**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

(Expressed in Jamaican Dollars)

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Index to the Consolidated Financial Statements
Year ended 31 December 2008

Ernst & Young
Chartered Accountants

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# INDEPENDENT AUDITORS' REPORT

**To the Shareholders of Caribbean Cement Company Limited and its Subsidiaries**

We have audited the accompanying financial statements of Caribbean Cement Company Limited and its Subsidiaries (the "Group") and Caribbean Cement Company Limited (the "Company") which comprise the consolidated and company balance sheets as at 31 December 2008, and the related consolidated and company statements of earnings, 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 the fair presentation of these financial statements in accordance with International Financial Reporting Standards and 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.

***Auditors' 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 about whether the financial statements are free of 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 judgement, 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.

***Opinion***

In our opinion, the financial statements give a true and fair view of the financial positions of the Group and the Company as at 31 December 2008, and of the Group's and the Company's financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

***Report on Additional Requirements of the Jamaican Companies Act***

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 are in agreement with the accounting records, and give the information required by the Jamaican Companies Act in the manner so required.

Ernst & Young

Chartered Accountants
Kingston, Jamaica

12 March 2009

A member firm of Ernst & Young Global Limited
Partners: Allison Peart, Linval Freeman

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Consolidated Balance Sheet
As at 31 December 2008
(Expressed in Jamaican Dollars)

| | Notes | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|---|
| **NET ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 5,085,261 | 4,829,303 |
| Goodwill | 13 | 17,489 | 17,489 |
| Intangible assets | 14 | 5,140 | 6,328 |
| | | 5,107,890 | 4,853,120 |
| **Current assets** | | | |
| Inventories | 17 | 2,538,805 | 1,538,776 |
| Receivables and prepayments | 18 | 357,703 | 405,167 |
| Due from related companies | 19 | 516,341 | 26,014 |
| Taxation recoverable | | 46,805 | 44,422 |
| Cash and cash equivalents | 20 | 19,249 | 180,371 |
| | | 3,478,903 | 2,194,750 |
| **Current liabilities** | | | |
| Bank overdraft | 21 | 29,532 | 57,863 |
| Payables and accruals | 22 | 2,612,424 | 1,157,151 |
| Due to related companies | 23 | 231,367 | 168,778 |
| Income tax payable | | 24,904 | 13 |
| Short-term loans | 25 | 565,974 | 348,738 |
| Current portion of long-term loans | 26 | 6,650 | 8,394 |
| | | 3,470,851 | 1,740,937 |
| **Working capital** | | 8,052 | 453,813 |
| **Non-current liabilities** | | | |
| Due to related companies | 23 | 1,102,797 | 1,725,260 |
| Long-term loans | 26 | 6,117 | 7,897 |
| Deferred tax liability | 8 | 548,444 | 417,855 |
| | | 1,657,358 | 2,151,012 |
| **TOTAL NET ASSETS** | | 3,458,584 | 3,155,921 |

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

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Consolidated Balance Sheet
As at 31 December 2008
(Expressed in Jamaican Dollars)

| | Notes | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|---|
| **STOCKHOLDERS' EQUITY** | | | |
| Share capital | 27 | 1,808,837 | 1,808,837 |
| Reserves | | 1,575,771 | 1,159,333 |
| | | 3,384,608 | 2,968,170 |
| Deferred gain | 7 | 73,976 | 187,751 |
| **GROUP EQUITY** | | 3,458,584 | 3,155,921 |

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

On 12 March 2009, the Board of Directors authorized these financial statements for issue.

……………………………………Director……………………………………..Director
Brian Young Dr. Rollin Bertrand

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Consolidated Statement of Earnings
Year ended 31 December 2008
(Expressed in Jamaican Dollars)

| | Note | **2008** $'000 | **2007** $'000 |
|---|---|---|---|
| **Revenue** | 3 | 8,805,293 | 7,847,307 |
| **Operating profit before cement claims** | 3 | 948,573 | 819,213 |
| **Cement claims** | 4 | - | (21,500) |
| **Operating profit** | 3 | 948,573 | 797,713 |
| Interest income | | 10,503 | 4,756 |
| Finance costs | 6 | (387,144) | (142,797) |
| **Profit before taxation** | | 571,932 | 659,672 |
| Taxation charge | 8 | (155,494) | (137,549) |
| **Profit after taxation** | 9 | 416,438 | 522,123 |
| | | Cents | Cents |
| **Earnings per ordinary stock unit** | 10 | 49 | 61 |

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

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Consolidated Statement Of Changes In Equity
Year ended 31 December 2008
(Expressed in Jamaican Dollars)

| | Notes | Revaluation reserves $'000 | Realized capital gain $'000 | Accumulated (losses)profit $'000 | Total reserves $'000 | Share capital $'000 | Total capital & reserves $'000 |
|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2006** | | 52,654 | 1,059,481 | (474,925) | 637,210 | 1,808,837 | 2,446,047 |
| Net profit for the year | | - | - | 522,123 | 522,123 | - | 522,123 |
| Transfer of realized gain | 7 | - | 113,775 | (113,775) | - | - | - |
| Amortization for the year | 28 | (47,462) | 47,462 | - | - | - | - |
| **Balance as at 31 December 2007** | | 5,192 | 1,220,718 | (66,577) | 1,159,333 | 1,808,837 | 2,968,170 |
| Net profit for the year | | - | - | 416,438 | 416,438 | - | 416,438 |
| Transfer of realized gain | 7 | - | 113,775 | (113,775) | - | - | - |
| Amortization for the year | 28 | (5,192) | 5,192 | - | - | - | - |
| **Balance as at 31 December 2008** | | - | 1,339,685 | 236,086 | 1,575,771 | 1,808,837 | 3,384,608 |

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

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Consolidated Statement of Cash Flows
Year ended 31 December 2008
(Expressed in Jamaican Dollars)

| | 2008 | 2007 |
|---|---|---|
| | $'000 | $'000 |
| **Cash flows from operating activities** | | |
| Profit before taxation | 571,932 | 659,672 |
| **Adjustments for:** | | |
| Depreciation and amortization | 318,307 | 312,196 |
| Amortization of deferred gain | (113,775) | (113,775) |
| Loss (gain) on disposal of property, plant and equipment | 218 | (167,500) |
| Interest income | (10,503) | (4,756) |
| Interest expense | 93,716 | 62,369 |
| Unrealized foreign exchange losses | 221,762 | 45,603 |
| | 1,081,657 | 793,809 |
| (Increase) decrease in inventories | (1,000,029) | 162,782 |
| Decrease (increase) in receivables and prepayments | 47,464 | (86,474) |
| Increase in due from related companies | (490,327) | (24,337) |
| Increase in payables and accruals | 1,299,746 | 261,247 |
| Increase (decrease) in due to related companies | 7,784 | (332,187) |
| Cash generated from operations | 946,295 | 774,840 |
| Interest received | 10,503 | 3,830 |
| Interest paid | (90,511) | (52,521) |
| Taxation paid | (2,370) | (846) |
| **Net cash generated from operating activities** | 863,917 | 725,303 |
| **Cash flows from investing activities** | | |
| Additions to property, plant and equipment | (572,198) | (1,152,115) |
| Intangible assets | (1,383) | (6,328) |
| Proceeds from disposal of property, plant and equipment | 285 | 184,138 |
| **Net cash used in investing activities** | (573,296) | (974,305) |
| **Cash flows from financing activities** | | |
| Loans received | 1,173,523 | 110,101 |
| Repayment of loans | (974,472) | (356,112) |
| Related parties | (622,463) | 690,961 |
| **Net cash (used in) provided by financing activities** | (423,412) | 444,950 |
| **(Decrease) increase in cash and cash equivalents** | (132,791) | 195,948 |
| **Net cash and cash equivalents - beginning of year** | 122,508 | (73,440) |
| **Net cash and cash equivalents – end of year** | (10,283) | 122,508 |
| **Represented by:** | | |
| Cash and short-term deposits | 19,249 | 180,371 |
| Bank overdraft | (29,532) | (57,863) |
| | (10,283) | 122,508 |

