,398	561,287	854,409	3,008,030	4,423,726

Seprod Limited

Consolidated Statement of Cash Flows

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):			
Operating Activities			
Cash provided by operating activities	28	304,578	237,631
Investing Activities			
Purchase of fixed assets		(284,515)	(209,399)
Proceeds on disposal of fixed assets		19,238	18,337
Purchase of available-for-sale investments		(66,594)	(454,850)
Proceeds from disposal of available-for-sale investments		375,125	640,629
Advances to associate		400,000	-
Loans repaid by associate		-	15,385
Disposal of associate		-	(3,736)
Acquisition of subsidiary		(131,889)	(83,416)
Interest received		163,444	133,023
Dividends received		-	952
Cash (used in)/provided by investing activities		(325,191)	56,925
Financing Activities			
Long term loans received		158,039	145,000
Long term loans repaid		(78,650)	(217,728)
Dividends paid		(154,920)	(142,009)
Interest paid		(49,413)	(34,650)
Cash used in financing activities		(124,944)	(249,387)
(Decrease)/increase in cash and cash equivalents		(145,557)	45,169
Cash and cash equivalents at beginning of year		135,112	89,943
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	(10,445)	135,112

Seprod Limited

Profit and Loss Account

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Group costs recovered from subsidiaries		243,630	183,495
Finance and other operating income	6	202,291	209,806
Administration expenses		(288,530)	(209,820)
Operating Profit		157,391	183,481
Finance costs	9	(32,639)	(13,105)
Profit before Taxation		124,752	170,376
Taxation	10	(21,663)	(57,076)
NET PROFIT	11	103,089	113,300

Seprod Limited

Balance Sheet

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Non-Current Assets			
Fixed assets	14	138,179	148,976
Available-for-sale investments	16	602,055	993,481
Investment in associates	17	532,016	532,016
Investment in subsidiaries		572,160	440,779
Retirement benefit asset	18	33,100	100,900
		1,877,510	2,216,152
Current Assets			
Receivables	21	488,345	78,776
Available-for-sale investments	16	261,552	151,006
Cash and bank balances	22	34,990	21,986
		784,887	251,768
Current Liabilities			
Payables	23	81,758	66,302
Due to subsidiaries		382,156	415,677
Current portion of long term liabilities	26	206,508	30,389
Taxation payable		24,995	12,714
Bank overdraft		144,435	-
		839,852	525,082
Net Current Liabilities		(54,965)	(273,314)
		1,822,545	1,942,838
Equity			
Share capital	24	561,287	561,287
Capital reserve	25	272,920	255,142
Retained earnings		532,523	598,081
		1,366,730	1,414,510
Non-Current Liabilities			
Long term liabilities	26	382,083	426,190
Deferred tax liabilities	27	23,932	58,038
Retirement benefit obligations	18	49,800	44,100
		455,815	528,328
		1,822,545	1,942,838

Approved for issue by the Board of Directors on 17 July 2007 and signed on its behalf by:

A. Desmond Blades — Director

Nigel Clarke — Director

Seprod Limited

Statement of Changes in Equity

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Shares '000	Share Capital $'000	Capital Reserve $'000	Retained Earnings $'000	Total $'000
Balance as at 1 January 2005		516,398	561,287	242,247	634,026	1,437,560
Total recognised income for 2005						
Net profit		-	-	-	113,300	113,300
Fair value gain on available-for-sale securities		-	-	20,185	-	20,185
Realised fair value gain on sale of investments		-	-	(14,526)	-	(14,526)
		-	-	5,659	113,300	118,959
Transfer to capital reserve – gain on sale of investments		-	-	7,236	(7,236)	-
Dividends paid	13	-	-	-	(142,009)	(142,009)
Balance at 31 December 2005		516,398	561,287	255,142	598,081	1,414,510
Total recognised income for 2006						
Net profit		-	-	-	103,089	103,089
Fair value gain on available-for-sale securities		-	-	11,687	-	11,687
Realised fair value gain on sale of investments		-	-	(7,636)	-	(7,636)
		-	-	4,051	103,089	107,140
Transfer to capital reserve – gain on sale of investments		-	-	13,727	(13,727)	-
Dividends paid	13	-	-	-	(154,920)	(154,920)
Balance at 31 December 2006		516,398	561,287	272,920	532,523	1,366,730

Seprod Limited

Statement of Cash Flows

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
CASH RESOURCES WERE PROVIDED BY/(USED IN):			
Operating Activities			
Cash provided by/(used in) operating activities	28	26,325	(40,480)
Investing Activities			
Purchase of fixed assets		(8,143)	(29,772)
Proceeds on disposal of fixed assets		1,175	645
Purchase of available-for-sale investments		(66,594)	(454,850)
Proceeds from disposal of available-for-sale investments		375,125	640,629
Advances to associate		400,000	
Disposal of associate		-	(3,736)
Loans repaid by associate		-	15,385
Acquisition of subsidiary		(131,889)	(83,416)
Interest received		163,008	132,682
Dividends received		-	952
Cash (used in)/provided by investing activities		(67,318)	218,519
Financing Activities			
Long term loans received		155,000	145,000
Long term loans repaid		(30,389)	(145,936)
Dividends paid		(154,920)	(142,009)
Interest paid		(32,639)	(13,105)
Cash used in financing activities		(62,948)	(156,050)
(Decrease)/increase in cash and cash equivalents		(131,431)	11,814
Cash and cash equivalents at beginning of year		21,986	10,172
CASH AND CASH EQUIVALENTS AT END OF YEAR	22	(109,445)	21,986

Seprod Limited

Notes to the Financial Statements
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

1. Principal Activities and Operations

Seprod Limited ("the company") is incorporated and domiciled in Jamaica. The company is publicly listed on the Jamaica Stock Exchange, and has its registered office at 3 Felix Fox Boulevard, Kingston.

The company, its subsidiaries and its associates are collectively referred to as "the Group".

Subsidiaries
The company's subsidiaries, which are all wholly owned and incorporated and domiciled in Jamaica, and their principal activities are as follows:

Name of company	Principal activities
Caribbean Products Company Limited	Manufacture and sale of oils and fats
Serge Island Farms Limited	Dairy farming
Serge Island Dairies Limited	Manufacture and sale of milk products and juices
Jamaica Edible Oils and Fats Company Limited	Sale of oils and fats
Jamaica Grain and Cereals Limited	Manufacture and sale of corn products and cereals
Industrial Sales Limited	Sale of consumer products
Jamaica Detergents Limited	Dormant
Jamaica Feeds Limited	Dormant
Coper Limited	Dormant
Jamaica Household Products Limited	Dormant
Belvedere Limited	Dormant

The interest in Belvedere Limited was acquired during the year (Note 29). The interest in Serge Island Farms Limited and Serge Island Dairies Limited were acquired during the prior year (Note 29).

Coper Limited and Jamaica Household Products Limited were wound up during the current year (Note 30).

