LASCELLES, deMERCADO & CO. LIMITED

FINANCIAL STATEMENTS

SEPTEMBER 30, 2007

KPMG

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INDEPENDENT AUDITORS' REPORT

To the Members of
LASCELLES, deMERCADO & CO. LIMITED

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Lascelles, deMercado & Co. Limited and its subsidiaries ("the group"), set out on pages 3 to 41 which comprise the group's balance sheet as at September 30, 2007, the group's statements of income, changes in equity and cash flows 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 the financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and consistently applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 as to whether or not 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 auditors' 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 auditors consider internal controls 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 the entity's internal controls. 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.

KPMG

INDEPENDENT AUDITORS' REPORT

To the Members of
LASCELLES, deMERCADO & CO. LIMITED

Report on the Financial Statements (cont'd)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the group as at September 30, 2007 and of the group's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards, and comply with the provisions of the Jamaican Companies Act, so far as concerns members of the company.

Report on additional requirements of 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 maintained and the financial statements, which are in agreement therein, give the information required by the Jamaican Companies Act in the manner so required.

KPMG

November 28, 2007

LASCELLES, deMERCADO & CO. LIMITED

Group Balance Sheet
September 30, 2007

	Notes	2007 $'000s	2006 $'000s
Current assets			
Cash and cash equivalents		3,212,110	2,196,750
Short-term investments		1,080,982	2,194,949
Accounts receivable	3	3,278,301	2,757,364
Taxation recoverable		309,171	290,199
Reinsurance assets	9	1,041,430	700,374
Inventories	4	5,906,158	5,248,578
Biological assets	5	155,325	164,073
		14,983,477	13,552,287
Current liabilities			
Bank loans and overdrafts	6	187,399	181,877
Other unsecured loans	7	493,850	420,634
Current maturities of long-term liabilities	18	50,995	72,694
Accounts payable	8	3,397,159	2,622,180
Insurance contract provisions	9	2,654,406	2,303,298
Taxation payable		166,356	234,988
		6,950,165	5,835,671
Net current assets		8,033,312	7,716,616
Non-current assets			
Employee benefits assets	10(a)	2,405,900	2,150,700
Investments	11	10,028,218	6,673,618
Interest in associated companies	12	10,752	9,866
Intangible assets	13	105,481	105,481
Property, plant & equipment	14	3,378,215	3,198,350
Deferred tax assets	15(a)	10,443	63,875
		15,939,009	12,201,890
		23,972,321	19,918,506
Financed by:			
Stockholders' equity			
Share capital	16	20,400	20,400
Reserves	17	14,849,636	12,910,698
Unappropriated profits		7,661,995	5,581,899
		22,532,031	18,512,997
Non-current liabilities			
Employee benefits obligations	10(b)	354,900	307,900
Deferred tax liabilities	15(b)	1,024,222	981,203
Long-term liabilities	18	61,168	116,406
		1,440,290	1,405,509
		23,972,321	19,918,506

The financial statements on pages 3 to 41, were approved for issue by the Board of Directors on November 28, 2007, and signed on its behalf by:

_____________ Director
William A. McConnell

_____________ Director
Anthony J. Bell

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

LASCELLES, deMERCADO & CO. LIMITED

Group Statement of Changes in Stockholders' Equity
Year ended September 30, 2007

	Share capital (note 16) $'000s	Reserves (note 17) $'000s	Unappropriated profits $'000s	Total $'000s
Balances at September 30, 2005	20,400	7,452,307	7,592,218	15,064,925
Net profit attributable to members	-	-	2,555,244	2,555,244[a]
Appreciation in fair value of investments	-	1,106,291	-	1,106,291[a]
Released on sale of investments	-	(38,499)	-	(38,499)[a]
Transfers, net	-	4,373,401	(4,373,401)	-
Translation adjustment arising on consolidation of foreign subsidiaries	-	17,198	-	17,198[a]
Dividends and distributions paid (note 23)	-	-	(192,162)	(192,162)
Balances at September 30, 2006	20,400	12,910,698	5,581,899	18,512,997
Net profit attributable to members	-	-	2,665,420	2,665,420[a]
Appreciation in fair value of investments	-	1,588,127	-	1,588,127[a]
Released on sale of investments	-	(11,942)	-	(11,942)[a]
Transfers, net	-	297,162	(297,162)	-
Translation adjustment arising on consolidation of foreign subsidiaries	-	65,591	-	65,591[a]
Dividends and distributions paid (note 23)	-	-	(288,162)	(288,162)
Balances at September 30, 2007	20,400	14,849,636	7,661,995	22,532,031

Retained in the financial statements of:

The company (including dividends received from subsidiaries)	20,400	8,363,891	1,604,797	9,989,088
The subsidiaries, net, including associated companies (accounted for on the equity basis)	-	6,485,745	6,057,198	12,542,943
Balances at September 30, 2007	20,400	14,849,636	7,661,995	22,532,031
The company (including dividends received from subsidiaries)	20,400	6,742,338	1,529,619	8,292,357
The subsidiaries, net, including associated companies (accounted for on the equity basis)	-	6,168,360	4,052,280	10,220,640
Balances at September 30, 2006	20,400	12,910,698	5,581,899	18,512,997

Recognised gains:

		2007	2006
(a)	Total recognised gains	$4,307,196,000	3,640,234,000
(b)	Recognised gains per ordinary stock unit	$ 44.87	37.92

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

LASCELLES, deMERCADO & CO. LIMITED

Group Income Statement
Year ended September 30, 2007

	Notes	2007 $'000s	2006 $'000s
Operating revenue	19	21,053,644	18,401,066
Cost of operating revenue		(12,888,877)	(11,499,657)
Gross profit		8,164,767	6,901,409
Administrative, marketing and selling expenses		(5,835,745)	(4,376,680)
Operating profit		2,329,022	2,524,729
Other income		181,616	134,384
Profit before net finance income and taxation		2,510,638	2,659,113
Finance cost		(120,005)	(136,564)
Finance income		813,353	589,454
Net finance income	20(a)	693,348	452,890
Profit before taxation	20(b)	3,203,986	3,112,003
Taxation	21	(538,566)	(556,759)
Net profit attributable to members		2,665,420	2,555,244
Dealt with in the financial statements of:			
The company (including dividends received from subsidiaries		637,554	1,120,301
The subsidiaries, net, including associated companies (accounted for on the equity basis)		2,027,866	1,434,943
		2,665,420	2,555,244
Earnings per ordinary stock unit	22	$ 27.76	26.62

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

LASCELLES, deMERCADO & CO. LIMITED

Group Statement of Cash Flows
Year ended September 30, 2007

	2007 $'000s	2006 $'000s
Cash flows from operating activities		
Net profit attributable to members	2,665,420	2,555,244
Adjustments for:		
Employee benefits, net	(208,200)	(597,300)
Unrealised translation adjustment on consolidation	65,591	17,198
Profit on disposal of investments	(22,316)	(5,452)
Results retained in associated companies	(886)	(27)
Interest income	(403,065)	(357,665)
Interest expense	93,560	116,056
Income tax expense	538,566	556,759
Depreciation	382,015	394,119
Impairment of property, plant & equipment	5,256	13,964
Loss on disposal of property, plant & equipment	(24,361)	(19,265)
Cash generated before changes in working capital	3,091,580	2,673,631
(Increase)/decrease in current assets:		
Accounts receivable	(467,637)	44,315
Reinsurance assets	(341,056)	84,223
Inventories	(657,580)	(567,308)
Biological assets	8,748	(11,914)
Increase/(decrease) in current liabilities:		
Accounts payable	837,237	(81,359)
Insurance contract provisions	351,108	185,327
Cash generated from operations	2,822,400	2,326,915
Interest paid	(155,818)	(52,360)
Income tax paid/tax deducted at source	(529,719)	(218,506)
Net cash provided by operating activities	2,136,863	2,056,049
Cash flows from investing activities		
Additions to investments	(2,084,070)	(1,165,027)
Interest received	349,765	272,575
Short term investments, net	1,113,967	(859,092)
Proceeds of sale of investments	327,971	717,889
Additions to property, plant & equipment	(728,053)	(470,721)
Proceeds of sale of property, plant & equipment	185,278	70,767
Net cash used by investing activities	(835,142)	(1,433,609)
Net cash provided before financing activities	1,301,721	622,440