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

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Company Balance Sheet
As at 31 December 2008
(Expressed in Jamaican Dollars)

| | Notes | 2008<br>$'000 | 2007<br>$'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 4,899,826 | 4,647,792 |
| Investment in subsidiaries | 15 | 89,310 | 89,310 |
| Due from subsidiaries | 16 | 90,862 | 154,537 |
| | | 5,079,998 | 4,891,639 |
| **Current assets** | | | |
| Inventories | 17 | 2,500,812 | 1,482,302 |
| Receivables and prepayments | 18 | 330,670 | 384,512 |
| Due from related companies | 19 | 512,567 | 20,723 |
| Taxation recoverable | | 46,805 | 44,422 |
| Cash and cash equivalents | 20 | 13,039 | 172,407 |
| | | 3,403,893 | 2,104,366 |
| **Current liabilities** | | | |
| Bank overdraft | 21 | 29,532 | 56,471 |
| Payables and accruals | 22 | 2,547,145 | 1,125,514 |
| Due to parent and related companies | 23 | 231,367 | 168,778 |
| Due to subsidiary | 24 | 161,233 | 183,453 |
| Short-term loans | 25 | 476,231 | 165,285 |
| Current portion of long-term loans | 26 | 6,650 | 8,394 |
| | | 3,452,158 | 1,707,895 |
| **Working capital (deficit) surplus** | | (48,265) | 396,471 |
| **Non-current liabilities** | | | |
| Due to parent and related companies | 23 | 1,102,797 | 1,725,260 |
| Long-term loans | 26 | 6,117 | 7,897 |
| Deferred tax liability | 8 | 540,111 | 407,472 |
| | | 1,649,025 | 2,140,629 |
| **TOTAL NET ASSETS** | | 3,382,708 | 3,147,481 |

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

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Company Balance Sheet
As at 31 December 2008
(Expressed in Jamaican Dollars)

| | Notes | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| **STOCKHOLDERS' EQUITY** | | | |
| Share capital | 27 | 1,808,837 | 1,808,837 |
| Reserves | | 1,499,895 | 1,150,893 |
| | | 3,308,732 | 2,959,730 |
| Deferred gain | 7 | 73,976 | 187,751 |
| **COMPANY EQUITY** | | 3,382,708 | 3,147,481 |

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

On 12 March 2009, the Board of Directors authorized these financial statements for issue.

……………………………………………..Director……………………………………………Director
Brian Young Dr. Rollin Bertrand

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Company Statement of Earnings
Year ended 31 December 2008
(Expressed in Jamaican Dollars)

| | Notes | 2008 $'000 | 2007 $'000 |
|---|---|---|---|
| **Revenue** | 3 | 8,642,729 | 7,721,003 |
| **Operating profit before cement claims** | 3 | 861,008 | 651,057 |
| **Cement claims** | 4 | - | (21,500) |
| **Operating profit** | 3 | 861,008 | 629,557 |
| Interest income | | 7,257 | 3,830 |
| Finance costs | 6 | (386,624) | (142,920) |
| **Profit before taxation** | | 481,641 | 490,467 |
| Taxation charge | 8 | (132,639) | (85,360) |
| **Profit after taxation** | 9 | 349,002 | 405,107 |

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

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Company Statement of Changes In Equity
Year ended 31 December 2008
(Expressed in Jamaican Dollars)

| | Notes | Revaluation reserves $'000 | Realized capital gain $'000 | Accumulated (losses) profit $'000 | Total reserves $'000 | Share capital $'000 | Total capital & reserves $'000 |
|---|---|---|---|---|---|---|---|
| **Balance as at 31 December 2006** | | 52,654 | 1,059,476 | (366,344) | 745,786 | 1,808,837 | 2,554,623 |
| Net profit for the year | | - | - | 405,107 | 405,107 | - | 405,107 |
| Transfer to realized gain | 7 | - | 113,775 | (113,775) | - | - | - |
| Amortization for the year | 28 | (47,462) | 47,462 | - | - | - | - |
| **Balance as at 31 December 2007** | | 5,192 | 1,220,713 | (75,012) | 1,150,893 | 1,808,837 | 2,959,730 |
| Net profit for the year | | - | - | 349,002 | 349,002 | - | 349,002 |
| Transfer to realized gain | 7 | - | 113,775 | (113,775) | - | - | - |
| Amortization for the year | 28 | (5,192) | 5,192 | - | - | - | - |
| **Balance as at 31 December 2008** | | **-** | 1,339,680 | 160,215 | 1,499,895 | 1,808,837 | 3,308,732 |

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

**CARIBBEAN CEMENT COMPANY LIMITED AND ITS SUBSIDIARIES**

Company Statement of Cash Flows
Year ended 31 December 2008
(Expressed in Jamaican Dollars)

| | 2008 $'000 | 2007 $'000 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Profit before taxation | 481,641 | 490,467 |
| **Adjustments for:** | | |
| Depreciation and amortization | 299,808 | 297,082 |
| Amortization of deferred gain | (113,775) | (113,775) |
| Loss (gain) on disposal of property, plant and equipment | 218 | (153,831) |
| Interest income | (7,257) | (3,830) |
| Interest expense | 93,356 | 62,492 |
| Unrealized foreign exchange losses | 224,142 | 45,603 |
| | 978,133 | 624,208 |
| (Increase) decrease in inventories | (1,018,510) | 180,910 |
| Decrease (increase) in receivables and prepayments | 53,842 | (88,358) |
| Increase in due from related companies | (491,844) | (19,046) |
| Increase in payables and accruals | 1,269,857 | 260,759 |
| Increase (decrease) in due to parent and related companies | 2,037 | (339,097) |
| Cash generated from operations | 771,295 | 619,376 |
| Interest received | 7,257 | 3,830 |
| Interest paid | (90,511) | (53,954) |
| Taxation paid | (2,383) | (846) |
| **Net cash generated from operating activities** | 685,658 | 568,406 |
| **Cash flows from investing activities** | | |
| Additions to property, plant and equipment | (552,345) | (1,122,579) |
| Proceeds from disposal of property, plant and equipment | 285 | 160,167 |
| Repayment by subsidiaries | 63,675 | 154,786 |
| **Net cash used in investing activities** | (488,385) | (807,626) |
| **Cash flows from financing activities** | | |
| Loans received | 1,173,523 | 110,101 |
| Repayment of loans | (880,762) | (264,535) |
| Due to subsidiaries | - | (91,577) |
| Related parties | (622,463) | 690,961 |
| **Net cash (used in) provided by financing activities** | (329,702) | 444,950 |
| **(Decrease) increase in cash and cash equivalents** | (132,429) | 205,729 |
| **Net cash and cash equivalents - beginning of year** | 115,936 | (89,794) |
| **Net cash and cash equivalents – end of year** | (16,493) | 115,936 |
| **Represented by:** | | |
| Cash and short-term deposits | 13,039 | 172,407 |
| Bank overdraft | (29,532) | (56,471) |
| | (16,493) | 115,936 |

The accompanying notes form an integral part of these financial statements

## 1. Corporate information

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

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

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

## 2. Significant accounting policies

The most significant policies are summarized below:

### a) Basis of preparation

***(i) Statement of compliance***

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and the requirements of the Jamaican Companies Act.

***(ii) Current year changes in accounting standards and interpretations***

The Group has adopted all the new and revised accounting standards and interpretations to existing accounting standards that are mandatory for annual accounting periods beginning on or after 1 January 2008 and which are relevant to the Group's operations. The following revised accounting standard and interpretations were adopted:

- **IAS 39 (Amendment), Financial instruments: Recognition and measurement**
  An amendment to IAS 39 was issued in October 2008, which permits an entity to reclassify non-derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category a financial asset that would have met the definition of loans and receivables (if the financial asset had not been designated as available for sale), if the entity has the intention and ability to hold that financial asset for the foreseeable future. The Company did not exercise this option and as such IAS 39 (Amendment) had no impact on these financial statements.

**2. Significant accounting policies (continued)**

**a) Basis of preparation (continued)**

***(ii) Current year changes in accounting standards and interpretations (continued)***

- **IFRIC 11, IFRS 2, Group and Treasury share transactions**
  This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity – settled scheme, even if the entity buys the instruments from another party, or the shareholders provide equity instrument needed; No rights to equity instruments were granted by the Company and as such this interpretation had no impact on the Company and as such this interpretation had no impact on these financial statements.

- **IFRIC 12, Service Concession Arrangements**
  This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The Group did not operate a service concession and hence this interpretation had no impact on the Group.

***(iii) Future changes in accounting standards and interpretations***

Certain new standards and amendments to and interpretation of existing accounting standards have been published but which are not yet effective and the Group has not adopted early. Those which will be effective for accounting periods ending after 31 December 2008 are:

- **IAS 1 (Revised), Presentation of Financial Statements** (effective from annual periods beginning on or after 1 January 2009) requires the separation of owner and non-owner changes in equity, through the introduction of a statement of comprehensive income. These amendments will result in additional disclosures.
- **IAS 23 (Revised), Borrowing Costs** (effective from annual periods beginning on or after 1 January 2009) requires capitalization of borrowing costs that relate to a qualifying asset. The transitional provisions of the standard require prospective application from the effective date. The impact of this amendment has not yet been assessed by the Management of the Company.