Associates
The company's associates, which are all 50% owned and incorporated and domiciled in St. Lucia, and their principal activities are as follows:

Name of company	Principal activities
Gatcombe Investments Limited	Sale of industrial, pharmaceutical, consumer and telecommunications products
CBM Limited	Provision of document management services
Productive Business Solutions Limited	Provision of document management services

Seprod Limited

Notes to the Financial Statements
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies

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

(a) Basis of preparation

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

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 Group's accounting policies. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Amendments to published standards effective in 2006

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

- **IAS 19 (Amendment), Employee Benefits** (effective from 1 January 2006). This 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 Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment has only impacted the format and extent of disclosures presented in the accounts.

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 Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, 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 Group 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 Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

- **IFRIC 10, Interim Financial Reporting and Impairment** (effective from 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 Group will apply IFRIC 10 from annual periods beginning 1 January 2007, but it is not expected to have any impact on the Group's accounts.

Seprod Limited

Notes to the Financial Statements
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation

Subsidiaries

Subsidiaries are those entities in which the Group has power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently excersiable or convertible are considered when assessing whether the Group controls an entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit and loss account.

Intercompany transactions, balances and unrealised gains on transactions between the Group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

Associates are all entities over which the Group has significant influence but not control. Investments in associated companies are accounted for by the equity method of accounting. Under this method, the Group's share of post-acquisition profit or losses of the associated companies is recognised in the profit and loss account and its share of post-acquisition movement in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment.

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

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Seprod Limited

Notes to the Financial Statements
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Sales of goods – wholesale
Sales of goods are recognised when a group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. Some products are often sold with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Sales of goods – retail
Sales of goods are recognised when a group entity sells a product to the customer. It is the Group'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.

Sales of services
Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group 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.

Dividend income
Dividend income is recognised when the right to receive payment is established.

(d) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

Seprod Limited

Notes to the Financial Statements
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(e) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of primary economic environment in which the entity operates, referred to as the functional currency. The functional currency of each entity is the same as its presentation currency. The consolidated financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions and from the translation of foreign currency monetary assets and liabilities at the year end exchange rates are recognised in the profit and loss account.

Translation differences resulting from changes in the amortised cost of foreign currency monetary assets classified as available-for-sale are recognised in the profit and loss account. Other changes in the fair value of these assets are recognised in equity. Translation differences on non-monetary financial assets classified as available-for-sale are reported as a component of the fair value gain or loss in equity.

(f) Fixed assets

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

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

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

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

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

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

(g) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary or associate at the date of acquisition. Separately recognised goodwill is tested annually for impairment, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Brands

Brands obtained by the Group on acquisition of subsidiaries are deemed to have a finite useful life, and are carried at fair market value less accumulated amortisation. Amortisation is calculated using the straight line method to allocate the carrying value of brands over their estimated useful lives.

Seprod Limited

Notes to the Financial Statements
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(h) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation but 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 carrying amount of the asset exceeds its recoverable amount, which is the greater of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Investments

The Group classifies its investments (other than investments in subsidiaries and associates) as available-for-sale, due to the purposes for which the investments were acquired. Management determines the classification of investments at initial recognition and re-evaluates such designation at each reporting date.

Investments classified as available-for-sale are intended to be held for an indefinite period of time, and may be sold in response to needs for liquidity or changes in interest rates. These investments are included in non-current assets unless management has the express intention of holding the investment for less than twelve months from the balance sheet date, in which case they are included in current assets.

Purchases and sales of investments are recognised at trade date, which is the date that the Group commits to purchase or sell the asset. Available-for-sale investments are initially recognised at fair value plus transaction costs and are subsequently carried at fair value. Investments are derecognised when the right to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risk and rewards of ownership.

Changes in the fair value of monetary available-for-sale investments denominated in foreign currencies are analysed between translation differences resulting in changes in amortised cost of the security and other changes. The translation differences are recognised in the profit and loss account and other changes in the carrying amount are recognised in equity. Changes in the fair value of other monetary available-for-sale investments and non-monetary available-for-sale investments are recognised in equity.

When investments classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the profit and loss account as gains and losses from investment securities. Interest on available-for-sale investments calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale investments are recognised in the profit and loss account when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If there is no active market for investments, the Group establishes fair value by using valuation techniques, such as reference to recent arms length transactions, reference to other instruments that are substantially the same or amounts derived from discounted cash flow models, making maximum use of market inputs.

At each balance sheet date, the Group assesses whether there is objective evidence that an investment or group of investments is impaired. If any such evidence exists, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any impairment loss previously recognised in the profit and loss account, is removed from equity and recognised in the profit and loss account. Impairment losses on equity instruments recognised in the profit and loss account are not reversed through the profit and loss account.

Seprod Limited

Notes to the Financial Statements
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(j) Biological assets
Biological assets are measured at their fair value, less estimated point of sale costs. Fair value is determined based on market prices of livestock of similar age, breed and genetic merit.

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

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

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

(n) Payables
Payables are recorded at cost.

(o) Borrowings
Borrowings are recognised initially at the proceeds received. Borrowings are subsequently stated at amortised cost using the effective yield method. Any difference between proceeds and the redemption value is recognised in the profit and loss account over the period of the borrowings.

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

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

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

Deferred tax is charged or credited to the profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

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

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2. Significant Accounting Policies (Continued)

(q) Employee benefits

Pension obligations

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

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

Other retirement benefits

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

(r) Provisions

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

(s) Leases

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

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

(t) Dividends

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

(u) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been extended to reflect the requirements of amendments to existing IFRS.

Seprod Limited

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3. Financial Risk Management

(a) Financial risk factors

The Group'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. Risk management is carried out by a central treasury function under policies approved by the Board of Directors. The central treasury function identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is primarily exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from transactions for purchases, recognised assets and liabilities and net investments in foreign operations. The balance sheet at 31 December 2006 includes aggregate net foreign liabilities of approximately US$747,000 (2005 – net foreign assets of approximately US$4,907,000), in respect of such transactions. The central treasury function sets limits on the level of exposure by currency and in total based on guidelines from the Board of Directors.

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.

The Group is exposed to securities price risk because of available-for-sale investments held by the Group. The Group manages its exposure to such risks by actively monitoring price movements of financial assets on the local and international market.

The Group is also exposed to price risks from changes in the price of milk and milk products. The Group does not anticipate that milk prices will decline significantly in the foreseeable future and, therefore, has not entered into derivative or other contracts to manage the decline in the price of milk and milk products. The Group reviews the outlook for the price of milk and milk products regularly in considering the need for active financial risk management.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentrations of credit risk as the Group has a large and diverse customer base. The Group 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. Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

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3. Financial Risk Management (Continued)

(a) Financial risk factors (continued)

(iii) 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 central treasury function aims to maintain flexibility in funding by keeping committed credit lines available.

(iv) 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. The Group is exposed to such risks primarily through its holding of available-for-sale investments. The Group manages its exposure to interest rate risks by actively monitoring interest rate fluctuations of financial assets on the local and international market, and by diversifying its portfolio through its holding of non-interest bearing investments.

(b) Fair value estimation

The fair value of financial instruments traded in active markets, such as available-for-sale investments, is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. The fair values of these financial instruments are determined as follows:

(i) The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities include cash and bank balances and trade receivables and payables.

(ii) The fair values of investments in associates have been estimated as the company's investment plus its share of post acquisition reserves, as there is no active market for the shares held in the associated companies.

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

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

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4. Critical Accounting Estimates and Judgments in Applying Accounting Policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements 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.