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

LASCELLES, deMERCADO & CO. LIMITED

Group Statement of Cash Flows (continued)
Year ended September 30, 2007

	2007 $'000s	2006 $'000s
Net cash provided before financing activities	1,301,721	622,440
Cash flows from financing activities		
Decrease in bank loans	(29,198)	(25,234)
Increase/(decrease) in other unsecured loans	73,216	(152,378)
Long-term liabilities, net of repayments	(76,937)	(95,169)
Net cash used by financing activities	(32,919)	(272,781)
Net cash provided before dividend and distribution payments	1,268,802	349,659
Dividends and distributions paid	(288,162)	(192,162)
Net increase in cash and cash equivalents	980,640	157,497
Net cash and cash equivalents at beginning of year	2,140,296	1,982,799
Net cash and cash equivalents at end of year	3,120,936	2,140,296
Comprised of:		
Cash and bank balances	1,410,680	689,520
Short term deposits and monetary instruments	1,801,430	1,507,230
	3,212,110	2,196,750
Less: Bank overdrafts (note 6)	(91,174)	(56,454)
	3,120,936	2,140,296

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

1. **The company**

The company is incorporated in Jamaica under the Companies Act and is domiciled in Jamaica. Its ordinary and preference stock units are listed on the Jamaica Stock Exchange. Certain members of the Board of Directors control 50.76% of the voting rights in the company. The registered office of the company is situated at 23 Dominica Drive, Kingston 5, Jamaica, West Indies.

The principal activities of the company are the provision of management services to its subsidiaries (as listed in note 24) and the holding of investments. The company and its subsidiaries are collectively referred to as "group".

2. **Statement of compliance, basis of preparation and significant accounting policies**

(a) Statement of compliance:

The financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations issued by the International Accounting Standards Board (IASB), and comply with the provisions of the Jamaican Companies Act.

During the year under review certain new standards, interpretations and amendments to the existing standards became effective. Management has assessed that IAS 19 Amendments, *Actuarial Gains & Losses, Group Plans and Disclosures* and IAS 39 Amendments, *The Fair Value Option*, were the only standards relevant and appropriate additional disclosures, together with comparatives, are incorporated in these financial statements. The adoption of these standards did not result in any change to accounting policies.

At the date of authorisation of the financial statements the following new standards, amendments to standards and interpretations, which were in issue, are not yet effective. Those standards and interpretations are effective for the accounting periods beginning on, or after the indicated dates:

- *IFRS 7 Financial Instruments: Disclosures and the Amendments to IAS 1 Presentation of Financial Statements: Capital Disclosures* (effective January 1, 2007) require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks.

- *IFRS 8 Operating Segments* (effective January 1, 2009) introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the group's 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the group's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them.

- *IFRIC 10 Interim Financial Reporting and Impairment* (effective November 1, 2006) prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset at cost.

- *IFRIC 11 IFRS 2 – Group and Treasury Share Transactions* (effective March 1, 2007) requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(a) Statement of compliance (cont'd):

- *IFRIC 12 Service Concession Arrangements* (effective January 1, 2008) addresses the accounting requirements for public-to-private service concession arrangements in private sector entities.

- *IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective January 1, 2008) clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability.

- *Revised IAS 1 – Presentation of Financial Statements* (effective January 1, 2009) requires presentation of all non-owner changes in equity in one or two statements either in a single statement of comprehensive income, or in an income statement plus in a statement of comprehensive income. Revised IAS 1 also requires that a statement of financial position be presented at the beginning of the comparative period when the entity restates the comparatives, a disclosure for reclassification adjustments and disclosure of dividends and related per share amounts be disclosed on the face of the statement of changes in equity or in the notes.

- *IAS 23, Revised – Borrowing Costs (*effective January 1, 2009) allows the removal of the option of immediately recognising all borrowing costs as an expense. The standard requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of the asset.

The adoption of IFRS 7, IFRS 8, IFRIC 10, IFRIC 14, IAS19, IAS 1 revised and IAS 23 revised is expected to result in adjustments and additional disclosures to the financial statements. Management has not completed its evaluation of the impact of adopting these standards on the financial statements.

(b) Basis of preparation:

The financial statements are presented in Jamaica dollars ($), which is the functional currency of the company.

The financial statements are prepared using the historical cost basis, modified for the inclusion of available-for-sale investments at fair value.

The accounting policies have been applied consistently by group entities. Where necessary, prior year comparatives have been restated and reclassified to conform to 2007 presentation.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(c) Use of estimates and judgements:

The preparation of the financial statements to conform to IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, contingent assets and contingent liabilities at the balance sheet date, and the income and expense for the year then ended. Actual amounts could differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next financial year are discussed below:

(i) Allowance for impairment losses on receivables:

In determining amounts recorded for impairment losses on receivables in the financial statements, management makes judgements regarding indicators of impairment, that is, whether there are indicators that suggest there may be a measurable decrease in the estimated future cash flows from receivables, for example, default and adverse economic conditions. Management also makes estimates of the likely estimated future cash flows from impaired receivables as well as the timing of such cash flows. Historical loss experience is applied where indicators of impairment are not observable on individually significant receivables with similar characteristics, such as credit risks.

(ii) Outstanding claims:

Outstanding claims in the insurance subsidiary comprise estimates of the amount of reported losses and loss expenses plus a provision for losses incurred but not reported based on the historical experience of that subsidiary. The loss and loss expense reserves have been reviewed by that company's actuary using the company's past loss experience and industry data.

Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Management believes, based on the analysis computed by its actuary, that the provision for outstanding losses and loss expenses will be adequate to cover the ultimate net cost of losses incurred up to the balance sheet date. However, the provision is necessarily an estimate and may ultimately be settled for a significantly greater or lesser amount. Any subsequent differences arising are recorded in the period in which they are determined.

(iii) Pension and other post-retirement benefits:

The amounts recognised in the group's balance sheet and income statement for pension and other post-retirement benefits are determined actuarially using several assumptions. The primary assumptions used in determining the amounts recognised include expected long-term return on plan assets, the discount rate used to determine the present value of estimated future cash flows required to settle the pension and other post-retirement obligations and the expected rate of increase in medical costs for post-retirement medical benefits.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(c) Use of estimates and judgements (cont'd):

(iii) Pension and other post-retirement benefits (cont'd):

The expected return on plan assets considers the long-term returns, asset allocation and future estimates of long-term investment returns; the discount rate is determined based on the estimate of yield on long-term government securities that have maturity dates approximating the term of the company's obligation; in the absence of such instruments in Jamaica, it has been necessary to estimate the rate by extrapolating from the longest-tenor security on the market. The estimate of expected rate of increase in medical costs is determined based on inflationary factors. Any changes in the foregoing assumptions will affect the amounts recorded in the financial statements for these obligations.

(iv) Net realisable value of inventories and biological assets:

Estimates of net realisable value are based on the most reliable evidence available at the time the estimates are made, of the amount the inventories are expected to realise. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period.

Biological assets are measured by reference to estimated crop proceeds less cultivation, reaping, harvesting and transportation expenses to the point of sale.

Estimates of net realisable value also take into consideration the purpose for which the inventory is held.

(v) Residual value and expected useful life of property plant & equipment:

The residual value and the expected useful life of an asset are reviewed at least at each financial year-end, and, if expectations differ from previous estimates, the change is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company and its subsidiaries.

(vi) Impairment of goodwill:

Impairment of goodwill is dependent upon management's internal assessment of future cash flows from cash-generating units that gave rise to the goodwill. That internal assessment determines the amount recoverable from future use of those units. In addition, the estimate of the amount recoverable from future use of those units is sensitive to the discount rates used.

It is reasonably possible, based on existing knowledge, that outcomes that are different from these assumptions could require a material adjustment to the carrying amount reflected in future financial statements.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(d) Basis of consolidation:

(i) Subsidiaries

A "subsidiary" is an enterprise controlled by the company. Control exists when the company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

The consolidated financial statements comprise the financial results of the company and its subsidiaries prepared to September 30, 2007. The principal operating subsidiaries are listed in note 24.