**2. Significant accounting policies (continued)**

**a) Basis of preparation (continued)**

***(iii) Future changes in accounting standards and interpretations (continued)***

- **IAS 27, Consolidated and Separate Financial Statements** (effective from annual periods beginning on or after 1 July 2009) has resulted from amendments to IFRS 3 and changes the accounting for acquisitions and disposals that do not result in a change of control and the attribution of profit or loss to non-controlling interest. Additional amendments have been made relating to the cost of a subsidiary in the separate financial statements of a parent on first-time adoption of IFRSs. This amendment is currently not applicable to the Group.

- **IAS 28 (Revised), Investment in Associates** (effective from annual periods beginning on or after 1 July 2009) has resulted from amendments to IFRS 3. This amendment is currently not applicable to the Company.

- **IAS 31 (Revised), Financial Reporting of Interests in Joint Ventures (**effective from annual periods beginning on or after 1 July 2009) requires disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss. This amendment is currently not applicable to the Group.

- **IAS 32 (Revised), Financial Instruments: Presentation** (effective from annual periods beginning on or after 1 January 2009) requires amendments regarding puttable financial instruments and obligations arising on liquidation, and requires entities to classify certain types of financial instruments as equity provided they have particular features and meet specific conditions. This amendment is currently not applicable to the Group.

- **IAS 39, Financial Instruments: Recognition and Measurement** (effective from annual periods beginning on or after 1 July 2009) was amended regarding hedging portions of risk, and clarifies the principles associated with designating a portion of cash flows or fair values of a financial instrument as a hedged item. This amendment is currently not applicable to the Company.

**2. Significant accounting policies (continued)**

**a) Basis of preparation (continued)**

***(iii) Future changes in accounting standards and interpretations (continued)***

- **IFRS 1 (Revised), First-time Adoption and IAS 27, Consolidated and Separate Financial Statements** (effective from annual periods beginning on or after 1 January 2009) provides guidance on determining the cost of investments in subsidiaries, jointly controlled entities and associates in the financial statements of a parent entity that prepares separate financial statements. This amendment is currently not applicable to the Group.

- **IFRS 2 (Revised), Share-based Payment** (effective from annual periods beginning on or after 1 January 2009) requires amendments regarding vesting conditions and cancellations, and clarifies that vesting conditions are service conditions and performance conditions only, while other features of a share-based payment are not vesting conditions. This amendment is currently not applicable to the Company.

- **IFRS 3 (Revised), Business Combinations** (effective from annual periods beginning on or after 1 July 2009). The amendments were the result of a joint project with the US FASB, and certain fundamental changes and improvements were made to reinforce the existing standard and remedy problems that have emerged with its application. The impact of this amendment has not yet been assessed the Management of the Group.

- **IFRS 8, Operating Segments** (effective from annual periods beginning on or after 1 January 2009) will replace IAS 14 Segments Reporting and increases the level of disclosure required, as well as, replace the requirement to determine primary (business) and secondary (geographical) reporting segments for the Company and extends the scope to include entities that meet certain requirements. The impact of this standard has not yet been assessed by the Management of the Group.

**2. Significant accounting policies (continued)**

**a) Basis of preparation (continued)**

***(iii) Future changes in accounting standards and interpretations (continued)***

- **IFRIC 13, Customer Loyalty Programmes** (effective from annual periods beginning on or after 1 January 2009) requires that award credits granted to customers as part of a sales transaction are accounted for as a separate component of the sales transaction. This interpretation is not applicable to the Group.

- **IFRIC 15, Agreements for the Construction of Real Estate** (effective from annual periods beginning on or after 1 January 2009) regarding when and how revenue and related expenses from the sale of real estate as construction progresses should be recognized, and addresses the divergence in accounting treatment arising from such arrangements. This interpretation is not applicable to the Group.

- **IFRIC 16, Hedges of a Net Investment in a Foreign Operation** (effective from annual periods beginning on or after 1 October 2008) provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment. It also provides guidance on where within the group the hedging instrument can be held in the hedge of a net investment, and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation is not applicable to the Group.

- **IFRIC 17, Distributions of Non-cash Assets to Owners** (effective from annual periods beginning on or after 1 July 2009) provides guidance on how to account for such transactions. It also provides guidance on when to recognize a liability and how to measure it and the associated assets, and when to derecognize the asset and liability and the consequences of doing so. This interpretation is not applicable to the Group.

- **IFRIC 18, Transfers of Assets from Customers** (effective from annual periods beginning on or after 1 July 2009) provides guidance on when and how an entity should recognize items of property, plant and equipment received from their customers. This interpretation is not applicable to the Group.

(Expressed in Jamaican Dollars)

## 2. Significant accounting policies (continued)

### a) Basis of preparation (continued)

In May 2008, the International Accounting Standards Board issued "Improvements to IFRSs", which is part of its annual improvements project, and a vehicle for making non-urgent but necessary amendments to various IFRSs. These amendments primarily become effective for annual periods beginning on or after 1 January 2009. Management has not yet assessed the impact of these changes.

The following shows the IFRSs and topics addressed by these amendments.

| **IFRS** | **Subject of Amendment** |
|---|---|
| **Part I** | **Amendments that result in accounting changes for presentation, recognition and measurement purposes** |
| IFRS 5 | Plan to sell the controlling interest in a subsidiary. |
| IAS 1 | Current/non-current classification of derivatives. |
| IAS 16 | Recoverable amount. |
| IAS 19 | Curtailments and negative past service cost. Plan administration costs. Replacement of term "fall due". Guidance on contingent liabilities. |
| IAS 20 | Government loans with a below-market interest rate. |
| IAS 23 | Components of borrowing costs. |
| IAS 27 | Measurement of subsidiary held for sale in separate financial statements. |
| IAS 28 | Required disclosures when investments in associates are accounted for at fair value through profit or loss. |
| IAS 31 | Required disclosures when investments in jointly controlled entities are accounted for at fair value through profit or loss. |
| IAS 29 | Description of measurement basis in financial statements. |
| IAS 36 | Disclosure of estimates used to determine recoverable amount. |
| IAS 38 | Advertising and promotional activities. Unit of production method of amortization. |
| IAS 39 | Reclassification of derivatives into or out of the classification at fair value through profit or loss. Designating and documenting hedges at the segment level. Applicable effective interest rate on cessation of fair value hedge accounting. |
| IAS 40 | Property under construction or development for future use as investment property. |
| IAS 41 | Discount rate for fair value calculations. |
| **Part II** | **Amendments that are terminology or editorial changes only** |
| IFRS 7 | Presentation of finance costs. |
| IAS 8 | Status of implementation guidance. |
| IAS 10 | Dividends declared after the end of the reporting period. |
| IAS 18 | Costs of originating a loan. |
| IAS 20 | Consistency of terminology with other IFRSs. |
| IAS 29 | Consistency of terminology with other IFRSs. |
| IAS 34 | Earnings per share disclosures in interim financial statements. |
| IAS 40 | Consistency of terminology with IAS 8. Investment property held under lease. |
| IAD 41 | Examples of agricultural produce and products. Point-of-sale costs. |

## 2. Significant accounting policies (continued)

### a) Basis of preparation (continued)

***(iv) Basis of measurement***

These financial statements have been prepared under the historical cost convention except for the measurement at deemed cost of certain property, plant and equipment. Deemed cost represents fair value at the date of transition to IFRS.

### b) Basis of consolidation

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

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

The financial statements for the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Caribbean Gypsum Company Limited and Rockfort Mineral Bath Complex Limited had no trading activities during the year.

### c) Interest bearing loans and borrowings

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

### d) Property, plant and equipment

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

## 2. Significant accounting policies (continued)

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

Other property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment in value. Such cost includes the cost of replacing part of the plant and equipment when that cost is incurred, if the recognition criteria are met. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of earnings as incurred. Land is not depreciated.

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

| | |
|---|---|
| Buildings | 2.5% to 5% |
| Plant, machinery and equipment | 3% to 33.3% |
| Office furniture and equipment | 25% to 33.3% |
| Motor vehicles | 20% to 33.3% |

Leasehold land and improvements are amortized over the remaining term of the lease.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of earnings in the year the asset is derecognized.

The useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

It is the Group's policy to capitalize interest on loans specific to capital projects during the period of construction. The interest rate is determined by using the weighted average cost of capital.

### e) Inventories

Plant spares and raw materials are valued at the lower of weighted average cost and net realizable value. Work in progress and finished goods are valued at the lower of cost, including attributable production overheads, and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the costs of completion and estimated costs necessary to make the sale.

**2. Significant accounting policies (continued)**

**f) Foreign currency translation**

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

**g) Financial instruments**

Financial instruments carried on the balance sheet include cash and bank balances, short-term deposits, receivables, long-term loans, related company balances and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the Group's and the Company's financial instruments are discussed in Note 33.