Retirement benefit obligations
The cost of these benefits and the present value of the future obligations depend on a number of factors that are determined by actuaries using a number of assumptions. The assumptions used in determining the net periodic cost or income for retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate, and, in the case of health benefits, the expected rate of increase in health costs. Any changes in these assumptions will impact the net periodic cost or income recorded for retirement benefits and may affect planned funding of the pension plan. 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 investment returns. The Group 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 retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and have terms to maturity approximating the terms of the related obligations. The expected rate of increase of health costs has been determined by comparing the historical relationship of the actual health cost increases with the rate of inflation. Other key assumptions for the retirement benefits are based on current market conditions.

Negative goodwill on acquisition of subsidiary during the current year
Negative goodwill recognised on the acquisition of subsidiary during the current year was primarily attributable to the recognition of fixed assets at their fair market value (Note 29).

The fair market value of fixed assets was determined by professional valuers. On the instructions of management, the valuers have used a direct sales comparison approach to determine fair market value. This approach is based on the principle of substitution, whereby there is a purchaser with perfect knowledge of the market who would pay no more for the assets than the cost of acquiring existing comparable assets, assuming no cost delay in making the substitution. This approach thus requires a comparison of the assets with others of similar design and utility which were sold in the recent past. In instances where there is no exact comparable asset, the valuers make adjustments to reflect differences. Consequently, the determination of fair market value of the assets requires that the valuers analyse the differences in relation to age and physical condition, time of sale, and, specifically relating to property, land to building ratio, the advantages and disadvantages of the location and other functional gains to be derived from the property, and make necessary adjustments.

Management has determined that there are no intangible assets in the acquired entity. Additionally, management has not recognised deferred tax assets on the entity's tax losses brought forward as there are significant doubts whether the entity can benefit from these tax losses.

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4. Critical Accounting Estimates and Judgments in Applying Accounting Policies (Continued)

Negative goodwill on acquisition of subsidiaries during the prior year
Negative goodwill recognised on the acquisition of subsidiaries during the prior year was primarily attributable to the recognition of deferred tax assets on certain tax losses carried forward, the recognition of intangible assets and the excess of the fair market value of the acquired fixed assets over their carrying values (Note 29).

Deferred tax assets were recognised based on improvements in trading conditions and profitability of the acquirees since the acquisition date, and management's expectation that it will be able to take advantage of tax losses carried forward. The extent of the recognition was based on profit forecasts done by management, as well as anticipated changes in tax laws with respect to the number of years that tax losses may be carried forward.

Several brands were recognised on the acquisition of the subsidiaries. The fair values of these intangible assets were determined by independent valuers. On the instructions of management, the valuers have used an income approach to determine fair market value. This approach uses the principle of expectation, whereby fair value is determined based on the present value of the expected economic income to be generated by the intangible asset. It requires estimates of future income to be generated directly from the asset, appropriate discount rates, projected earnings decline rates, and the Group's rate of return on investment.

The fair market value of fixed assets was determined by professional valuers. On the instructions of management, the valuers have used a direct sales comparison approach to determine fair market value.

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5. Business Segments

The Group is organised into two main business segments:

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

b) Distribution - The merchandising of consumer goods.

	2006			
	Manufacturing	**Distribution**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**
External revenue	2,367,060	2,516,831	-	4,883,891
Inter-segment revenue	1,508,198	-	(1,508,198)	-
Total revenue	3,875,258	2,516,831	(1,508,198)	4,883,891
Segment result	361,751	154,073	-	515,824
Unallocated corporate income				138,388
Operating profit				654,212
Segment assets	2,276,790	408,706	-	2,685,496
Investment in associates				1,574,785
Unallocated corporate assets				1,597,851
Total consolidated assets				5,858,132
Segment liabilities	421,614	99,279	-	520,893
Unallocated corporate liabilities				913,513
Total consolidated liabilities				1,434,406
Other segment items –				
Capital expenditure	275,668	704	-	276,372
Unallocated capital expenditure				8,143
Total capital expenditure				284,515
Depreciation	95,950	1,526	-	97,476
Unallocated depreciation				19,361
Total depreciation				116,837

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5. Business Segments (Continued)

	2005			
	Manufacturing	**Distribution**	**Eliminations**	**Group**
	$'000	**$'000**	**$'000**	**$'000**
External revenue	1,783,585	2,170,190	-	3,953,775
Inter-segment revenue	1,164,374	-	(1,164,374)	-
Total revenue	2,947,959	2,170,190	(1,164,374)	3,953,775
Segment result	268,323	105,446	-	373,769
Unallocated corporate income				188,200
Operating profit				561,969
Segment assets	1,765,153	384,011	-	2,149,164
Investment in associates				1,502,058
Unallocated corporate assets				1,695,544
Total consolidated assets				5,346,766
Segment liabilities	296,637	67,283	-	363,920
Unallocated corporate liabilities				869,243
Total consolidated liabilities				1,233,163
Other segment items –				
Capital expenditure	173,607	6,020	-	179,627
Unallocated capital expenditure				29,772
Total capital expenditure				209,399
Depreciation	76,286	2,660	-	78,946
Unallocated depreciation				18,360
Total depreciation				97,306

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6. Finance and Other Operating Income

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Interest income	157,260	130,231	156,824	129,890
Dividend income	-	952	-	952
Net foreign exchange gains	14,600	34,246	14,600	34,204
Gain on sale of available-for-sale investments	7,783	7,236	7,783	7,236
Gain on disposal of subsidiaries	-	-	5,944	-
Gain on disposal of investment in associate (Note 17(a))	-	-	-	19,778
Gain on disposal of fixed assets	1,414	3,466	1,175	645
Other	36,578	45,111	15,965	17,101
	217,635	221,242	202,291	209,806

7. Expenses by Nature

Total direct, selling, administration and other operating expenses:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Advertising and promotion	25,091	33,105	1,503	790
Amortisation of intangible assets	4,800	3,600	-	-
Auditors' remuneration	8,500	7,489	2,600	2,403
Bad debt expense, net of recoveries	(6,000)	6,461	-	-
Cost of inventories recognised as an expense	2,913,528	2,399,777	-	-
Depreciation	116,837	97,306	19,361	9,356
Insurance	86,042	76,024	9,250	7,648
Loss on disposal of investment in associate (Note 17(a))	-	3,696	-	-
Repairs and maintenance	148,629	103,913	17,088	10,653
Security	38,592	21,917	7,846	6,408
Staff costs (Note 8)	523,201	419,353	174,179	128,647
Utilities	235,365	162,375	11,738	5,474
Other	352,729	278,032	44,965	38,441
	4,447,314	3,613,048	288,530	209,820

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8. Staff Costs

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Wages and salaries	376,543	304,133	112,517	93,011
Statutory contributions	31,823	31,358	10,418	9,871
Pension (Note 18)	19,100	(6,200)	19,100	(6,200)
Other retirement benefits (Note 18)	10,300	10,800	10,300	10,800
Other	85,435	79,262	21,844	21,165
	523,201	419,353	174,179	128,647

9. Finance Costs

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Interest expense –				
Long term loans	25,941	26,949	17,848	9,636
Other	23,472	7,701	14,791	3,469
	49,413	34,650	32,639	13,105