(ii) Associates

Associates are those entities in which the group has significant influence, but not control, over their financial and operating policies. The consolidated financial statements include the group's share of the total recognised gains and losses on an equity accumulated basis from the date that significant influence commences until the date it ceases. The results used are those disclosed in the latest available audited financial statements adjusted for significant events, if any, occurring between the last audited balance sheet date and September 30, 2007. When the group's share of losses exceeds its carrying value in respect of an associate, the group's amount is reduced to nil, and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligations, or made payments on behalf of an associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(e) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short-term deposits maturing within three months or less from the date of deposit or acquisition that are readily convertible into known amounts of cash and which are not subject to significant risk of change in value.

Bank overdrafts, repayable on demand and forming an integral part of the group's cash management activities, are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(f) Accounts receivable:

Trade and other receivables are stated at amortised cost less impairment losses [note 2(w)].

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(g) Inventories:

Inventories are valued at the lower of cost, determined consistently on the same bases, and net realisable value. In the case of manufactured inventories, net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes an appropriate share of overheads based on normal operating capacity.

The bases are as follows:

Rum and other liquors and motor vehicle spare parts	-	First-In; First-Out
Raw and packaging materials:		
Molasses	-	Weighted average cost
Other	-	First-In; First-Out
Estate supplies	-	Weighted average cost
General merchandise goods held for re-sale	-	First-In; First-Out
Motor vehicle units	-	Specific identification

(h) Biological assets:

Biological assets materially comprise sugar cane cultivation expenses, which will be written off against the crop to which they relate. The balance is stated at cost less impairment losses measured by reference to estimated crop proceeds less cultivation, reaping, harvesting and transportation expenses to the point of sale.

(i) Accounts payable:

Trade and other payables, are stated at amortised cost.

(j) Provisions:

A provision is recognised in the balance sheet when the company or its subsidiaries have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the obligation.

(k) Underwriting results:

Underwriting results, including gross written premiums of the general insurance subsidiaries, are accounted for in compliance with the recommendations, practices and regulations of the respective jurisdictions.

In determining underwriting results, claims provisions are computed by a qualified independent actuary appointed by the insurance subsidiary's management. The appointed actuary's report outlines the scope of the valuations, the actuary's opinion, and is utilised by the auditors in carrying out their work.

Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(k) Underwriting results (cont'd):

Commission income and expense are deferred on a basis consistent with that used for deferring premium income.

(l) Related parties:

A party is related to the company, if:

(i) directly, or indirectly through one or more intermediaries, the party:
 (a) is controlled by, or is under common control with, the company;
 (b) has an interest in the company that gives it significant influence over the entity; or
 (c) has joint control over the company;

(ii) the party is an associate of the company or any of its subsidiaries;

(iii) the party is a joint venture in which the company or its subsidiaries is a venturer;

(iv) the party is a member of the key management personnel of the company or its subsidiaries;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the company or of its subsidiaries.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

The company has a related party relationship with its directors and key management personnel, representing certain senior officers of the company.

(m) Employee benefits:

Employee benefits comprising pensions and other post-employment assets and obligations included in these financial statements have been actuarially determined by a qualified independent actuary, appointed by management. The appointed actuary's report outlines the scope of the valuation and the actuary's opinion. The actuarial valuations are conducted in accordance with IAS 19, and the financial statements reflect the group's post-employment benefits assets and obligations as computed by the actuary. In carrying out their audit, the auditors make use of the work of the actuary and the actuary's report.

(i) Pension assets:

The company and certain subsidiaries are participating employers in various trusteed pension schemes, the assets of which are held separately from those of the group, and remain under the full control of the appointed trustees.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(m) Employee benefits (cont'd):

(i) Pension assets (cont'd):

The group's net obligation in respect of defined benefit pension schemes is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that value is discounted to determine the present value, and the fair value of any scheme assets is deducted. To the extent that the obligation is less than the fair value of scheme assets, the asset recognised is restricted to the discounted value of future benefits available to the group. The discount rate applied is the yield at balance sheet date on long-term government instruments that have maturity dates approximating the terms of the group's obligation [note (c)(iii)]. The calculation is performed using the projected unit credit method.

To the extent that any cumulative unrecognised gains or losses exceeds 10% of both the present value of the benefit obligation and the fair value of plan assets, that portion is recognised in the income statement over the expected average remaining working lives of the employees affected; otherwise, the actuarial gains or losses are not recognised.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

(ii) Other post-retirement benefits:

The group provides post-retirement health care benefits, which are not entitlements, to certain of its retirees. These benefits are usually conditional upon 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 a methodology similar to that for defined benefit pension plans and the present value of future benefits at the balance sheet date is shown as an obligation on the balance sheet.

Cumulative unrecognised gains and losses are recognised in a manner similar to the defined benefit pension plan.

(iii) Other employee benefits:

Employee entitlements to leave are recognised when they accrue to employees. A provision is made for the estimated liability for vacation leave, as a result of services rendered by employees up to the balance sheet date.

(n) Investments:

(i) Reverse repurchase agreements included in short-term investments:

A reverse repurchase agreement ("reverse repo") is a short-term transaction whereby an entity buys securities and simultaneously agrees to resell them on a specified date and at a specified price. Reverse repos, which are included in cash equivalents and short-term investments, are accounted for as short-term collateralised lending.

The difference between the sale and repurchase considerations is recognised on an accrual basis over the period of the transaction and is included in interest income.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(n) Investments (cont'd):

(ii) Available-for-sale:

Available-for-sale investments are initially measured at cost and subsequently at fair value, with unrealised gains or losses arising from changes in fair value recognised directly in equity revaluation reserve, except for impairment losses. Where fair values cannot be reliably determined, they are stated at cost.

When these investments are disposed of or impaired, the related unrealised gains or losses are recognised in the income statement.

The fair value of available-for-sale investments is based on their quoted market bid price at the balance sheet date. Where a quoted market price is not available, fair value is estimated using discounted cash flow techniques.

Available-for-sale investments are recognised or derecognised by the company and its subsidiaries on the date they commit to purchase or sell the investments.

(iii) Loans and receivables:

Investment with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are initially measured at cost and subsequently at amortised cost, using the effective interest rate method less impairment losses.

(o) Intangible assets:

(i) Goodwill:

Goodwill represents amounts arising on acquisition of subsidiaries. In respect of acquisitions that have occurred since October 1, 2001 (the IFRS transition date), goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired, less contingent liabilities.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

(ii) Trademarks:

Trademarks represent expenditure incurred for the acquisition of trademarks, primarily for liquor products, and are stated at cost less impairment losses. Trademarks are determined to have an indefinite useful life but are tested annually for impairment. Expenses relating to internally developed trademarks, including registration and subsequent renewal expenses, are charged to the income statement as and when these are incurred.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(p) Taxation:

Taxation on the profit or loss for the year comprises current and deferred tax. Taxation is recognised in the income statement, except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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

Deferred tax is computed using the balance sheet liability method, providing for all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted at the balance sheet date.

A deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, branches and associates, except to the extent that the company and its subsidiaries are able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(q) Property, plant & equipment:

(i) Owned assets:

Items of property, plant & equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials, direct labour and related cost to put the asset into service. The cost of replacing part of an item of property, plant & equipment is recognised in the carrying amount of an item if it is probable that the future economic benefits embodied within the part will flow to the group and its cost can be measured reliably. The costs of day-to-day servicing of property, plant & equipment are recognised in profit or loss as incurred.

(ii) Depreciation:

Depreciation is computed on the straight-line basis at annual rates estimated to write down the property, plant & equipment to their estimated residual values at the end of their expected useful lives.

No depreciation is charged on freehold land or construction in progress.

Depreciation rates are as follows:

Freehold buildings	-	2½%
Machinery, equipment and vehicles	-	5-33⅓%
Computer equipment and related software	-	100% except for major computerisation projects depreciated at 33⅓% and 50%.