**h) Taxation**

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

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

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

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

**2. Significant accounting policies (continued)**

**i) Pension benefits**

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

**j) Revenue recognition**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

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

Rental and interest income are recognized as they accrue unless collectability is in doubt.

**k) Receivables and payables**

Trade receivables are carried at anticipated realizable value. A provision is made for doubtful receivables based on a review of outstanding amounts at the year end. Bad debts are written off when identified.

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

**l) Net cash and cash equivalents**

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

**m) Earnings per stock unit**

The earnings per stock unit is computed by dividing profit attributable to ordinary stockholders by the weighted average number of ordinary stock units in issue during the year.

**2. Significant accounting policies (continued)**

**n) Use of estimates and judgements**

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The area involving the highest degree of judgement or estimation is:

***(i) Provision for cement claims***

In some instances the amounts provided for cement claims not yet settled are based on the payment experience for claims already settled. This method assumes that the average rate of settlement will be consistent for all claims received.

***(ii) Accruals***

Amounts accrued for certain expenses are based on estimates and are included in payables and accruals.

***(iii) Impairment of goodwill***

The Group determines whether goodwill is impaired on an annual basis. This requires an estimate of the value in use of the cash generating units to which goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of these cash flows.

***(iv) Deferred tax assets***

In recognizing a deferred tax asset for unused tax losses, management uses judgment to determine the probability that future taxable profits will be available to facilitate utilization of these unused tax losses.

***(v) Property, plant and equipment***

Management exercises judgement in determining whether costs incurred can accrue significant future economic benefits to the Group to enable the value to be treated as a capital expense.

Further judgement is applied in the annual review of the useful lives of all categories of property, plant and equipment and the resulting depreciation determined thereon.

**2. Significant accounting policies (continued)**

**o) Provisions**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. The expense relating to any provision is charged to the statement of earnings net of any reimbursement.

**p) Operating leases**

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of earnings on a straight-line basis over the period of the lease.

**q) Deferred expenditure**

The costs of installed refractories, chains and grinding media are amortized over a period of six to twelve months to match the estimated period of their economic usefulness.

**r) Impairment of non-financial assets**

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing 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. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations are recognized in the statement of earnings in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the valuation was taken to equity. In this case the impairment is also recognized in equity up to the amount of any previous revaluation.

**2. Significant accounting policies (continued)**

**r) Impairment of non-financial assets (continued)**

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of earnings unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. Impairment losses recognized in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

The following criteria are also applied in assessing impairment of goodwill:

- Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired;

- Impairment is determined for goodwill by assessing the recoverable amount of the cash generating unit, to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying amount of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods. The Group performs its annual impairment test of goodwill as at 31 December.

**s) Investments**

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

**2. Significant accounting policies (continued)**

**t) Segment reporting**

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

**u) Intangible assets**

Intangible assets are measured on initial recognition at cost. Following initial recognition, they are carried at cost less accumulated amortization and any accumulated impairment losses.

Amortization of these assets is computed on the straight line method over a three year period.

## 3. Operating profit

Operating profit consists of the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| **Revenue** | 8,805,293 | 7,847,307 | 8,642,729 | 7,721,003 |
| Raw materials and consumables | 1,760,099 | 1,244,457 | 1,876,040 | 1,384,620 |
| Fuels and electricity | 1,796,094 | 1,617,989 | 1,796,094 | 1,611,948 |
| Personnel remuneration and benefits (Note 5) | 1,867,901 | 1,490,404 | 1,802,289 | 1,417,206 |
| Repairs and maintenance | 439,788 | 685,070 | 439,788 | 635,346 |
| Operating lease | 678,447 | 589,052 | 678,447 | 589,052 |
| Depreciation and amortization | 318,307 | 312,196 | 299,808 | 297,081 |
| Marketing and selling expenses | 318,025 | 303,702 | 318,025 | 303,702 |
| Insurance | 127,794 | 110,268 | 127,794 | 103,038 |
| Training and staff development | 136,696 | 102,312 | 136,696 | 102,312 |
| Other operating expenses | 702,061 | 690,702 | 607,214 | 678,590 |
| Changes in inventories of finished goods and work in progress | (170,868) | 244,604 | (182,850) | 265,556 |
| **Total expenses** | 7,974,344 | 7,390,756 | 7,899,345 | 7,388,451 |
| Profit before other income | 830,949 | 456,551 | 743,384 | 332,552 |
| Other income | 117,624 | 362,662 | 117,624 | 318,505 |
| **Operating profit before cement claims** | 948,573 | 819,213 | 861,008 | 651,057 |
| **Cement claims** | - | 21,500 | - | 21,500 |
| **Operating profit** | 948,573 | 797,713 | 861,008 | 629,557 |
| **Other income includes:** | | | | |
| Amortization of deferred gain (Note 7) | (113,775) | (113,775) | (113,775) | (113,775) |
| Loss (gain) on disposal of property, plant and equipment | 218 | (167,500) | 218 | (153,831) |

## 3. Operating profit (continued)

Operating profit is arrived at after charging:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Audit fees | | | | |
| Current year | 11,965 | 9,350 | 10,595 | 8,225 |
| Prior year | - | 1,020 | - | 1,020 |
| Directors' emoluments | | | | |
| Fees | 8,873 | 7,719 | 8,873 | 7,719 |
| Management remuneration | - | - | - | - |
| Technical assistance fees and related charges | 95,372 | 98,372 | 95,397 | 98,372 |

## 4. Cement claims

This represented provision for claims against the Company relating to cement that was inadvertently released to the market in February 2006.

## 5. Personnel remuneration and benefits

Personnel remuneration and benefits consist of the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Wages and salaries | 1,471,357 | 1,158,473 | 1,417,188 | 1,093,632 |
| Statutory contributions | 120,049 | 95,024 | 115,034 | 91,499 |
| Pension costs (Note 31) | 52,455 | 43,633 | 52,455 | 42,439 |
| Other personnel costs | 224,040 | 193,274 | 217,612 | 189,636 |
| | 1,867,901 | 1,490,404 | 1,802,289 | 1,417,206 |

## 6. Finance costs

Finance costs consist of the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Interest expense | 93,716 | 62,369 | 93,356 | 62,492 |
| Loss on currency exchange | 293,428 | 80,428 | 293,268 | 80,428 |
| | 387,144 | 142,797 | 386,624 | 142,920 |

## 7. Deferred gain

| | Group and Company | |
|---|---|---|
| | **2008** | **2007** |
| | $'000 | $'000 |
| Balance at 1 January | 187,751 | 301,526 |
| Amortization for the year | (113,775) | (113,775) |
| Balance at 31 December | 73,976 | 187,751 |

Deferred gain represents the profit from the sale of certain machinery and equipment in August 1999 which is being credited to the statement of earnings over the 10 year period of the original operating lease (Note 12).

The current and prior year amortization gains were transferred to capital reserve as realized capital gains.

## 8. Taxation

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| **Statement of earnings** | | | | |
| The taxation charge consists of: | | | | |
| Deferred tax charge | (130,589) | (137,536) | (132,639) | (85,360) |
| Income tax charge | (24,905) | (13) | - | - |
| | (155,494) | (137,549) | (132,639) | (85,360) |

## 8. Taxation (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Profit before taxation | 571,932 | 659,672 | 481,641 | 490,467 |
| Taxed at 33.3% | (190,644) | (219,891) | (160,547) | (163,489) |
| Tax on non-assessable income | 38,205 | 94,085 | 38,205 | 89,620 |
| Tax on non-allowable expenses | (9,424) | (11,801) | (9,257) | (11,491) |
| Other | 6,369 | 58 | (1,040) | - |
| Effective tax charge | (155,494) | (137,549) | (132,639) | (85,360) |

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| **Deferred tax liability** | | | | |
| Balance at beginning of year | (417,855) | (280,319) | (407,472) | (322,112) |
| Deferred tax charge for the year | (130,589) | (137,536) | (132,639) | (85,360) |
| Balance at end of year, net | (548,444) | (417,855) | (540,111) | (407,472) |

Deferred tax asset (liability) comprises the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred (liability) asset in Subsidiary, net | (8,333) | (10,383) | - | - |
| Deferred liability in Company, net | (540,111) | (407,472) | (540,111) | (407,472) |
| | (548,444) | (417,855) | (540,111) | (407,472) |

## 8. Taxation (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Deferred liability: | | | | |
| Property, plant and equipment | (803,940) | (628,290) | (795,983) | (621,302) |
| Deferred asset: | | | | |
| Tax losses | 132,975 | 145,437 | 132,975 | 145,437 |
| Unrealized exchange losses | 74,714 | 15,201 | 74,714 | 15,201 |
| Accrued vacation | 38,175 | 26,295 | 38,175 | 25,811 |
| Other | 9,632 | 23,502 | 10,008 | 27,381 |
| | 255,496 | 210,435 | 255,872 | 213,830 |
| | (548,444) | (417,855) | (540,111) | (407,472) |

Subject to agreement with the Taxpayer Audit and Assessment Department, losses available for offset against future profits amount to approximately $398,926,000 (2007 - $436,313,000) for the Group and the Company.