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10. Taxation Expense

Taxation is based on the profit for the year adjusted for tax purposes and comprises income tax at 33⅓%:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Current taxation	164,861	108,473	67,155	41,024
Adjustment to prior year provision	9,196	4,866	(11,386)	-
	174,057	113,339	55,769	41,024
Deferred taxation (Note 27)	43,737	58,900	(34,106)	16,052
	217,794	172,239	21,663	57,076

The tax on the Group's and the company's profit differs from the theoretical amount that would arise using the applicable tax rate of 33⅓%, as follows:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Profit before taxation	678,786	922,419	124,752	170,376
Tax calculated at a tax rate of 33⅓%	226,262	307,473	41,584	56,792
Adjusted for the effect of:				
Negative goodwill on acquisition of subsidiaries	(420)	(82,465)	-	-
Share of profit of associates shown net of tax	(24,242)	(49,235)	-	-
Investment income not subject to tax	(10,333)	(18,971)	(10,333)	(12,378)
Disposal of investment in associate	-	7,825		(6,593)
Additional depreciation charge on recognition of fixed assets of acquired subsidiaries at fair market value	2,629	1,972	-	-
Amortisation of intangible assets	1,600	1,200	-	-
Adjustment to prior year provision	9,196	4,866	(11,386)	-
Other allowances	13,102	(426)	1,798	19,255
	217,794	172,239	21,663	57,076

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11. Net Profit Attributable to Stockholders

Dealt with as follows in the financial statements:

	2006	2005
	$'000	$'000
The company	103,089	113,300
Subsidiaries	283,916	241,780
Negative goodwill on acquisition of subsidiaries (Note 29)	1,260	247,396
Associates (Note 17)	72,727	147,704
	460,992	750,180

12. Earnings per Stock Unit

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

	2006	2005
Net profit attributable to stockholders ($'000)	460,992	750,180
Weighted average number of ordinary stock units ('000)	516,398	516,398
Basic earnings per stock unit ($)	0.89	1.45

The company has no dilutive potential ordinary shares.

13. Dividends

	2006	2005
	$'000	$'000
Interim dividend – 30 cents (2005 – 27.5 cents) per stock unit	154,920	142,009

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14. Fixed Assets

	The Group					
	Freehold Land & Site Improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
			2006			
Cost -						
At 1 January 2006	154,688	742,411	1,382,705	21,765	92,868	2,394,437
Acquisition of subsidiary	98,100	33,900	496	653	-	133,149
Additions	-	707	30,754	7,824	245,230	284,515
Disposals	-	-	(99,350)	(4,572)	-	(103,922)
Transfers	-	11,538	147,823	1,663	(161,024)	-
At 31 December 2006	252,788	788,556	1,462,428	27,333	177,074	2,708,179
Accumulated Depreciation -						
At 1 January 2006	-	417,425	761,439	7,352	-	1,186,216
Charge for the year	-	15,316	96,197	5,324	-	116,837
On disposals	-	-	(82,080)	(4,018)	-	(86,098)
At 31 December 2006	-	432,741	775,556	8,658	-	1,216,955
Net Book Value -						
At 31 December 2006	252,788	355,815	686,872	18,675	177,074	1,491,224
			2005			
Cost -						
At 1 January 2005	34,958	544,851	1,023,527	14,767	102,712	1,720,815
Acquisition of subsidiaries	119,730	160,270	205,000	5,480	2,620	493,100
Additions	-	150	29,898	7,032	172,319	209,399
Disposals	-	-	(20,363)	(8,514)	-	(28,877)
Transfers	-	37,140	144,643	3,000	(184,783)	-
At 31 December 2005	154,688	742,411	1,382,705	21,765	92,868	2,394,437
Accumulated Depreciation -						
At 1 January 2005	-	403,600	687,861	11,455	-	1,102,916
Charge for the year	-	13,825	80,296	3,185	-	97,306
On disposals	-	-	(6,718)	(7,288)	-	(14,006)
At 31 December 2005	-	417,425	761,439	7,352	-	1,186,216
Net Book Value -						
At 31 December 2005	154,688	324,986	621,266	14,413	92,868	1,208,221

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14. Fixed Assets (Continued)

	The Company					
	Freehold Land & Site Improvements $'000	Buildings $'000	Plant, Equipment & Furniture $'000	Motor Vehicles $'000	Work in Progress $'000	Total $'000
	2006					
Cost -						
At 1 January 2006	20,218	291,889	137,033	16,113	3,532	468,785
Additions	-	565	461	5,330	2,208	8,564
Disposals	-	-	-	(3,649)	-	(3,649)
Transfers	-	-	4,801	-	(4,801)	-
At 31 December 2006	20,218	292,454	142,295	17,794	939	473,700
Accumulated Depreciation -						
At 1 January 2006	-	209,497	99,741	10,571	-	319,809
Charge for the year	-	4,502	11,582	3,277	-	19,361
Relieved on disposals	-	-	-	(3,649)	-	(3,649)
At 31 December 2006	-	213,999	111,323	10,199	-	335,521
Net Book Value -						
At 31 December 2006	20,218	78,455	30,972	7,595	939	138,179
	2005					
Cost -						
At 1 January 2005	20,218	291,889	105,356	13,810	9,654	440,927
Additions	-	-	218	4,217	25,337	29,772
Disposals	-	-	-	(1,914)	-	(1,914)
Transfers	-	-	31,459	-	(31,459)	-
At 31 December 2005	20,218	291,889	137,033	16,113	3,532	468,785
Accumulated Depreciation -						
At 1 January 2005	-	204,240	94,542	10,496	-	309,278
Charge for the year	-	5,257	5,199	1,989	-	12,445
Relieved on disposals	-	-	-	(1,914)	-	(1,914)
At 31 December 2005	-	209,497	99,741	10,571	-	319,809
Net Book Value -						
At 31 December 2005	20,218	82,392	37,292	5,542	3,532	148,976

Included in the tables above are amounts totalling $830,622,000 for the Group and $188,841,000 for the company representing the previous Jamaican GAAP revalued amounts of buildings and plant and equipment which have been used as the deemed cost of these assets on transition to IFRS on 1 January 2002.

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15. Intangible Assets

Intangible assets comprise brands obtained by the Group on acquisition of subsidiaries (Note 29), and are amortised over their estimated useful lives of 10 years. The carrying value of intangible assets was determined as follows:

	The Group	
	2006	**2005**
	$'000	**$'000**
Fair value of brands acquired	48,000	48,000
Less: Accumulated amortisation	(8,400)	(3,600)
	39,600	44,400

16. Available-for-sale Investments

Available-for-sale investments comprise the following:

	The Group & The Company	
	2006	**2005**
	$'000	**$'000**
Amounts held in US$ mutual funds	218,798	398,095
Government of Jamaica securities	644,809	746,392
	863,607	1,144,487
Less: Government of Jamaica securities maturing within 12 months	(261,552)	(151,006)
	602,055	993,481

Government of Jamaica securities include interest receivable of $11,011,000 (2005 – $17,195,000). The weighted average effective interest rate on Government of Jamaica securities was 13% (2005 – 16%).

The weighted average yield on amounts held in US$ mutual funds was 6% (2005 – 8%).