Depreciation methods, useful lives and residual values are reassessed annually.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(r) Share capital:

Preference share capital is classified as equity in accordance with the Jamaican Companies Act. The relevant stock units are non-redeemable and have a right to a fixed dividend but have preferential voting rights and are considered to be compound financial instruments with a substantial component being in equity.

(s) Interest-bearing borrowings:

Interest-bearing borrowings are recognised initially at cost. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, with any difference between cost and redemption value being recognised in the income statement over the period of the borrowing on an effective interest basis.

(t) Foreign currencies:

(i) Foreign currency transactions and balances:

Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Jamaica dollars at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies are stated at fair value and are translated to Jamaica dollars at foreign exchange rates ruling at the dates the values were determined.

For the purpose of the statement of cash flows, all foreign currency gains and losses recognised in the income statement are treated as cash items and included in cash flows from operating or financing activities along with movements in the relevant balances.

(ii) Financial statements of foreign subsidiaries:

The reporting currencies of the foreign subsidiaries (see note 24) are also their functional currencies. For the purpose of the financial statements, revenues, expenses, gains and losses have been translated at the average exchange rates prevailing during the year; monetary assets and liabilities have been translated at exchange rates ruling at the balance sheet date and net stockholders' equity has been translated at historical exchange rates.

Unrealised gains and losses arising on translation of net stockholders' equity in foreign subsidiaries are recognised directly to equity on the group balance sheet and added or deducted to reflect the underlying group cash flows from operating activities in the group statement of cash flows.

(u) Revenue recognition:

Revenue from the sale of goods is recognised in the group income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or material associated costs on the possible return of goods.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(u) Revenue recognition (cont'd):

The proceeds from the sale of the sugarcane crop of the group's estates are recognised in accordance with the accounting practices of the Jamaican sugar industry. Revenue relating to the current crop of cane is estimated based on the latest available prices and any differences arising on final settlement are consistently accounted for in subsequent periods.

Premium and commission income is recognised over the period of insurance policies written. Unearned premiums and commissions are calculated on the twenty-fourths method in accordance with industry practice.

Interest and other investment income are recognized on the accrual basis on the effective interest rate basis, except when collectibility is considered doubtful.

Dividend income is recognized in the income statement on the date of declaration.

(v) Expenses:

(i) Net finance costs:

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest income on funds invested during the course of routine treasury transactions, material bank charges and foreign exchange gains and losses recognised in the income statement.

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

(ii) Operating lease payments:

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(w) Impairment:

The carrying amounts of the group's assets, other than inventories [see note 2(g)] and deferred tax assets [see note 2(p)] are reviewed at each balance sheet date to determine whether there is any indication of impairment. Intangible assets are assessed regardless of indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each balance sheet date. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the group income statement.

Impairment losses in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of other assets in the unit on a pro rata basis. Impairment losses are recognised in the group income statement.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(w) Impairment (cont'd):

When a decline in fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

(i) Calculation of recoverable amounts:

The recoverable amount of the group's receivables carried at amortised cost is calculated as the present value of expected future cash flows, discounted at the original effective interest rate inherent in the assets. Receivables with a short duration are not discounted. An impairment loss in respect of an available-for-sale investments is calculated by reference to its current fair value.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit or pool of assets to which the asset belongs.

(ii) Reversals of impairment:

An impairment loss in respect of receivables carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed.

For all other assets, an impairment loss is reversed if there is an indication that the impairment loss no longer exists and there has been a change in the estimate used to determine the recoverable amount.

All impairment losses are recognised in profit and loss. Any cumulative loss in respect of an available-for-sale in investment recognised previously in equity is transferred to profit or loss. For available-for-sale equity securities, the reversal is recognised directly in equity.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(x) Determination of profit and loss:

Profit is determined as the difference between the revenues from the goods and services rendered and the costs and other charges incurred during the year. Profits on transactions are taken in the year in which they are realised. A transaction is realised at the moment of delivery of goods and services. Losses are taken in the year in which they are realised or determinable.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(y) Segment reporting:

A segment is a distinguishable component of the group that is engaged either in providing products (business segment), or in providing products within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the group's business and geographical segments. The primary format, business segments, is based on the group's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

The activities of the group are organised into the following primary segments:

(i) Liquor, rums, wines and sugar: This includes cane cultivation, sugar manufacturing, distillation, ageing, blending, bottling, distribution and export of alcohol, rums, wines and other liquor based products.

(ii) General merchandise: This includes the manufacture, the wholesale and retail merchandising of provisions, household goods and electronic telephone cards, and the manufacture and distribution of pharmaceutical preparations and agricultural chemicals. Additionally, the manufacture of plastic consumables was materially discontinued during August 2006.

(iii) General insurance: This comprises the underwriting of property, casualty and other general insurance risks and the holding of investments.

(iv) Investments: This primarily comprises the holding of investments.

(v) Transportation services: This includes aircraft handling, distribution of motor vehicles and spares, servicing and repair of motor vehicles.

The business segments are managed on a worldwide basis, and are classified geographically as "Jamaica" and "Overseas".

(z) Financial instruments:

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise. For the purpose of these financial statements, financial assets have been determined to include cash and cash equivalents, accounts receivable, loans and other receivables, related party receivables and investments. Similarly, financial liabilities include accounts payable, short and long-term borrowings and related party payables.

2. **Statement of compliance, basis of preparation and significant accounting policies (cont'd)**

(aa) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration that would be currently agreed between knowledgeable, willing parties who are under no compulsion to act and is best evidenced by a quoted market price, if one exists. Some financial instruments lack an available trading market. These instruments have been valued using present value or other generally accepted valuation techniques and the fair value shown may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

3. **Accounts receivable**

	2007 $'000s	2006 $'000s
Trade receivables	2,578,646	2,200,769
Investment income receivable	158,167	104,865
Prepayments	244,703	143,662
Other receivables and advances	473,254	463,160
	3,454,770	2,912,456
Less: Allowances for doubtful debts	(176,469)	(155,092)
	3,278,301	2,757,364

During the year, net bad debts recognised, aggregating $22,096,000 (2006: $56,440,000), have been debited to the group's income statement.

4. **Inventories**

	2007 $'000s	2006 $'000s
In-bond rum and other liquors	3,234,869	2,824,887
Duty-paid liquors and other finished goods held for sale	743,018	686,957
Raw and packaging materials	1,475,617	1,308,156
Estate supplies	225,464	162,583
Motor vehicle units and spare parts	227,190	265,995
	5,906,158	5,248,578

During the year, inventory write-offs, aggregating $54,336,000 (2006: $92,965,000), were recognised in the group income statement.

5. **Biological assets**

	2007 $'000s	2006 $'000s
Immature sugarcane, at cost	207,966	179,679
Less: Allowance for impairment losses	(52,641)	(15,606)
	155,325	164,073

6. Bank loans and overdrafts

	2007 $'000s	2006 $'000s
Bank loans	96,225	125,423
Bank overdrafts	91,174	56,454
	187,399	181,877

Security, for bank indebtedness of the group, has been furnished in the form of negative pledges given by the company in the aggregated amount of approximately $1.5 billion.

As at September 30, 2007, bank loans and overdrafts included net foreign currency indebtedness aggregating approximately US$334,000 (2006: US$ Nil).

7. Other unsecured loans

These include loans from related parties aggregating $138,583,000 (2006: $128,489,000), contracted strictly at arms length in the ordinary course of business. The loans bear interest at 5.3% - 12.3% per annum (2006: 6% - 12%) and are repayable on demand.

8. Accounts payable

	2007 $'000s	2006 $'000s
Trade accounts payable	2,204,846	1,868,193
Customer deposits	5,884	17,240
Other payables	1,186,429	736,747
	3,397,159	2,622,180

9. Reinsurance assets and insurance contract provisions

Analysis of movements in insurance contract provisions:

	2007			2006		
	Gross $'000s	Reinsurance $'000s	Net $'000s	Gross $'000s	Reinsurance $'000s	Net $'000s
Claims outstanding (i)	1,578,703	364,246	1,214,457	1,297,357	124,618	1,172,739
Unearned premiums (ii)	1,075,703	677,184	398,519	1,005,941	575,756	430,185
	2,654,406	1,041,430	1,612,976	2,303,298	700,374	1,602,924

(i) Claims outstanding relate to incidents occurring prior to the balance sheet date but not settled on that date.