## 9. Profit after taxation and accumulated losses

| | **2008** | **2007** |
|---|---|---|
| | $'000 | $'000 |
| (i) The net profit is dealt with in the financial statements as follows: | | |
| Company | 349,002 | 405,107 |
| Subsidiaries | 67,436 | 117,016 |
| | 416,438 | 522,123 |
| (ii) The accumulated profit (losses) are reflected in the financial statements as follows: | | |
| Company | 160,215 | (75,012) |
| Subsidiaries | 75,871 | 8,435 |
| | 236,086 | (66,577) |

## 10. Earnings per ordinary stock unit

| | Group | |
|---|---|---|
| | **2008** | **2007** |
| | $'000 | $'000 |
| Profit attributable to stockholders | 416,438 | 522,123 |
| Number of stock units in issue (thousands) | 851,138 | 851,138 |
| Earnings per ordinary stock unit (cents) | 49 | 61 |

## 11. Related party transactions

a) Transactions with Trinidad Cement Limited and its subsidiaries:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| **Included in the statement of earnings:** | | | | |
| (Income) expenses – | | | | |
| Sale of gypsum and shale | (42,419) | (21,623) | - | - |
| Sale of cement | (120,949) | - | (120,949) | - |
| Sale of clinker | (85,590) | - | (85,590) | - |
| Sale of petcoke | (43,203) | - | (43,203) | - |
| Freight charges | 4,637 | - | 4,637 | - |
| Technical fee charges | 54,885 | 51,781 | 54,885 | 51,781 |
| Purchase of goods and materials | 383,832 | 272,018 | 383,832 | 435,473 |
| Interest charges on advances | 22,322 | 7,289 | 22,322 | 7,289 |
| Payments under operating lease (Note 12) | 678,447 | 589,052 | 678,447 | 589,052 |

**Included in balance sheet:**

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Short-term amounts (advanced) received net | (429,255) | 5,052 | (429,255) | 5,052 |
| Long-term amounts (advanced) received | (622,463) | 914,387 | (622,463) | 914,387 |

| | | | | |
|---|---|---|---|---|
| **Included in property, plant and equipment:** | | | | |
| Interest capitalized | 43,759 | 62,103 | 43,759 | 62,103 |

## 11. Related party transactions (continued)

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

| | Company | |
|---|---|---|
| | **2008** | **2007** |
| | $'000 | $'000 |
| **Included in the Company statement of earnings:** | | |
| Expenses – | | |
| Purchase of gypsum, shale and pozzolan | 246,192 | 163,455 |
| Rental and management fee | 98,950 | 163,989 |
| Interest charges on advance | 633 | - |
| **Included in property, plant and equipment:** | | |
| Interest capitalized | 27,032 | 22,935 |

c) Compensation of directors and key management personnel

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Short-term employee benefits | 98,403 | 81,661 | 98,403 | 74,129 |
| Directors' fees | 8,873 | 7,719 | 8,873 | 7,719 |
| | 107,276 | 89,380 | 107,276 | 81,848 |

## 12. Property, plant and equipment

Property, plant and equipment consist of the following:

**Group:**

| | Land and buildings $'000 | Plant machinery, equipment and motor vehicles $'000 | Office furniture and equipment $'000 | Capital work in progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| **At cost** | | | | | |
| 1 January 2008 | 975,470 | 3,984,491 | 272,960 | 2,100,652 | 7,333,573 |
| Additions | - | - | - | 572,198 | 572,198 |
| Disposals and adjustments | - | (3,729) | (326) | - | (4,055) |
| Transfers | 24,049 | 1,968,198 | 5,265 | (1,997,512) | - |
| 31 December 2008 | 999,519 | 5,948,960 | 277,899 | 675,338 | 7,901,716 |
| **Accumulated depreciation** | | | | | |
| 1 January 2008 | 387,214 | 1,951,521 | 165,535 | - | 2,504,270 |
| Charges during the year | 38,119 | 263,023 | 14,595 | - | 315,737 |
| Disposals and adjustments | 5 | (3,557) | - | - | (3,552) |
| 31 December 2008 | 425,338 | 2,210,987 | 180,130 | - | 2,816,455 |
| **Net book value** | | | | | |
| 31 December 2008 | 574,181 | 3,737,973 | 97,769 | 675,338 | 5,085,261 |

## 12. Property, plant and equipment

Property, plant and equipment consist of the following:

**Group:**

| | Land and buildings $'000 | Plant machinery, equipment and motor vehicles $'000 | Office furniture and equipment $'000 | Capital work in progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| **At cost** | | | | | |
| 1 January 2007 | 981,005 | 3,810,123 | 245,719 | 1,177,225 | 6,214,072 |
| Additions | 877 | 18,303 | 5,368 | 1,127,567 | 1,152,115 |
| Disposals and adjustments | (27,164) | (5,450) | - | - | (32,614) |
| Transfers | 20,752 | 161,515 | 21,873 | (204,140) | - |
| 31 December 2007 | 975,470 | 3,984,491 | 272,960 | 2,100,652 | 7,333,573 |
| **Accumulated depreciation** | | | | | |
| 1 January 2007 | 367,017 | 1,698,115 | 142,918 | - | 2,208,050 |
| Charges during the year | 32,002 | 257,577 | 22,617 | - | 312,196 |
| Disposals | (11,805) | (4,171) | - | - | (15,976) |
| 31 December 2007 | 387,214 | 1,951,521 | 165,535 | - | 2,504,270 |
| **Net book value** | | | | | |
| 31 December 2007 | 588,256 | 2,032,970 | 107,425 | 2,100,652 | 4,829,303 |

## 12. Property, plant and equipment

Property, plant and equipment consist of the following:

**Company:**

| | Land and buildings $'000 | Plant machinery, equipment and motor vehicles $'000 | Office furniture and equipment $'000 | Capital work in progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| **At cost** | | | | | |
| 1 January 2008 | 860,825 | 3,814,840 | 271,826 | 2,061,140 | 7,008,631 |
| Additions | - | - | - | 552,345 | 552,345 |
| Disposals and adjustments | - | (3,729) | (326) | - | (4,055) |
| Transfers | 1,565 | 1,950,465 | 5,265 | (1,957,295) | - |
| 31 December 2008 | 862,390 | 5,761,576 | 276,765 | 656,190 | 7,556,921 |
| **Accumulated depreciation** | | | | | |
| 1 January 2008 | 354,459 | 1,842,547 | 163,833 | - | 2,360,839 |
| Disposals and adjustments | 5 | (3,557) | - | - | (3,552) |
| Charges during the year | 34,037 | 251,366 | 14,405 | - | 299,808 |
| 31 December 2008 | 388,501 | 2,090,356 | 178,238 | - | 2,657,095 |
| **Net book value** | | | | | |
| 31 December 2008 | 473,889 | 3,671,220 | 98,527 | 656,190 | 4,899,826 |

## 12. Property, plant and equipment

Property, plant and equipment consist of the following:

**Company:**

| | Land and buildings $'000 | Plant machinery, equipment and motor vehicles $'000 | Office furniture and equipment $'000 | Capital work in progress $'000 | Total $'000 |
|---|---|---|---|---|---|
| **At cost** | | | | | |
| 1 January 2007 | 855,515 | 3,638,270 | 244,586 | 1,166,978 | 5,905,349 |
| Additions | 877 | 18,033 | 5,367 | 1,098,302 | 1,122,579 |
| Disposals | (16,319) | (2,978) | - | - | (19,297) |
| Transfers | 20,752 | 161,515 | 21,873 | (204,140) | - |
| 31 December 2007 | 860,825 | 3,814,840 | 271,826 | 2,061,140 | 7,008,631 |
| **Accumulated depreciation** | | | | | |
| Balance as at 1 January 2007 | 336,890 | 1,598,612 | 141,216 | - | 2,076,718 |
| Charges during the year | 27,551 | 246,914 | 22,617 | - | 297,082 |
| Disposals | (9,983) | (2,978) | - | - | (12,961) |
| 31 December 2007 | 354,458 | 1,842,548 | 163,833 | - | 2,360,839 |
| **Net book value** | | | | | |
| 31 December 2007 | 506,367 | 1,972,292 | 107,993 | 2,061,140 | 4,647,792 |

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

a) In August 1999, the Company entered into a sale and operating leaseback transaction with a third party involving certain of its machinery and equipment having a net book value of $1,406,873,000. A gain of $1,139,232,000, representing the difference between the net fair value of the assets and the sale proceeds, was realized and is being amortised on a straight-line basis over ten years, the term of the resulting operating lease (Note 7). The lease was terminated in December 2003 and the related machinery and equipment sold by the lessor to TCL Services Limited, an affiliated company. A lease was established with TCL Services Limited under the same terms and conditions as the original lease, except that the Company could terminate the lease at any time.