The movement in available-for-sale investments during the year was as follows:

	The Group & The Company	
	2006	**2005**
	$'000	**$'000**
Balance at start of year	1,144,487	1,297,244
Additions	60,410	452,058
Disposals	(367,342)	(633,393)
Net revaluation surplus transferred to equity	4,051	5,659
Effect of changes in foreign exchange rates	22,001	22,919
Balance at end of year	863,607	1,144,487

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17. Investment in Associates

Investment in associates comprises the following:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Gatcombe Investments Limited	1,127,400	1,121,177	229,018	229,018
CBM Limited	316,979	238,094	205,038	205,038
Productive Business Solutions Limited	130,406	142,787	97,960	97,960
	1,574,785	1,502,058	532,016	532,016

(a) On 31 July 2005, Seprod Limited's 50% shareholding in North Coast Milling Limited was cancelled following the winding up of that entity. Loans due to the entity amounting to $48,514,000 were discharged and the Group's and the company's investment of $48,474,000 and $25,000,000, respectively, were written-off. The resulting loss of $3,696,000 to the Group and gain of $19,778,000 to the company (after transfer taxes and other deductions amounting to $3,736,000) were charged/(credited) to the profit and loss account.

The difference between the Group's and the company's investment was due to the Group's accumulated share of profits up to the date that North Coast Milling Limited was wound up.

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

A loan due from Facey, which had a carrying value of $1 and a face value of $826,086,000, was assigned to Gatcombe on the transfer of shares in Facey.

Included in the Gatcombe balance is an amount of $1, which represents the cost of a loan which has a face value of US$13,651,604.84. The loan attracts interest at 12% (which was forgiven since inception in 2005). Future repayments by Gatcombe will be charged against the carrying value of the Group's investment.

(c) Included in the CBM Limited balance is a loan receivable of US$3,339,000. This loan attracts interest at a rate of 12% (which was forgiven since inception in 2004), and is to be repaid no later than 31 October 2015, or such later date as may be agreed between the parties.

(d) Included in the Productive Business Solutions Limited balance is a loan receivable of US$1,513,079. This loan attracts interest at a rate of 20% (which was forgiven since inception in 2004), and has no set repayment date. During the prior year, Productive Business Solutions Limited made principal repayments amounting to US$250,000.

Seprod Limited

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17. Investment in Associates (Continued)

(e) The movement in investment in associates during the year was as follows:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Balance at start of year	1,502,058	1,418,213	532,016	572,401
Disposals	-	(48,474)	-	(25,000)
Share of profits	72,727	147,704	-	-
Loan repayments	-	(15,385)	-	(15,385)
Balance at end of year	1,574,785	1,502,058	532,016	532,016

(f) The aggregate amounts of assets, liabilities, revenue and results of associates are summarised as follows:

	Assets	Liabilities	Revenue	Net profit
	$'000	**$'000**	**$'000**	**$'000**
		2006		
Gatcombe Investments Limited	25,735,227	24,411,074	50,444,538	208,422
CBM Limited	956,868	876,460	906,037	10,825
Productive Business Solutions Limited	486,955	454,106	710,606	15,049
		2005		
Gatcombe Investments Limited	9,215,314	8,323,908	24,295,700	181,261
CBM Limited	797,226	729,883	920,579	43,071
Productive Business Solutions Limited	400,705	385,576	626,295	71,076

Seprod Limited

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18. Retirement Benefits

	The Group & The Company	
	2006	**2005**
	$'000	**$'000**
Assets/(liabilities) recognised in the balance sheet –		
Pension scheme	33,100	100,900
Medical benefits	(49,800)	(44,100)
Amounts recognised in the profit and loss account –		
Pension scheme	(19,100)	6,200
Medical benefits	(10,300)	(10,800)

Pension scheme
The Group participates in a defined benefit scheme, which is open to all permanent employees and administered by West Indies Trust Company Limited. The plan provides benefits to members based on average earnings for the final year of service (formerly 2 years), with the Group and employees each contributing 5% of pensionable salaries. The plan is valued by independent actuaries annually using the projected unit credit method; the latest such valuation being as at 31 August 2006. Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding; the latest such valuation being as at 31 August 2005 revealed that the scheme was adequately funded.

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

	The Group & The Company	
	2006	**2005**
	$'000	**$'000**
Fair value of plan assets	525,400	545,200
Present value of obligations	(438,500)	(322,100)
	86,900	223,100
Unrecognised actuarial gains	(56,300)	(122,800)
Unrecognised past service cost	2,500	600
	33,100	100,900

The distribution of plan assets was as follows:

	2006		2005	
	$'000	**%**	**$'000**	**%**
Quoted equities	142,909	27	165,910	30
Real estate	159,722	31	138,894	26
Government of Jamaica securities	153,417	29	166,786	31
Repurchase agreements	27,846	5	35,414	6
Leases	19,965	4	19,557	4
Other	21,541	4	18,639	3
	525,400		545,200	

Seprod Limited

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18. Retirement Benefits (Continued)

Pension scheme (continued)
Plan assets include the company's ordinary stock units of with a fair value of $24,701,000 (2005 - $26,348,000).

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.

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

	The Group & The Company	
	2006 $'000	**2005 $'000**
At beginning of year	545,200	425,240
Expected return on plan assets	58,100	47,760
Employer contributions	2,600	2,200
Employee contributions	3,800	3,100
Benefits paid	(23,800)	(18,600)
Amounts refunded to the company	(51,200)	-
Actuarial gains on plan assets	(9,300)	85,500
At end of year	525,400	545,200

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

	The Group & The Company	
	2006 $'000	**2005 $'000**
At beginning of year	(322,100)	(221,500)
Current service cost	(12,300)	(9,600)
Interest cost	(38,800)	(29,500)
Past service cost –		
Non-vested benefits	(2,100)	(700)
Vested benefits	(39,800)	(23,100)
Employee contributions	3,800	3,100
Benefits paid	23,800	18,600
Actuarial losses on obligations	(51,000)	(59,400)
At end of year	(438,500)	(322,100)

Seprod Limited

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18. Retirement Benefits (Continued)

Pension scheme (continued)

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

	The Group & The Company	
	2006 $'000	**2005 $'000**
Current service cost, net of employee contributions	(4,700)	(3,400)
Interest cost	(38,800)	(29,500)
Past service cost –		
Non-vested benefits	(100)	(100)
Vested benefits	(39,800)	(23,100)
Expected return on plan assets	58,100	47,800
Net actuarial gain recognised during the year	6,200	4,300
Change in asset limitation	-	10,200
Total included in staff costs (Note 8)	(19,100)	6,200

The actual return on plan assets was $48,700,000 (2005 – $133,300,000).

Expected employer contributions to the plan for the year ended 31 December 2007 amount to $2,802,000.