(ii) Unearned premiums are accounted for in periods for which risks have been recognised.

(iii) Claims incurred but not reported aggregated $450,859,000 (2006: $485,886,000).

10. Employee benefits

(a) Employee benefits assets:

	2007 $'000s	2006 $'000s
Present value of funded obligations	(3,130,300)	(3,106,800)
Fair value of plan assets	7,727,200	7,101,800
Unrecognised actuarial gains	(1,986,100)	(1,735,900)
Unrecognised amount due to limitation	(207,200)	(111,500)
Unrecognised past service costs	2,300	3,100
Recognised asset	2,405,900	2,150,700

(i) Plan assets include ordinary stock units issued by the company with a fair value of $647,096,000 (2006: $572,651,000). Plan assets also include investments in assets with a fair value of $241,475,000 (2006: $256,635,000) held under operating lease arrangements with the company and its subsidiaries.

(ii) Movements in funded obligations:

	2007 $'000s	2006 $'000s
Balance at beginning of year	(3,106,800)	(2,355,800)
Release on termination of other pension plans	404,500	-
Benefit paid	147,700	151,900
Current service and interest costs	(504,600)	(450,400)
Loss on curtailment	-	(4,600)
Actuarial gain	(71,100)	(447,900)
Balance at end of year	(3,130,300)	(3,106,800)

(iii) Movement in plan assets:

	2007 $'000s	2006 $'000s
Fair value of plan assets at beginning of year	7,101,800	6,203,900
Release on termination of other pension plans	(404,500)	-
Contributions paid	125,000	125,900
Expected return on plan assets	668,600	619,500
Benefits paid	(147,700)	(139,700)
Actuarial gain	384,000	292,200
Fair value of plan assets at end of year	7,727,200	7,101,800
Plan assets consist of the following:		
Equities	1,935,300	1,650,200
Fixed income securities	5,563,000	5,251,400
Real estate	228,900	200,200
	7,727,200	7,101,800

LASCELLES, deMERCADO & CO. LIMITED

Notes to the Financial Statements (Continued)
September 30, 2007

10. **Employee benefits (cont'd)**

(a) Employee benefits assets (cont'd):

(iv) Movements in the net asset recognised in the balance sheet:

	2007 $'000s	2006 $'000s
Balance at beginning of year	2,150,700	1,510,600
Contributions paid	25,300	38,500
Credit recognised in the income statement	229,900	601,600
Balance at end of year	2,405,900	2,150,700

(v) Credit recognised in the income statement, net:

	2007 $'000s	2006 $'000s
Current service costs	89,500	69,900
Interest on obligations	315,400	284,300
Actuarial (gains)/loss recognised	(62,700)	84,900
Expected return on plan assets	(668,600)	(619,500)
Change in disallowed assets	95,700	(422,800)
Past service costs – non-vested benefits	800	800
Loss on curtailment/settlement	-	800
	(229,900)	(601,600)
Actual return on plan assets	1,052,600	911,700

At September 30, 2007, all defined benefit pension schemes other than the main scheme were in the process of being terminated. An aggregate pension surplus of $103 million relating to these schemes which formed part of the settlement was derecognised in the income statement for the previous year. The members were given the option to join an existing defined contribution pension scheme effective October 1, 2006.

The credit is recognised in administrative, marketing and selling expenses in the income statement.

(vi) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2007	2006
Discount rate	12.5%	12.0%
Expected return on plan assets	10%	10%
Future salary increases	8.5%	8%
Future pension increases	0-6%	0-6%

Assumptions regarding future mortality are based on PA(90) Tables for Pensioners (British mortality tables). The expected long-term rate is based on assumed long-term rate of inflation.

LASCELLES, deMERCADO & CO. LIMITED

Notes to the Financial Statements (Continued)
September 30, 2007

10. **Employee benefits (cont'd)**

(b) Other post-retirement benefits:

	2007 $'000s	2006 $'000s
Present value of obligations	331,400	313,900
Unrecognised actuarial gains/(losses)	23,500	(6,000)
Recognised liability	354,900	307,900

(i) Movements in the present value of obligations:

	2007 $'000s	2006 $'000s
Balance at beginning of year	313,900	276,600
Interest cost	36,900	34,500
Current service costs	19,700	17,200
Benefits paid	(15,600)	(13,300)
Actuarial losses	(23,500)	(1,100)
Balance at end of year	331,400	313,900

(ii) Expense recognised in the income statement:

	2007 $'000s	2006 $'000s
Current service costs	19,700	17,200
Interest on obligations	36,900	34,500
Actuarial gains recognised	4,400	1,500
	61,000	53,200

The expense recognised is included in administrative, marketing and selling expenses in the income statement.

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2007	2006
Discount rate	12.5%	12.0%
Medical claims growth	11%	11%

Actuarial assumptions regarding mortality, inflation, etc, follow the same bases as those outlined in note 10(a)(vi) above.

LASCELLES, deMERCADO & CO. LIMITED

Notes to the Financial Statements (Continued)
September 30, 2007

10. **Employee benefits (cont'd)**

(b) Other post-retirement benefits (cont'd):

(iii) Principal actuarial assumptions at the balance sheet date (expressed as weighted averages) (cont'd):

The assumed medical claims growth trend can have a significant effect on the amounts recognised in the income statement. A one percentage point change in assumed healthcare cost trend rates would have the following effects:

	One percentage point increase $'000s	One percentage point decrease $'000s
Effect on the aggregate service and interest cost	12,600	(10,200)
Effect on the defined benefit obligations	56,000	(40,400)

(c) Historical information:

(i) Defined benefit pension plan:

	2007 $'000s	2006 $'000s	2005 $'000s	2004 $'000s	2003 $'000s
Present value of the defined benefit obligations	(3,130,300)	(2,702,300)	(2,172,400)	(1,772,500)	(1,307,900)
Fair value of plan assets	7,727,200	6,697,300	5,820,900	4,977,900	3,414,000
Experience adjustments arising on plan liabilities	(179,300)	(71,600)	(129,500)	(12,800)	(40,500)
Experience adjustments arising on plan assets	384,000	309,300	328,400	1,162,100	430,200

(ii) Post-employment medical and life insurance obligations:

	2007 $'000s	2006 $'000s	2005 $'000s	2004 $'000s	2003 $'000s
Present value of the post-employment benefit obligations	331,400	313,900	276,600	204,200	170,700
Experience adjustments arising on plan liabilities	(1,200)	20,900	(31,000)	71,200	(7,900)

LASCELLES, deMERCADO & CO. LIMITED

Notes to the Financial Statements (Continued)
September 30, 2007

11. Investments

	2007 $'000s	2006 $'000s
Available-for-sale:		
Quoted	5,923,355	4,416,830
Unquoted at cost, less impairment losses	157,704	94,149
Government of Jamaica securities	2,698,398	1,219,422
AIC (Barbados) Bonds	150,000	150,000
Loans and receivables:		
Urban Renewal Programme	1,237	1,237
Building society deposits	22,199	23,441
Government of Jamaica securities	1,075,325	768,539
	10,028,218	6,673,618

Market values of quoted investments are computed using listed bid prices or where these are not available, based on quotations received from stockbrokers.

It is the opinion of the directors that the fair value of unquoted investments approximates their carrying values.

At September 30, 2007, the fair value of Government of Jamaica securities accounted for at amortised cost aggregated $1,084 million (2006: $782 million).