   In August 2004, the lease with TCL Services Limited was terminated and the machinery and equipment sold to Trinidad Cement Limited. A new lease was then established with Trinidad Cement Limited with similar terms and conditions to those that existed under the lease arrangements with TCL Services Limited, except that the repayment period was extended to 2014 (Note 30).

   During the year Kiln 5 was completed and was commissioned on 1 December 2008. Certain units of the kiln are owned by TCL and the rest is owned by the Company. On 1 December 2008, the Company entered into a twenty year lease with TCL in respect of the units that TCL owns, which ends in 2028. (Note 30)

b) The amount of borrowing costs capitalized during the year amounted to $115,624,000 (2007 – $184,025,000).

## 13. Goodwill

Goodwill arises on consolidation and relates to the acquisition of Jamaica Gypsum and Quarries Limited.

## 14. Intangible assets

| | The Group | | |
|---|---|---|---|
| | **Exploration Cost** | **Dredging Cost** | **Total 2008** |
| | $'000 | $'000 | $'000 |
| **At cost** | | | |
| Balance as at 1 January | 2,521 | 3,807 | 6,328 |
| Additions | - | 1,382 | 1,382 |
| Balance as at 31 December | 2,521 | 5,189 | 7,710 |
| **Amortization** | | | |
| Charges during the year | 840 | 1,730 | 2,570 |
| Balance as at 31 December | 840 | 1,730 | 2,570 |
| **Net book value** | | | |
| Balance as at 31 December | 1,681 | 3,459 | 5,140 |
| Balance as at 31 December | 2,521 | 3,807 | 6,328 |

## 15. Investment in subsidiaries

Investment in subsidiaries consists of the following:

| | Company | |
|---|---|---|
| | **2008** | **2007** |
| | $'000 | $'000 |
| **At cost:** | | |
| Jamaica Gypsum and Quarries Limited 375,000,000 ordinary shares | 79,000 | 79,000 |
| Rockfort Mineral Bath Complex Limited 21,000,000 ordinary shares | 6,310 | 20,010 |
| Less: impairment provision | - | (13,700) |
| | 6,310 | 6,310 |
| Caribbean Gypsum Company Limited 1,000 ordinary shares | 4,000 | 4,000 |
| | 89,310 | 89,310 |

An impairment provision was made for the investment in Rockfort Mineral Bath Complex Limited as a result of a reduction in its fair value because of negative cash flows arising from trading losses.

## 16. Due from subsidiaries

| | Company | |
|---|---|---|
| | **2008** | **2007** |
| | $'000 | $'000 |
| Jamaica Gypsum and Quarries Limited | 89,294 | 153,282 |
| Caribbean Gypsum Company Limited | 1,371 | 1,255 |
| Rockfort Mineral Bath Complex Limited | 197 | - |
| | 90,862 | 154,537 |

## 17. Inventories

Inventories consist of the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Plant spares | 739,352 | 706,360 | 739,310 | 706,318 |
| Consumables | 622,392 | 306,157 | 622,392 | 306,157 |
| Raw materials and work in progress | 711,443 | 207,253 | 753,965 | 243,276 |
| Finished goods | 474,464 | 284,229 | 393,991 | 191,774 |
| Goods in transit | 26,031 | 64,495 | 26,031 | 64,495 |
| | 2,573,682 | 1,568,494 | 2,535,689 | 1,512,020 |
| Provision for obsolescence | (34,877) | (29,718) | (34,877) | (29,718) |
| | 2,538,805 | 1,538,776 | 2,500,812 | 1,482,302 |

## 18. Receivables and prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | 198,237 | 193,029 | 173,103 | 175,352 |
| Sundry receivables and prepayments | 170,352 | 215,854 | 165,388 | 211,804 |
| | 368,589 | 408,883 | 338,491 | 387,156 |
| Less: Impairment provision | (10,886) | (3,716) | (7,821) | (2,644) |
| | 357,703 | 405,167 | 330,670 | 384,512 |

## 18. Receivables and prepayments (continued)

**Changes in impairment provision**

| | Group Individually Impaired | Company Individually Impaired |
|---|---|---|
| | $'000 | $'000 |
| Balance as at 1 January 2007 | 1,072 | - |
| Charge for the year | 2,644 | 2,644 |
| Balance as at 31 December 2007 | 3,716 | 2,644 |
| Charge for the year 2008 | 7,170 | 5,177 |
| Balance as at 31 December 2008 | 10,886 | 7,821 |

As at 31 December, the aging analysis of trade receivables is as follows:

**The Group**

| | Total | Neither past due nor impaired | < 30 days past due | 30-60 days past due | 61-90 days past due | > 90 days past due |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2008** | 198,237 | 107,298 | 61,336 | 18,717 | 3,380 | 7,506 |
| **2007** | 193,029 | 128,924 | 46,286 | 9,641 | 4,462 | 3,716 |

**The Company**

| | Total | Neither past due nor impaired | < 30 days past due | 30-60 days past due | 61-90 days past due | >90 days past due |
|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **2008** | 173,103 | 99,588 | 56,788 | 8,906 | 3,621 | 4,200 |
| **2007** | 175,352 | 118,842 | 45,675 | 5,064 | 2,178 | 3,593 |

## 19. Due from related companies

Due from related companies consists of the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Readymix (West Indies) Limited | - | 1,762 | - | 1,762 |
| Arawak Cement Company Limited | 99,771 | 20,364 | 95,997 | 18,921 |
| TCL Guyana Limited | 29,666 | 40 | 29,666 | 40 |
| Trinidad Cement Limited | 386,904 | 3,848 | 386,904 | - |
| | 516,341 | 26,014 | 512,567 | 20,723 |

## 20. Cash and cash equivalents

Cash and cash equivalents consist of the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and in hand | 19,249 | 32,135 | 13,039 | 24,171 |
| Short-term deposits | - | 148,236 | - | 148,236 |
| | 19,249 | 180,371 | 13,039 | 172,407 |

## 21. Bank overdraft

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Bank overdraft | 29,532 | 57,863 | 29,532 | 56,471 |

The bank overdraft facilities are unsecured.

## 22. Payables and accruals

Payables and accruals consist of the following:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Sundry payables and accruals | 1,608,588 | 637,131 | 1,564,545 | 611,499 |
| Trade payables | 722,648 | 385,394 | 704,188 | 381,453 |
| Statutory obligations | 281,188 | 134,626 | 278,412 | 132,562 |
| | 2,612,424 | 1,157,151 | 2,547,145 | 1,125,514 |

## 23. Due to parent and related companies

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| TCL Ponsa Manufacturing Ltd | 2,382 | - | 2,382 | - |
| Trinidad Cement Limited | 950,493 | 1,349,263 | 950,493 | 1,349,263 |
| TCL (Nevis) Limited | - | 234,168 | - | 234,168 |
| TCL Packaging Limited | 305,887 | 253,731 | 305,887 | 253,731 |
| TCL Trading Limited | 75,402 | 56,876 | 75,402 | 56,876 |
| | 1,334,164 | 1,894,038 | 1,334,164 | 1,894,038 |
| Long-term | 1,102,797 | 1,725,260 | 1,102,797 | 1,725,260 |
| Short-term | 231,367 | 168,778 | 231,367 | 168,778 |
| | 1,334,164 | 1,894,038 | 1,334,164 | 1,894,038 |

The long term amount comprises the following:

| | | |
|---|---|---|
| Trinidad Cement Limited | 950,493 | 1,339,534 |
| TCL Packaging Limited | 116,505 | 170,697 |
| TCL Nevis Limited | - | 226,194 |
| TCL Trading Limited | 64,634 | 56,921 |
| | 1,131,632 | 1,793,346 |
| Less current portion included in short-term | (28,835) | (68,086) |
| | 1,102,797 | 1,725,260 |

## 23. Due to parent and related companies (continued)

These prior year loan amounts payable to parent and related companies represent advances made to the Company that were converted to long term loans.