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 are as follows:

	2006	**2005**	**2004**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Fair value of plan assets	525,400	545,200	425,240	338,000	343,300
Defined benefit obligation	(438,500)	(322,100)	(221,500)	(213,400)	(191,900)
Surplus	86,900	223,100	203,740	124,600	151,400
Experience adjustments –					
Fair value of plan assets	9,400	(85,500)	(120,900)	(25,300)	(7,300)
Defined benefit obligation	22,600	59,400	(19,600)	(6,600)	23,500

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18. Retirement Benefits (Continued)

Medical benefits

In addition to pension benefits, the Group offers retirees medical benefits. Funds are not built up to cover the obligations under the medical benefit scheme. The method of accounting and frequency of valuations are similar to those used for the pension scheme. The liability recognised in the balance sheet was determined as follows:

	The Group & The Company	
	2006	**2005**
	$'000	**$'000**
Present value of obligations	(64,400)	(67,500)
Unrecognised actuarial losses	14,600	23,400
	(49,800)	(44,100)

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

	The Group & The Company	
	2006	**2005**
	$'000	**$'000**
At beginning of year	(67,500)	(68,300)
Current service cost	(700)	(600)
Interest cost	(8,200)	(8,200)
Benefits paid	4,600	4,600
Actuarial gains	7,300	5,000
At end of year	(64,400)	(67,500)

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

	The Group & The Company	
	2006	**2005**
	$'000	**$'000**
Current service cost	(700)	(600)
Interest cost	(8,200)	(8,200)
Net actuarial losses recognised during the year	(1,400)	(2,000)
Total included in staff costs (Note 8)	(10,300)	(10,800)

A 1% increase/(decrease) in the in the assumed medical cost trend rate would result in an increase/(decrease) in the aggregate current service cost and interest cost of $1,100,000/($1,000,000), and an increase/(decrease) in the defined benefit obligation of $7,200,000/($5,900,000).

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

	2006	**2005**	**2004**	**2003**	**2002**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Defined benefit obligation	(64,400)	(67,500)	(68,300)	(63,000)	(33,400)
Experience adjustments	(12,200)	(5,000)	(2,700)	7,700	3,100

Seprod Limited

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18. Retirement Benefits (Continued)

Principal actuarial assumptions used in valuing retirement benefits
The principal actuarial assumptions used in valuing retirement benefits were as follows:

	2006	2005
Discount rate	12.0%	12.5%
Expected return on plan assets	11.0%	11.0%
Future salary increases	9.0%	9.0%
Future pension increases	5.0%	5.0%
Long term increase in health costs	11.0%	11.0%
Average expected remaining service life of the employees (years)	11	12

At normal retirement age, 92.8% of males and 74.2% of females are married.

The age difference between husband and wife is 3 years.

Post-retirement 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.

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19. Biological Assets

	The Group	
	2006	**2005**
	$'000	**$'000**
Dairy Livestock –		
1,852 (2005 – 1,490) Cows able to produce milk	66,671	40,630
1,212 (2005 – 843) Heifers being raised to produce milk in the future	22,980	18,042
Other Livestock –		
16 (2005 – 28) Bulls raised for sale and reproduction	720	1,120
27 (2005 – 59) Calves raised for sale and for future reproduction	195	502
	90,566	60,294

5,001,669 (2005 – 3,243,914) litres of milk with a fair value less estimated point-of-sale costs of $127,542,000 (2005 – $80,412,000) were produced during the period.

The movement in biological assets during the year was as follows:

	The Group	
	2006	**2005**
	$'000	**$'000**
Balance at start of year	60,294	-
Acquisition of subsidiary	-	55,978
Purchases	19,357	708
Sales	(9,945)	(6,281)
Changes in fair value less estimated point-of-sale costs	20,860	9,889
Balance at end of year	90,566	60,294

The changes in fair value less estimated point-of-sale costs were attributable to:

	The Group	
	2006	**2005**
	$'000	**$'000**
Physical changes	7,497	9,824
Price changes	13,363	65
	20,860	9,889

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20. Inventories

	The Group	
	2006	**2005**
	$'000	**$'000**
Raw and packaging materials	450,173	320,542
Work in progress	14,439	11,759
Finished goods	164,226	230,654
	628,838	562,955

21. Receivables

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	478,014	440,886	-	-
Less: Provision for impairment	(66,498)	(73,716)	-	-
	411,516	367,170	-	-
Advances to associate (Note 31 (c))	400,000	-	400,000	-
Other advances and prepayments	78,597	35,413	49,259	56,918
Other	58,394	91,325	39,086	21,858
	948,507	493,908	488,345	78,776

22. Cash and Cash Equivalents

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

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	133,990	135,112	34,990	21,986
Bank overdraft	(144,435)	-	(144,435)	-
	(10,445)	135,112	(109,445)	21,986

23. Payables

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	151,353	251,976	-	-
Accruals	144,275	129,004	71,092	59,183
Other	33,436	25,772	10,666	7,119
	329,064	406,752	81,758	66,302

Seprod Limited

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24. Share Capital

	2006	2005
	$'000	$'000
Authorised -		
530,000,000 Ordinary shares	530,000	530,000
Issued and fully paid -		
516,398,000 Ordinary stock units	516,398	516,398
Share premium	44,889	44,889
	561,287	561,287

The company did not elect, under section 37 of the Companies Act 2004, to maintain its shares at par or nominal value. As of 1 August 2005, therefore, the ordinary shares of the company are deemed to have been converted to shares without a nominal or par value, and the amount previously classified separately as share premium is now included in the total shown for share capital.

25. Capital Reserve

This comprises:

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Revaluation surplus on assets carried at deemed cost	346,551	346,551	105,340	105,340
Fair value gains on available-for-sale investments	48,851	44,800	48,851	44,800
Profits of subsidiaries capitalised	336,537	336,537	-	-
Redemption reserve	1,800	1,800	-	-
Realised gains on sale of investments	98,440	84,713	98,440	84,713
Other realised surplus	22,230	22,230	20,289	20,289
	854,409	836,631	272,920	255,142

26. Borrowings

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Long term loans	392,776	305,986	348,591	216,579
Less: Current portion	(233,631)	(78,552)	(206,508)	(30,389)
	159,145	227,434	142,083	186,190
Loans from associate	240,000	240,000	240,000	240,000
	399,145	467,434	382,083	426,190

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26. Borrowings (Continued)

Long term loans

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
(i) 7% Development Bank of Jamaica Limited	-	10,000	-	-
(ii) 10.5% Development Bank of Jamaica Limited	16,374	23,651	-	-
(iii) 13% Development Bank of Jamaica Limited	18,757	31,309	-	-
(iv) 13% Bank of Nova Scotia Jamaica Limited	6,114	24,447	-	-
(v) 8% Elopak Inc.	2,940	-	-	-
(vi) Xerox Corporation	-	30,389	-	30,389
(vii) 7% Pan Caribbean Merchant Bank Limited	193,591	186,190	193,591	186,190
(viii) 11% First Global Bank Limited	155,000	-	155,000	-
	392,776	227,434	348,591	186,190

(i) This loan was repaid during the year. The loan was secured by a Deed of Charge over Government of Jamaica Indexed Bond.

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

(iii) This loan is repayable by equal quarterly instalments ending in 2009. The loan is secured by an unlimited guarantee; a demand debenture constituting a first charge over the fixed and floating assets; and a supplemental bill of sale over certain fixed assets of Serge Island Dairies Limited and Serge Island Farms Limited.

(iv) This loan is repayable by equal monthly instalments ending in 2007. The loan is secured by an unlimited guarantee; a demand debenture constituting a first charge over the fixed and floating assets; and a supplemental bill of sale over certain fixed assets of Serge Island Dairies Limited and Serge Island Farms Limited.