12. Interest in associated companies

	2007 $'000s	2006 $'000s
Shares, at cost	150	150
Group's share of associated companies' reserves:		
Pre-acquisition	1,125	1,125
Post acquisition	8,895	8,009
Loan accounts	582	582
	10,752	9,866

At balance sheet date, certain subsidiaries held equity capital in the following companies, incorporated in Jamaica:

Company	Holding	Main activity	Latest audited results
Jamaica Joint Venture Investment Company Limited	33.3%	Investment	December 31, 2006
West Indies Glass Company Limited	39.7%	Dormant	December 31, 2005

LASCELLES, deMERCADO & CO. LIMITED

Notes to the Financial Statements (Continued)
September 30, 2007

13. Intangible assets

This represents goodwill, computed as the excess of cost over the fair value of net identifiable tangible assets on acquisition of subsidiaries and trademarks as follows:

	2007 $'000s	2006 $'000s
Goodwill, at carrying amounts	98,429	98,429
Trademarks, at carrying amounts	7,052	7,052
	105,481	105,481

14. Property, plant & equipment

	Freehold land $'000s	Freehold buildings $'000s	Machinery, equipment and vehicles $'000s	Construction in progress $'000s	Total $'000s
At cost or deemed cost:					
September 30, 2005	108,376	957,478	4,248,584	141,825	5,456,263
Additions	76	72,176	226,557	171,912	470,721
Transfers and reclassifications	4,345	17,674	205,337	(227,356)	-
Disposals	-	(660)	(88,524)	(9,967)	(99,151)
September 30, 2006	112,797	1,046,668	4,591,954	76,414	5,827,833
Additions	82,908	56,230	362,174	226,741	728,053
Transfers and reclassifications	(15,587)	32,949	43,698	(61,060)	-
Disposals	(484)	(46,006)	(395,159)	(82)	(441,731)
September 30, 2007	179,634	1,089,841	4,602,667	242,013	6,114,155
Depreciation:					
September 30, 2005	-	242,768	2,026,281	-	2,269,049
Charge for the year	-	29,120	364,999	-	394,119
Transfers	-	(1,958)	1,958	-	-
Eliminated on disposals	-	-	(47,649)	-	(47,649)
Impairment adjustments	-	1,384	12,580	-	13,964
September 30, 2006	-	271,314	2,358,169	-	2,629,483
Charge for the year	-	31,605	350,410	-	382,015
Transfers/adjustments	-	(22,641)	22,641	-	-
Eliminated on disposals	-	(5,428)	(275,386)	-	(280,814)
Impairment adjustments	-	5,256	-	-	5,256
September 30, 2007	-	280,106	2,455,834	-	2,735,940
Net book values:					
September 30, 2007	179,634	809,735	2,146,833	242,013	3,378,215
September 30, 2006	112,797	775,354	2,233,785	76,414	3,198,350

15. Deferred tax

(a) Deferred tax assets:

Deferred tax assets are attributable mainly to the tax value of losses carried forward by certain subsidiaries and are expected to be realised in the foreseeable future. All movements in temporary differences are recognised in the income statement.

Deferred tax assets aggregating $169 million (2006: $184 million) have not been recognised in respect of tax losses of certain subsidiaries.

(b) Deferred tax liabilities:

Deferred tax liabilities are attributable to the following:

	2007 $'000s	2006 $'000s
Property, plant & equipment	330,961	345,387
Accounts receivable	33,425	40,684
Accounts payable	(9,461)	(5,361)
Biological assets	(16,420)	(4,174)
Tax value of losses carried forward	(21,318)	(21,458)
Employee benefits	710,680	626,304
Other	(3,645)	(179)
	1,024,222	981,203

All movements in temporary differences are recognised in the income statement.

At September 30, 2007, a deferred tax liability of approximately $2,520 million (2006: $1,991 million) relating to investment in certain subsidiaries and associated companies has not been recognised, as the company controls, or significantly controls, whether any liability will be incurred and management is satisfied that it will not be incurred in the foreseeable future.

16. Share capital

Authorised in shares:
96,000,000 Ordinary units of no par value
10,000 6% Non-redeemable cumulative preference units of no par value
50,000 15% Non-redeemable cumulative preference units of no par value

	2007 $'000s	2006 $'000s
Stated capital:		
Issued and fully paid stock units:		
96,000,000 Ordinary units of no par value	19,200	19,200
10,000 6% Non-redeemable cumulative preference units	200	200
50,000 15% Non-redeemable cumulative preference units	1,000	1,000
	20,400	20,400

16. **Share capital (cont'd)**

Ordinary stockholders are entitled to one vote for every 1,600 ordinary units, and one vote for each preference unit. The holders of ordinary units are entitled to receive dividends as declared from time to time and holders of cumulative preference units receive a cumulative dividend on their stockholdings.

17. **Reserves**

	2007 $'000s	2006 $'000s
Capital reserve	7,310,272	7,183,243
Employee benefits reserve	1,603,933	1,433,800
Unrealised translation reserve	248,122	182,531
Equity revaluation reserve [see below]	5,687,309	4,111,124
	14,849,636	12,910,698

In the previous year, the directors created an employee benefits reserve by appropriating accumulated unrealised pension credits, which represents the excess of fair value of scheme assets over the obligation, restricted to the discounted value of future benefits, net of deferred tax.

18. **Long-term liabilities**

	2007 $'000s	2006 $'000s
(a) Bank loan 2006-2009	111,351	188,288
(b) Loan from related party	812	812
	112,163	189,100
Less: Current maturities	(50,995)	(72,694)
	61,168	116,406

Long-term liabilities are unsecured and repayable in Jamaica dollars unless otherwise disclosed. They bear interest at market-determined rates which, during the year, ranged from 9.5 - 13% (2006: 9.5 - 13%). The liabilities are subject to the following repayment terms:

(a) These loans are repayable in monthly, quarterly or semi-annual instalments. Bank loans in the amount of $72,814,000 (2006: $133,288,000) form part of subsidiaries' bank borrowings covered by the arrangements described in note 6. Bank loans in the amount of $38,537,000 (2006: $55,000,000) are fully secured on the assets financed.

(b) This loan is repayable on demand.

LASCELLES, deMERCADO & CO. LIMITED

Notes to the Financial Statements (Continued)
September 30, 2007

19. Operating revenue

	2007 $'000s	2006 $'000s
Primary income arising from:		
Sale of goods and related services	21,712,746	18,639,169
General insurance business	2,172,570	2,258,463
Holding of investments	485,208	646,416
	24,370,524	21,544,048
Less: Consumption taxes	(3,316,880)	(3,142,982)
	21,053,644	18,401,066

20. Disclosure of (income)/expenses

(a) Net finance (income)/costs:

	2007 $'000s	2006 $'000s
Interest expense:		
Long term liabilities	14,774	9,759
Bank loans and overdrafts	18,534	24,028
Other third parties	60,252	82,270
Bank charges	26,445	20,507
Finance costs	120,005	136,564
Interest income:		
Bank deposits	(28,532)	(3,051)
Related parties	(959)	(2,236)
Other treasury transactions	(373,574)	(352,378)
Gain on exchange, net	(410,288)	(231,789)
Finance income	(813,353)	(589,454)
	(693,348)	(452,890)

(b) Profit before taxation is stated after charging:

	2007 $'000s	2006 $'000s
Depreciation	382,015	394,119
Amortisation and other impairment losses	5,256	13,964
Directors' emoluments:		
Fees	3,001	1
Management remuneration	33,150	26,194
Audit fees:		
Company and its Jamaican subsidiaries	32,110	29,650
Overseas subsidiaries	10,297	9,610
Staff costs, net of pension credits	2,438,051	1,703,871

20. Disclosure of (income)/expenses (cont'd)

(c) Transactions with key management personnel:

Key management personnel compensation is as follows:

	2007 $'000s	2006 $'000s
Short-term employee benefits	80,743	62,919
Post-employment benefits	(34,790)	(60,210)

Post-employment benefits include contributions to a post-employment defined benefit pension plan.