**Trinidad Cement Limited:**

| Loan # | Interest rate | Currency | | Balance | |
|---|---|---|---|---|---|
| | % | 2008 | 2007 | 2008 | 2007 |
| | | TT$'000 | TT$' 000 | $'000 | $'000 |
| 1 | 7.5 | - | 18,867 | - | 209,521 |
| 2 | 8 | - | 15,746 | - | 174,861 |
| 3 | 7 | - | 18,395 | - | 204,279 |
| 4 | 8.75 | - | 49,729 | - | 552,247 |
| 5 | 8.75 | - | 17,886 | - | 198,626 |
| 13 | 8.20 | 74,873 | - | 950,493 | - |
| | | 74,873 | 120,623 | 950,493 | 1,339,534 |

Loans # 1-5 which were originally scheduled for full repayments subsequent to the year end were settled during the year.

Loan # 13 was received during December 2008 and is repayable within 18 months

**TCL Packaging Limited:**

| Loan # | Interest rate | Currency | | Balance | |
|---|---|---|---|---|---|
| | % | 2008 | 2007 | 2008 | 2007 |
| | | $'000 | $'000 | $'000 | $'000 |
| 6 | 8.25 | - | US$967 | - | 68,086 |
| 7 | 8 | TT$9,240 | TT$9,240 | 116,505 | 102,611 |
| | | | | 116,505 | 170,697 |

Loan # 6 was received in 2005 and was fully repaid during the year.

Loan # 7 was received in 2006 and is repayable in four semi-annual installments commencing June 2009, this loan was renegotiated in 2008 with similar terms except repayment will commence in 2010.

## 23. Due to parent and related companies (continued)

### TCL (Nevis) Limited:

| Loan # | Interest rate | Currency | | Balance | |
|---|---|---|---|---|---|
| | % | 2008 | 2007 | 2008 | 2007 |
| | | TT$'000 | TT$'000 | $'000 | $'000 |
| 8 | 7 | - | 5,146 | - | 57,142 |
| 9 | 8 | - | 3,207 | - | 35,614 |
| 10 | 8.75 | - | 12,016 | - | 133,438 |
| | | - | 20,369 | - | 226,194 |

Loan # 8 was received during 2006, and was scheduled to be repaid over 5 years by equal quarterly installments commencing July 2008. However, it was repaid during the year.

Loan # 9 was received in 2006 and was to be repaid in four semi-annual installments commencing June 2009. However, it was repaid during the year.

Loan # 10 was repayable over 4 years by equal installments commencing March 2009. However, it was repaid during the year.

### TCL Trading Limited:

| Loan # | Interest rate | Currency | | Balance | |
|---|---|---|---|---|---|
| | % | 2008 | 2007 | 2008 | 2007 |
| | | TT$' 000) | TT$'000 | $'000 | $'000 |
| 11 | 8 | 3,448 | 3,448 | 43,746 | 38,087 |
| 12 | 7.5 | 1,696 | 1,696 | 20,888 | 18,834 |
| | | 5,144 | 5,144 | 64,634 | 56,921 |

Loan # 11 was received in 2008 and is repayable in four semi-annual installments commencing June 2009.

Loan # 12 represents the conversion of short term advances to a long term loan. It is repayable in twelve equal quarterly installments commencing March 2009.

## 24. Due to subsidiary

Included in this amount are US dollar short term advances with a balance of US$1,120,000 (2007-US$2,610,000) borrowed by Jamaica Gypsum and Quarries Limited from RBTT Bank Jamaica Limited and loaned to the Company on similar terms and conditions as those received from the bank (Note 25), and trade amounts of $71,490 (2007 – nil) owing to Jamaica Gypsum and Quarries Limited.

## 25. Short-term loans

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Bank of Nova Scotia (Ja.) Ltd | 250,000 | - | 250,000 | - |
| RBTT Bank Jamaica Limited (see table below) | 315,974 | 348,738 | 226,231 | 165,285 |
| | 565,974 | 348,738 | 476,231 | 165,285 |

The Bank of Nova Scotia loan in the amount of J$250,000,000 was secured in September 2008. The loan is repayable in four (4) quarterly installments, commencing January 2009, and bears an interest rate of 20.125%.

**RBTT Bank Jamaica Limited**

| **Loan #** | **Interest rate** | **Group Balance** | | **Company Balance** | |
|---|---|---|---|---|---|
| | **%** | **2008** | **2007** | **2008** | **2007** |
| | | **$'000** | **$'000** | **$'000** | **$'000** |
| 1 | 9.5 | 175,059 | 348,738 | 85,316 | 165,285 |
| 2 | 9.5 | 41,848 | - | 41,848 | - |
| 3 | 9.5 | 99,067 | - | 99,067 | - |
| | | 315,974 | 348,738 | 226,231 | 165,285 |

RBTT loan #1 is denominated in US dollars with outstanding balances of US$2,184,000 (2007-US$4,958,000) for the Group and US$1,065,000 (2007-US$2,348,000) for the Company, respectively. The loan of US$1,064,000 (2007-US$2,348,000) is repayable by the Company in August 2009 and is secured by a letter of comfort issued by the Ultimate Parent Company; the amount of US$1,120,000 (2007-US$2,610,000) is repayable by Jamaica Gypsum and Quarries Limited (the Subsidiary) over twelve months, and is secured by letters of guarantee issued by the Company and the Subsidiary.

## 25. Short-term loans (continued)

RBTT loan #2, denominated in US dollars with outstanding balance of US$521,664, was obtained in February 2008, is repayable in monthly installments, and is to be fully repaid by the Company in March 2009.

RBTT loan #3, denominated in US dollars with outstanding balance of US$1,235,000, was obtained in September 2008, and is to be repaid within twelve months with monthly payments.

Loans #2 and #3 are also secured by the letter of comfort issued by the Ultimate Parent Company.

## 26. Long-term loans

Long-term loans are repayable as follows:

| | Group and Company | |
|---|---|---|
| | **2008** | **2007** |
| | $'000 | $'000 |
| Amounts repayable within: | | |
| One year | 6,650 | 8,394 |
| Two years | 2,835 | 5,745 |
| Three years | 1,745 | 1,280 |
| Four years | 1,537 | 576 |
| Five years | - | 296 |
| | 12,767 | 16,291 |
| Current portion | (6,650) | (8,394) |
| | 6,117 | 7,897 |

These loans are:

| | **Interest rate percentage** | **Repayable** | **Group and Company 2008** | **2007** |
|---|---|---|---|---|
| | | | $'000 | $'000 |
| RBTT Bank Jamaica Limited | 21.75% | 2009 | 2,656 | 5,488 |
| Bank of Nova Scotia | 19.50% | 2009 - 2012 | 10,111 | 10,803 |
| | | | 12,767 | 16,291 |

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

## 27. Share capital

Share capital consists of the following:

| | Number of units 2008 (000) | Number of units 2007 (000) | Group and Company 2008 $'000 | Group and Company 2007 $'000 |
|---|---|---|---|---|
| **Authorized**: | | | | |
| Ordinary shares of no par value | 1,350,000 | 1,350,000 | | |
| **Issued and fully paid:** | | | | |
| Ordinary stock units of no par value | 851,138 | 851,138 | 1,808,837 | 1,808,837 |

In 2006, the Company converted its existing shares to shares of no par or nominal value as required by the Jamaican Companies Act.

## 28. Revaluation reserve

| | Group and Company 2008 $'000 | Group and Company 2007 $'000 |
|---|---|---|
| Balance at 1 January | 5,192 | 52,654 |
| Realized during the year | (5,192) | (47,462) |
| Balance at 31 December | - | 5,192 |

In August 1999, the Company entered into a sale and operating leaseback transaction with a third party involving certain of its machinery and equipment. This transaction resulted in the realization of an existing revaluation reserve of approximately $474,618,000. This realized revaluation reserve was amortized on a straight line basis over ten years which is the term of the resulting original operating lease (Note 12).

## 29. Contingencies

There are several pending legal actions and other claims, estimated at $158,000,000 at the year end, in which the Group is involved. It is the opinion of the directors, based on the information provided by the Company's Attorneys, that liability, if any, arising out of these claims is not likely to be material. Accordingly, no provision has been made in these financial statements in respect of these matters.

## 30. Commitments

### a) Operating leases

The Company has commitments of J$18,517,507,000 (US$230,844,000) under the operating leases with Trinidad Cement Limited, which are payable semi-annually in United States dollars (Note 12).

In the year ending 31 December:

| | $'000 |
|---|---|
| 2009 | 1,682,630 |
| 2010 | 2,036,785 |
| 2011 | 1,950,943 |
| 2012-2028 | 12,847,149 |
| | 18,517,507 |

### b) Capital commitment

The amount of $1,009,227,000 (US$12,832,000) (2007 – 1,395,539,000 (US$19,823,000)) as approved and contracted for as at 31 December 2008 in respect of the expansion and modernization programme and the replacement of property, plant and equipment damaged by hurricane.

### c) Guarantees

The Company has provided guarantees in the form of letters of credit and indemnity to third parties in the amount of $385,120,000 (2007 - $144,634,000).