(v) This represents a US$ financing agreement from a supplier for the purchase of raw materials and is repayable in 36 monthly installments commencing in October 2006.

(vi) This represented US$ loans due to Xerox Corporation for the acquisition of certain companies within the Caribbean region. These companies are wholly owned by associates, CBM Limited and Productive Business Solutions Limited. The loans were unsecured and interest free and were repaid during the year.

(vii) This represents a US$ promissory note due to Pan Caribbean Merchant Bank Limited. The note was originally due to ICD Group Limited and formed a part of the purchase consideration for the acquisition of Serge Island Dairies Limited and Serge Island Farms Limited (Note 29). Subsequent to the acquisition, Pan Caribbean Merchant Bank Limited purchased the note from ICD Group Limited. The note is scheduled to be repaid in 2007.

(viii) This loan is repayable by equal quarterly instalments ending in 2013. There is a moratorium on the principal payments until September 2007. The loan is secured by Government of Jamaica investment securities.

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26. Borrowings (Continued)

Loans from associate
This is comprised of loans from Facey Commodity Company Limited which are interest free and have no fixed terms of repayment.

27. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a tax rate of 33⅓%.

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

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred tax assets	53,915	93,560	-	-
Deferred tax liabilities	(203,865)	(199,773)	(23,932)	(58,038)
	(149,950)	(106,213)	(23,932)	(58,038)

The movement in deferred taxation is as follows:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Balance at start of year	(106,213)	(134,917)	(58,038)	(41,986)
On acquisition of subsidiaries	-	87,604	-	-
(Charge)/credit to profit and loss account (Note 10)	(43,737)	(58,900)	34,106	(16,052)
Balance at end of year	(149,950)	(106,213)	(23,932)	(58,038)

The deferred tax (charged)/credited in the profit and loss account comprises the following temporary differences:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Accelerated tax depreciation	14,952	(61,869)	7,001	(14,558)
Retirement benefits	24,500	(719)	24,500	(719)
Tax losses carried forward	(78,646)	5,098	-	-
Other	(4,543)	(1,410)	2,605	(775)
	(43,737)	(58,900)	34,106	(16,052)

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27. Deferred Taxation (Continued)

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

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Accelerated tax depreciation	(221,100)	(236,052)	(27,165)	(34,166)
Retirement benefits	5,567	(18,933)	5,567	(18,933)
Tax losses carried forward	75,103	153,749	-	-
Other	(9,520)	(4,977)	(2,334)	(4,939)
	(149,950)	(106,213)	(23,932)	(58,038)

The deferred tax assets/(liabilities) in the balance sheet include:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets to be recovered within 12 months	78,646	19,000	-	-
Deferred tax liabilities to be settled within 12 months	(9,520)	(4,977)	(2,334)	(4,939)

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits of certain subsidiaries amount to $288,102,000 (2005 – $613,349,000).

Deferred tax assets of approximately $20,931,000 (2005 – $51,000,000) have not been recognised in respect of tax losses of certain subsidiaries. At 31 December 2006, tax losses carried forward for which no deferred tax assets have been recognised amounted to approximately $62,793,000 (2005 – $153,000,000).

Deferred tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries and associated companies, to the extent that such earnings are expected to be permanently reinvested. At the year end, such undistributed earnings totalled $677,706,000 (2005 – $402,544,000) for subsidiaries and $970,042,000 (2005 – $970,042,000) for associates.

Seprod Limited

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28. Cash Generated from Operations

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Net profit	460,992	750,180	103,089	113,300
Items not affecting cash resources:				
Amortisation of intangible assets	4,800	3,600	-	-
Depreciation	116,837	97,306	19,361	12,445
Unrealised foreign exchange gains	(14,600)	(10,533)	(14,600)	(10,533)
Gain on sale of available-for-sale investments	(7,783)	(7,236)	(7,783)	(7,236)
Loss/(gain) on disposal of investment in associate	-	3,696	-	(19,778)
Gain on disposal of investment in subsidiary	-	-	(5,944)	-
Gain on sale of fixed assets	(1,414)	(3,466)	(1,175)	(645)
Negative goodwill on acquisition of subsidiaries	(1,260)	(247,396)	-	-
Share of results of associated companies	(72,727)	(147,704)	-	-
Interest income	(157,260)	(130,231)	(156,824)	(129,890)
Interest expense	49,413	34,650	32,639	13,105
Dividend income	-	(952)	-	(952)
Taxation	217,794	172,239	21,663	57,076
	594,792	514,153	(9,574)	26,892
Changes in operating assets and liabilities:				
Inventories	(65,883)	(4,161)	-	-
Receivables	(54,599)	(69,618)	(9,569)	(35,186)
Biological assets	(30,272)	(4,316)	-	-
Retirement benefits	73,500	(2,160)	73,500	(2,160)
Accounts payable	(77,688)	(108,157)	15,456	(3,101)
	439,850	325,741	69,813	(13,555)
Taxation paid	(135,272)	(88,110)	(43,488)	(26,925)
Cash provided by operating activities	304,578	237,631	26,325	(40,480)

The principal non-cash transaction was the issue of a promissory note which formed a part of the purchase consideration for Serge Island Dairies Limited and Serge Island Farms Limited in the prior year (Note 29).

Seprod Limited

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29. Acquisition of Subsidiaries

Acquisition in the current year
Effective 30 September 2006, the Group acquired the entire share capital of Belvedere Limited, a company which owns farmlands adjacent to Serge Island Farms Limited. The acquired business contributed revenues of $459,000 and net losses of $2,739,000 for the 3 months ended 31 December 2006.

If the acquisition had occurred on 1 January 2006, Group revenue would not have been affected, and net profit attributable to stockholders for the year ended 31 December 2006 would have amounted to $384,026,000. These amounts were calculated using the Group's accounting policies.

The negative goodwill on acquisition was attributable to the recognition of the acquired fixed assets at their fair market value, and was arrived at as follows:

	$'000
Fair value of fixed assets acquired	133,149
Purchase consideration - cash	131,889
Negative goodwill on acquisition	1,260

The fair value of the acquiree's fixed assets was determined by independent professional valuers. The carrying value of the fixed assets at acquisition date was $141,597,000. The acquiree had no other assets or liabilities external to the Seprod Group at acquisition date.

Management has determined that there are no intangible assets in the acquired entity. Additionally, management has not recognised deferred tax assets on the entity's tax losses brought forward as there are significant doubts whether the entity can benefit from these tax losses.

No cash and cash equivalents were acquired in the transaction. The cash outflow on acquisition comprises the purchase consideration.

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29. Acquisition of Subsidiaries (Continued)

Acquisition in the prior year
Effective 1 April 2005, the Group acquired the entire share capital of Serge Island Farms Limited and Serge Island Dairies Limited, companies operating a dairy farm and producing milk products and juices. The acquired businesses contributed revenues of $672,958,000 and net profits of $40,529,000 for the 9 months ended 31 December 2005.