21. Taxation

	2007 $'000s	2006 $'000s
Current tax expense:		
Income tax	441,353	396,049
Prior year's under provision	762	2,418
	442,115	398,467
Deferred taxation:		
Reversal/(utilisation) of tax losses carried forward	37,873	(33,698)
Origination and reversal of other temporary differences, net	58,578	191,990
	96,451	158,292
	538,566	556,759

(a) Reconciliation of effective tax rate:

	2007 $'000s	2006 $'000s
Profit before taxation	3,203,986	3,112,003
Computed "expected" tax expense @ 33⅓%	1,067,995	1,037,334
Difference between profit for financial statements and tax reporting purposes arising from:		
Tax losses brought forward/utilised	1,746	(33,698)
Adjustment for losses in subsidiaries with no tax charge	7,786	12,095
Adjustment for net profits in overseas subsidiaries with lower tax rates	(298,568)	(191,041)
Tax-free dividend income	(153,259)	(91,937)
Tax-free capital gain	(85,280)	(158,506)
Tax-free interest income	(1,407)	(18,616)
Exchange losses/(gains) disallowed	553	(11,953)
Prior year's under provision	762	2,418
Disallowed expenses and other capital adjustments	(1,762)	10,663
Actual tax expense	538,566	556,759

21. Taxation (cont'd)

(b) At September 30, 2007, taxation losses of subsidiaries, subject to agreement by the Commissioner, Taxpayer Audit and Assessment, available for offset against future profits of those subsidiaries, amounted to approximately $572 million (2006: $761 million). Of this amount, $156 million (2006: $137 million) of farm losses and investment allowances can only be utilised in respect of future profits arising from farming and sugar manufacturing activities.

(c) Unappropriated profits of the group include profits from subsidiary companies' approved farming operations available for distribution free of tax to Jamaican stockholders, aggregating approximately $87.9 million (2006: $87.9 million).

22. Earnings per ordinary stock unit

The calculation of basic earnings per ordinary stock unit is based on the net profit attributable to members, less fixed preference dividends, and the 96,000,000 (2006: 96,000,000) fully paid ordinary stock units each in issue as follows:

	2007 $'000s	2006 $'000s
Net profit attributable to members	2,665,420	2,555,244
Dividends on Non-redeemable cumulative preference units	(162)	(162)
	2,665,258	2,555,082
Basic earnings per stock unit	$ 27.76	26.62

23. Dividends and distributions

Dividends and distributions paid, gross, are as follows:

	2007 $'000s	2006 $'000s
Ordinary stock units @ $3.00 (2006: $2.00) per stock unit	288,000	192,000
6% Non-redeemable cumulative preference stock units	12	12
15% Non-redeemable cumulative preference stock units	150	150
	288,162	192,162

At a meeting of the Board of Directors, held on January 5, 2007, an interim dividend of $1.00 per ordinary stock unit was declared. This dividend was paid on January 26, 2007 to ordinary stockholders on record as at the close of business on January 12, 2007.

At a meeting of the Board of Directors, held on May 18, 2007, an interim dividend of $1.00 per ordinary stock unit was declared. This dividend was paid on June 15, 2007 to ordinary stockholders on record as at the close of business on May 28, 2007.

23. **Dividends and distributions (cont'd)**

At a meeting of the Board of Directors, held on August 28, 2007, an interim dividend of $1.00 per ordinary stock unit was declared. This dividend was paid on September 21, 2007 to ordinary stockholders on record as at the close of business on September 5, 2007.

Half-yearly dividends were paid to the 6% and 15% Non-redeemable cumulative preference stockholders on March 30, 2007 and September 28, 2007.

24. **Subsidiaries**

(a) The principal operating subsidiaries are:

Company	Holding	Main activities
Ajas Limited	100%	Handling of passenger and cargo operations for international airlines.
Globe Limited (formerly Globe Insurance Company of the West Indies Limited) and its wholly-owned subsidiary, GWI Limited	100%	Holding of investments.
Globe Holdings Limited and its wholly-owned subsidiaries, Globe Insurance Company of Jamaica Limited and Twickenham Insurance Company Limited	100%	General insurance underwriters; holding of investments.
John Crook Limited	100%	Holding of investments; distribution of motor vehicles and spares; servicing and repair of motor vehicles.
Lascelles Merchandise Limited and its subsidiaries: West Indies Metal Products Limited and Lascelles Laboratories Limited	100%	Wholesale and retail merchandising of provisions, alcoholic and liquor based products, household goods, electronic telephone cards and the manufacture and distribution of pharmaceutical preparations and agricultural chemicals [see note (d)].
Transportation Agencies Limited	100%	General sales agents for international airlines.
Turks Islands Importers Limited and its wholly-owned subsidiary, Timco Limited	100%	Wholesale and retail merchandising of provisions and household goods; holding of investments.

24. **Subsidiaries (cont'd)**

(a) The principal operating subsidiaries are (cont'd):

Company	Holding	Main activities
Wray & Nephew Global Brands Limited and its wholly-owned subsidiary, JWN International Limited	100%	Holding of investments, distribution and export of alcohol, rum wines and other Liquor based products.
Wray & Nephew Group Limited and its wholly-owned subsidiaries	100%	See note (b).

(b) The main activities of the Wray & Nephew Group of companies are the cultivation of sugar cane; manufacture of sugar; distillation, ageing, blending, bottling, distribution and export of alcohol, rum, wines and other liquor based products; tours in the hospitality industry; distribution of motor vehicles and spare provisions, household goods and electronic telephone cards; servicing and repair of motor vehicles; and the manufacture and distribution of pharmaceutical and agricultural chemicals.

The principal operating subsidiaries of Wray & Nephew Group Limited, all of which are wholly-owned, are:

Company	Company
J. Wray & Nephew Limited	J. Wray y Sobrino de Costa Rica, S. A
New Yarmouth Limited	Wray & Nephew (Canada) Limited
Newton Cane Farms Limited	J. Wray & Nephew (U.K.) Limited
Henriques Brothers Limited	Rum Company (New Zealand) Limited
Sterling Motors Limited	
Cars & Commercials Limited	
Kingston Industrial Garage Limited	
The Rum Company (Jamaica) Limited	
Estate Industries Limited	
Lascelles Limited (formerly Plastic Containers Limited)	

(c) All subsidiaries are wholly-owned and are incorporated and domiciled in Jamaica, except:

Company	Territory of incorporation
Globe Holdings Limited	St. Lucia
J. Wray & Nephew (U.K.) Limited	England
J. Wray y Sobrino de Costa Rica, S. A.	Costa Rica
Rum Company (New Zealand) Limited	New Zealand
Timco Limited	Turks and Caicos Islands
Turks Islands Importers Limited	Turks and Caicos Islands
Twickenham Insurance Company Limited	Cayman Islands
Wray & Nephew (Canada) Limited	Canada
Wray & Nephew Global Brands Limited	St. Lucia
JWN International Limited	Cayman Islands

(d) Group structure and related information

In the previous year, Plastic Containers Limited ceased operations [see note 2(y)(ii)] and changed its name to Lascelles Limited. On October 1, 2006, the business including all the assets and liabilities of Lascelles Merchandise Limited were transferred to Lascelles Limited (formerly Plastic Containers Limited) in a further consolidation of the General merchandise segment of the group.

LASCELLES, deMERCADO & CO. LIMITED

Notes to the Financial Statements (Continued)
September 30, 2007

25. Segment results

(a) Business segments:

	2007						
	Liquors, rums wines and sugar $'000	General merchandise $'000	General insurance $'000	Investments $'000	Transportation services $'000	Eliminations $'000	Total $'000
Revenue:							
External	12,603,216	4,507,273	2,172,570	485,208	1,285,377		
Inter segment	-	49,510	325,745	-	62,400		
Total revenue	12,603,216	4,556,783	2,498,315	485,208	1,347,777	(437,655)	21,053,644
Segment results	1,617,318	111,755	499,470	929,680	45,763		3,203,986
Segment assets	10,964,888	1,673,398	4,526,332	12,728,860	698,642		30,592,120
Unallocated assets							330,366
							30,922,486
Segment liabilities	3,125,404	717,442	2,939,847	76,735	339,638		7,199,066
Unallocated liabilities							1,191,389
							8,390,455
Other segment items:							
Additions to property, plant and equipment	330,455	220,000	-	125,222	52,376		728,053
Depreciation and impairment	293,792	53,231	846	15,762	23,640		387,271
Other non-cash items	213,872	198,702	88,960	(495,958)	33,313		38,889

	2006						
	Liquor, rums wines & sugar $'000s	General merchandise $'000s	General insurance $'000s	Investments $'000s	Transportation services $'000s	Eliminations $'000s	Total $'000s
Revenue:							
External	10,130,783	3,727,673	2,258,463	646,416	1,637,731		
Inter segment	-	23,016	334,429	-	29,874		
Total revenue	10,130,783	3,750,689	2,592,892	646,416	1,667,605	(387,319)	18,401,066
Segment results	1,211,663	(46,470)	430,326	1,491,909	24,575		3,112,003
Segment assets	9,654,377	1,476,823	3,752,254	9,898,565	608,218		25,390,237
Unallocated assets							363,940
							25,754,177
Segment liabilities	2,474,539	574,711	2,540,929	130,422	303,577		6,024,178
Unallocated liabilities							1,217,002
							7,241,180
Other segment items:							
Additions to property, plant and equipment	362,657	64,350	175	4,706	38,833		470,721
Depreciation and impairment	305,239	61,169	1,506	17,663	22,506		408,083
Other non-cash items	256,843	139,472	85,387	(791,531)	20,133		(289,696)

(i) The results of the investments segment in 2007 include a credit to employee benefits assets of approximately $255 million (2006: $727 million).

(ii) In the previous year, the segment results of the General merchandise segment include a charge of approximately $88 million representing the discontinued operations of the former Plastic Containers Limited [see note 24 (d)].

25. **Segment results (cont'd)**

(b) Geographical segments:

	Jamaica		Overseas		Total	
	2007	2006	2007	2006	2007	2006
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Revenue from external customers	16,338,649	14,042,707	4,714,995	4,358,359	21,053,644	18,401,066
Segment assets	25,048,733	21,637,695	5,543,387	3,752,542	30,592,120	25,390,237
Additions to property, plant, and equipment	722,480	454,528	5,573	16,193	728,053	470,721

26. **Insurance risks**

(a) Underwriting policy and reinsurance ceded:

In the normal course of business, the insurance subsidiaries seek to reduce the loss that may result from catastrophe or other events that cause unfavourable underwriting results by reinsuring certain levels of risk with other insurers. Reinsurance ceded does not discharge those subsidiaries liability as principal insurer. Failure of reinsurers to honour their obligations could result in losses to the insurance subsidiaries. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

(b) Insurance and financial risk management:

The insurance subsidiaries' management of insurance and financial risk is a critical aspect of the business.

The primary insurance activity carried out by those subsidiaries is the transfer of risk from persons or entities that are directly subject to the risk, by means of the sale of insurance policies. As such the insurance subsidiaries are exposed to uncertainty surrounding the timing, frequency and severity of claims under these policies.

The insurance subsidiaries manage their insurance risk through their underwriting policy that includes, inter alia, authority limits, approval procedures for transactions that exceed set limits, pricing guidelines and the centralised management of reinsurance. It actively monitors insurance risk exposures both for individual and portfolio types of risks. These methods include internal risk measurement and portfolio modelling

(c) Concentration of insurance risks:

A key aspect of the insurance risk faced by the insurance subsidiaries is the extent of concentration of insurance risk which may exist where a particular event or series of events could impact significantly upon its liabilities. Such concentrations may arise from a single insurance contract or through a portfolio of related contracts.

The main concentration risk to which this is exposed is natural disasters. By their nature, the timing and frequency of these events are uncertain. They represent a significant risk to the subsidiaries because the occurrence of an event, while unlikely in any given accounting period, would have a significantly adverse effect on their cash flows.

26. **Insurance risks (cont'd)**

(c) Concentration of insurance risks (cont'd):

The subsidiaries' key methods in managing these risks are two fold:

(i) Risks are managed through the establishment of an appropriate underwriting strategy and its implementation by means of the subsidiaries' underwriting policy.

(ii) Risks are managed through the use of reinsurance. The subsidiaries arrange proportional reinsurance at the risk level and purchases excess of loss covers for liability and property business. It assesses the costs and benefits associated with the reinsurance programme on a regular basis and only enters into new reinsurance contracts with reinsurers rated "A" and above.

27. **Financial instruments**

(a) Financial instrument risk:

Exposure to various types of financial instrument risks arises in the ordinary course of the group's business. Derivative financial instruments are not used to reduce exposure to fluctuations in interest and foreign exchange rates.

(i) 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 generally does not require collateral in respect of non-cash financial assets. The group has credit policies and processes in place to minimise exposure to credit risk including the performance of credit evaluations on all customers requiring credit. Cash and cash equivalents are placed with counter-parties who are believed to have minimal risk of default.

At September 30, 2007, there was no significant concentration of credit risk.

(ii) 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 seeks to contract long-term liabilities at fixed interest rates for the duration of the loans. Bank overdrafts, short-term loans and other fixed term loans are also subject to interest rates which are fixed in advance but which may be varied with appropriate notice by the lender.

At September 30, 2007, financial liabilities subject to interest aggregated approximately \$922 million (2006: \$917 million).

Interest-bearing financial assets mainly comprise certain receivables, monetary instruments, bank deposits and short-term investments, which have been contracted at fixed interest rates for the duration of their terms. At September 30, 2007, financial assets subject to interest aggregated \$7,467 million (2006: \$6,105 million).

27. **Financial instruments (cont'd)**

(a) Financial instrument risk (cont'd):

(iii) Foreign currency risk:

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

The group incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Jamaica dollar. Such exposures comprise the monetary assets and liabilities of the group that are not denominated in that currency. The main foreign currency risks of the group are denominated in United States dollars (US$), which is the principal intervening currency for the company and its Jamaican subsidiaries.

The company and its subsidiaries jointly manage foreign exchange exposure by maintaining adequate liquid resources in appropriate currencies and by managing the timing of payments on foreign currency liabilities.

At September 30, 2007, net foreign currency assets aggregated approximately US$72,301,000 (2006: US$52,695,000).

Exchange rates for the US dollar, in terms of Jamaica dollars, were as follows:

At September 30, 2006:	$66.05
At September 30, 2007:	$70.41
At November 28, 2007:	$71.08

(iv) Market risk:

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The group's significant exposure to market risk relates to the holding of quoted investments which are reflected in the financial statements at fair value. Unrealised changes in market value of these investments are recognised in equity revaluation reserve. These investments are monitored as part of the group's short and long term investment portfolio and risks are managed through geographic and industry diversification.

(v) Liquidity risk:

Liquidity risk, also referred to as funding risk, is the risk that the group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at, or close to, its fair value. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, and the availability of funding through an adequate amount of committed credit facilities. The group manages liquidity risk by maintaining adequate amounts of liquid financial assets of appropriate terms and currencies, and by maintaining committed financing to meet all contractual obligations and other recurring payments.

27. Financial instruments (cont'd.)

(a) Financial instrument risk (cont'd.):

(vi) Cash flow risk:

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

(b) Fair value disclosures:

The fair values of amounts disclosed as cash and cash equivalents, accounts receivable, short term borrowings, accounts payable and balances due to/from related parties are assumed to approximate to their carrying value, due to their short-term nature. Long-term liabilities are carried at their contracted settlement value. Material investments are stated at fair value. Amounts due to/from subsidiaries are considered to approximate their carrying value, as they represent an ability to effect set-offs in future in the amounts disclosed.

28. Commitments and contingencies

(a) Capital commitments:

At September 30, 2007, approximately $477 million (2006: $529 million) had been authorised for capital expenditure by various subsidiaries, of which $268 million (2006: $120.5 million) had been committed, for which no provision has been made in these financial statements.

(b) Lease commitments:

At September 30, 2007, there were unexpired lease commitments with a related party in respect of office building and warehouse terminating in July 2012 and February 2013 aggregating $103,408,826 (2006: $123,860,652) of which $20,451,826 (2006: $20,451,826) is payable within one year. In addition, there were operating leases for a twelve-month period, primarily for motor vehicles, with a related party at an estimated annual rental of $115,682,000 (2006: $108,136,000).

29. Subsequent event

On November 23, 2007, the Board of directors received notice from Angostura Limited, a subsidiary of Angostura Holdings Limited, a company incorporated in Trinidad and Tobago and listed on the Trinidad and Tobago Stock Exchange, that it proposes to make a bid to acquire shares, which in aggregate, constitute 49.24% of the voting rights in the company. The bid commences on November 30, 2007 and closes on January 14, 2008. The offer contemplates a partial cash payment 14 days after closing, with the balance due on or before January 15, 2011.