If the acquisition had occurred on 1 January 2005, Group revenue and net profit attributable to stockholders for the year ended 31 December 2005 would have amounted to $4,173,860,000 and $696,451,000, respectively. These amounts were calculated using the Group's accounting policies and by adjusting the results of the acquirees to reflect biological assets at fair value and to charge costs in relation to spares and supplies to the profit and loss account as incurred instead of carrying them as inventory.

The negative goodwill on acquisition was arrived at as follows:

	$'000
Fair value of net assets acquired	505,812
Purchase consideration –	
Cash paid	83,416
Promissory note issued	175,000
	258,416
Negative goodwill on acquisition	247,396

The negative goodwill was primarily attributable to the recognition of deferred tax assets on certain tax losses carried forward, the recognition of intangible assets and the excess of the fair market value of the acquired fixed assets over their carrying values.

Deferred tax assets were recognised based on improvements in trading conditions and profitability of the acquirees since the acquisition date, and management's expectation that it will be able to take advantage of tax losses carried forward. The extent of the recognition was based on profit forecasts done by management, as well as anticipated changes in tax laws with respect to the number of years that tax losses may be carried forward.

The fair values of fixed and intangible assets were determined by professional valuers. The valuers of the acquired intangible assets and the plant and equipment are independent of the Group. The valuers of the acquired land and buildings is The CD Alexander Company Realty Limited, a member of the Musson Group of companies.

No cash and cash equivalents were acquired in the transaction. The cash outflow on acquisition comprises only the cash paid that formed a part of the purchase consideration.

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29. Acquisition of Subsidiaries (Continued)

Acquisition in the prior year (continued)
The assets and liabilities arising from the acquisition were as follows:

	Acquirees' Carrying Amounts $'000	Fair Values $'000
Non-Current Assets		
Fixed assets	432,233	493,100
Intangible assets (Note 15)	-	48,000
Biological assets	68,274	55,978
Deferred tax assets	-	113,689
	500,507	710,767
Current Assets		
Inventories	121,078	96,192
Receivables	104,261	104,261
	225,339	200,453
Current Liabilities		
Payables	269,053	269,053
Current portion of long term liabilities	30,886	30,886
	299,939	299,939
Net Current Liabilities	(74,600)	(99,486)
	425,907	611,281
Non-Current Liabilities		
Long term liabilities	79,384	79,384
Deferred tax liabilities	26,085	26,085
	105,469	105,469
Net Assets	320,438	505,812

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30. Disposal of Subsidiaries

During the current year, Coper Limited and Jamaica Household Products Limited were wound up. Both entities were dormant.

The details of the entities' net assets at disposal date were as follows:

	Coper Limited $'000	Jamaica Household Products Limited $'000	Total $'000
Non-current assets – fixed assets	-	421	421
Current assets – due from group companies	4,940	1,091	6,031
Net assets	4,940	1,512	6,452

The Group's gain on disposal was calculated as follows:

	Coper Limited $'000	Jamaica Household Products Limited $'000	Total $'000
Net assets at disposal date	4,940	1,512	6,452
Less: Group company balances	(4,940)	(1,091)	(6,031)
Less: Fixed assets taken over by the company	-	(421)	(421)
Gain on disposal	-	-	-

The company's gain on disposal was calculated as follows:

	Coper Limited $'000	Jamaica Household Products Limited $'000	Total $'000
Write-off of amounts payable to group companies	4,940	1,091	6,031
Fixed assets taken over by the company	-	421	421
	4,940	1,512	6,452
Less: Write-off of the company's investment in subsidiaries	(507)	(1)	(508)
Gain on disposal (Note 6)	4,433	1,511	5,944

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31. Related Party Transactions

The following transactions were carried out with or on behalf of related parties:

(a) Sales and purchases of goods and services
Sales of $968,972,000 (2005 – $630,976,000) to and purchases of $71,485,000 (2005 – $59,328,000) from Musson Jamaica Limited, T.Geddes Grant (Distributors) Limited and Facey Commodity Company Limited. The Chairman of the company's Board of Directors is a major shareholder and Chairman of the Board of Directors of these entities. Goods are sold/bought on the basis of the price lists in force with non-related parties.

A subsidiary paid cess of $4,938,000 (2005 - $4,880,000) based on the importation of copra-based and substitute products, to Coconut Industry Board, a major shareholder of the company.

(b) Key management compensation

	2006 $'000	2005 $'000
Wages and salaries	82,358	64,014
Statutory contributions	6,769	5,947
Other	4,062	3,624
	93,189	73,585
Directors' emoluments –		
Fees	6,115	4,773
Medical insurance premiums	10,790	9,268
Management remuneration (included above)	23,513	14,514

(c) Advances and loans
Profit share advances to key management were as follows:

	2006 $'000	2005 $'000
Group Managing Director	8,438	4,725
Other key management personnel	25,312	17,775
	33,750	22,500

Included in receivables (Note 21) are advances of $400,000,000 to Facey Commodity Company Limited. These advances attract interest at a weighted average rate of 19% and are repayable at call. Interest earned on the advances during the year amounted to $54,688,000.

Loans to associates are included in investment in associates and disclosed in Note 17. Loans from associates are disclosed in Note 26.

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31. Related Party Transactions (Continued)

(d) Guarantees and Letters of Comfort

(i) The company has signed a guarantee in favour of Kraft Foods Jamaica Limited for 50% of all debts owed by Facey Commodity Company Limited.

(ii) The company has signed a Letter of Comfort in favour of RBTT Bank Jamaica Limited (RBTT), agreeing not to dispose of its interest in Facey Commodity Limited without the prior written approval of RBTT. This letter was issued in connection with RBTT extending credit facilities to Facey Commodity Company Limited amounting to US$20 million.

(iii) The company has guaranteed the performance of payments to the minority shareholder of a subsidiary of Facey Commodity Company Limited, in the event that an option to sell its minority shareholding to Facey Commodity Company Limited is exercised. The option first becomes exercisable in 2009, and the exercise price is dependent on the circumstances under which the option is exercised. Management is of the opinion that the option will not be exercised as the subsidiary is currently profitable and disposal of the minority shareholding under the terms of the option would result in the minority shareholder suffering losses

32. Contingencies and Commitments

(a) Minimum annual lease payments required under operating lease arrangements in relation to factory rental by a subsidiary is US$130,000, and these arrangements are set to expire in 2011.

(b) At 31 December 2006, management had approved approximately $180 million (2005 – $142 million) for capital expenditure in respect of certain subsidiaries.

33. Litigation, Claims and Assessments

The Group is subject to various claims, disputes and legal proceedings, as part of the normal course of business. Provision is made for such matters when, in the opinion of management and is professional advisors, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which, according to the principles outlined above, have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both the financial position and results of operations.

Notes:

1. Revenues increased by 23% from $3.95 billion in 2005 (the "Prior Year") to $4.88 billion in 2006 (the "Current Year"). Operating profit increased by 16% from $562 million to $654 million over the same period.

2. Profit before Tax was $679 million for the Current Year compared with $922 million for the Prior Year, a decline of 26%. This decline was primarily due to two factors: (i) In the Prior Year, the Group benefited from a one-time negative goodwill adjustment on the acquisition of a subsidiary, which was not repeated in the Current Year. This contributed to a reduction of $247 million, and (ii) The Group's share of profit from associated companies declined by $74 million compared with the previous year.