## 31. Pension plan

The Group participates in a defined contribution pension plan which is managed by an independent party, Life of Jamaica Limited. This plan is mandatory for all categories of permanent employees. Contributions are 10% of pensionable salary for both employee and employer. The amount of annual pension at any date shall be that pension which can be secured by the accumulated contribution plus interest to that date. The Group's contributions in the year amounted to $52,455,000 (2007 - $40,633,000).

## 32. Limestone reserves

The major raw material used in the cement manufacturing process is limestone. The limestone requirements of the Company are met from reserves in land leased from the Government of Jamaica. The lease term has 40 years remaining but exploitable reserves are expected to have a life of 170 years based on the current extraction rate. Deep reserves have a further exploitable life of approximately 128 years. These limestone reserves are not recorded in these financial statements.

## 33. Financial risk management objectives and policies

The Group's principal financial liabilities comprise bank loans and overdrafts, operating leases, trade payables and related party balances. The Group has various financial assets such as trade receivables, cash and short-term deposits and related party balances which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk, interest rate risk, liquidity risk and foreign currency risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below.

### 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. Cash and short-term deposits are placed with reputable financial institutions. The primary concentration of the Group's credit risk is with its trade receivables, which is mitigated by regular credit evaluation of its customers credit worthiness and credit limits. In addition, receivable balances are monitored on an ongoing basis to mitigate the Group's exposure to bad debts.

### Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. At the balance sheet date, the Group's exposure to changes in interest rate relates primarily to bank overdraft which has a floating interest rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. The interest rate exposure of borrowings is as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| Total borrowings: | | | | |
| At fixed rates | 1,681,538 | 2,090,289 | 1,681,538 | 2,090,289 |
| At floating rates | 29,532 | 57,863 | 29,532 | 56,471 |
| | 1,711,070 | 2,148,152 | 1,711,070 | 2,146,760 |

## 33. Financial risk management objectives and policies (continued)

### Interest rate risk (continued)

Weighted average effective interest rates:

| | (%) | (%) | (%) | (%) |
|---|---|---|---|---|
| Bank overdraft | 22 | 22 | 22 | 22 |
| Bank borrowings (US$ loans) | 9.5 | 8.5 | 9.5 | 8.5 |
| Other bank borrowings | 21 | 21 | 21 | 21 |
| Related party loans | 8 | 8 | 8 | 8 |

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's and Company's profit before tax.

| | Group & Company | |
|---|---|---|
| | Increase/decrease in basis points | Effect on profit before tax $'000 |
| **2008** | | |
| JMD | +100 | (295) |
| JMD | -100 | 295 |
| **2007** | | |
| JMD | +100 | (579) |
| JMD | -100 | 579 |

### Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has transactional currency exposures. Such exposure arises from purchases by the Group in currencies other than its functional currency. Approximately 60% of the Group's purchases are denominated in currencies other than its functional currency.

## 33. Financial risk management objectives and policies (continued)

### Foreign currency risk (continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| United States dollars: | | | | |
| Cash | 6,230 | 173,897 | 2,203 | 165,977 |
| Receivables | 21,440 | 136,499 | - | 125,367 |
| Related parties, net | - | (286,344) | - | (291,634) |
| Payables | (608,406) | (515,047) | (608,406) | (515,047) |
| Bank loans | (315,974) | (165,285) | (226,231) | (165,285) |
| | (896,710) | (656,280) | (832,434) | (680,622) |
| Trinidad and Tobago dollars: | | | | |
| Related parties, net | (817,823) | (1,581,680) | (821,597) | (1,581,680) |

The following table demonstrates the sensitivity to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Group's and the Company's profit before tax.

| | Change in US$ rate | Group effect on profit before tax | Company effect on profit before tax |
|---|---|---|---|
| | | **$'000** | **$'000** |
| **2008** | +5% | (85,727) | (82,702) |
| | -5% | 85,727 | 82,702 |
| **2007** | +5% | (111,898) | (113,115) |
| | -5% | 111,898 | 113,115 |

## 33. Financial risk management objectives and policies (continued)

### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Group maintains a balance between continuity of funding and flexibility through the use of bank overdraft, bank loans and related party financing.

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2008 based on contractual undiscounted payments.

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| As at 31 December 2008 | **On demand** | **Less than 3 months** | **3 to 12 months** | **1 to 5 years** | **Over 5 years** | **Total** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest bearing loans and borrowings | 29,532 | 149,157 | 440,617 | 1 ,091,764 | - | 1,711,070 |
| Due to related companies | - | 40,108 | 191,259 | - | - | 231,367 |
| Trade and other payables | - | 2,349,060 | 263,364 | - | - | 2,612,424 |
| | 29,532 | 2,538,325 | 895,240 | 1,091,764 | - | 4,554,861 |

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| As at 31 December 2007 | **On demand** | **Less than 3 months** | **3 to 12 months** | **1 to 5 years** | **Over 5 years** | **Total** |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest bearing loans and borrowings | 57,863 | 49,796 | 307,336 | 1,733,157 | - | 2,148,152 |
| Due to related companies | - | 35,198 | 133,580 | - | - | 168,778 |
| Trade and other payables | - | 934,959 | 222,192 | - | - | 1,157,151 |
| | 57,863 | 1,019,953 | 663,108 | 1,733,157 | - | 3,474,081 |

## 33. Financial risk management objectives and policies (continued)

### Liquidity risk (continued)

The table below summarizes the maturity profile of the Company's financial liabilities at 31 December 2008 based on contractual undiscounted payments.

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| As at 31 December 2008 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest bearing loans and borrowings | 29,532 | 119,242 | 453,382 | 1,108,914 | - | 1,711,070 |
| Due to related companies | - | - | 231,367 | - | - | 231,367 |
| Trade and other payables | - | 2,283,781 | 263,364 | - | - | 2,547,145 |
| | 29,532 | 2,403,023 | 948,113 | 1,108,914 | - | 4,489,582 |

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| As at 31 December 2007 | On demand | Less than 3 months | 3 to 12 months | 1 to 5 years | Over 5 years | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Interest bearing loans and borrowings | 56,471 | 23,544 | 333,588 | 1,733,157 | - | 2,146,760 |
| Due to related companies | - | 35,198 | 133,580 | - | - | 168,778 |
| Trade and other payables | - | 862,150 | 263,364 | - | - | 1,125,514 |
| | 56,471 | 920,892 | 730,532 | 1,733,157 | - | 3,441,052 |

## 33. Financial risk management objectives and policies (continued)

### Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years end 31 December 2008 and 31 December 2008.

Certain items of the plant and equipment under construction in the Expansion and Modernization Project were financed by and owned by the parent company, Trinidad Cement Limited. Caribbean Cement Company Limited has entered into a long term operating lease agreement, on arms' length terms, with the parent company for the use of these items. This new lease agreement will mitigate the Company's foreign exchange risk associated with the debt financing and take advantage of lower cost debt funding available to the parent company.

The Group monitors capital using the gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and cash equivalents. Capital includes equity attributable to the equity holders of the parent.

| | **2008** | **2007** |
|---|---|---|
| | $'000 | $'000 |
| Interest bearing loans and borrowings | 1,711,070 | 2,148,152 |
| Trade and other payables | 2,612,424 | 1,157,151 |
| Due to related companies | 231,367 | 168,778 |
| Less cash and short term deposits | (19,249) | (180,371) |
| Net debt | 4,535,612 | 3,293,710 |
| Equity | 3,458,584 | 3,155,921 |
| Capital and net debt | 7,994,196 | 6,449,631 |
| Gearing ratio | 57% | 51% |

## 33. Financial risk management objectives and policies (continued)

### Fair values

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. The fair value of financial instruments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models.

| | **The Group** | | | |
|---|---|---|---|---|
| | **Carrying amount** | | **Fair values** | |
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents | 19,249 | 180,371 | 19,249 | 180,371 |
| Receivables and prepayments | 357,703 | 405,167 | 357,703 | 405,167 |
| Due from related companies | 516,341 | 26,014 | 516,341 | 26,014 |
| **Financial liabilities** | | | | |
| Bank overdraft | 29,532 | 57,863 | 29,532 | 57,863 |
| Payables and accruals | 2,612,424 | 1,157,151 | 2,612,424 | 1,157,151 |
| Due to related companies | 1,334,164 | 1,894,038 | 1,170,795 | 1,573,878 |
| Short term loans | 565,974 | 348,738 | 565,974 | 348,738 |
| Long term loans | 12,767 | 16,291 | 9,320 | 13,330 |

| | **The Company** | | | |
|---|---|---|---|---|
| | **Carrying amount** | | **Fair values** | |
| | **2008** | **2007** | **2008** | **2007** |
| | $'000 | $'000 | $'000 | $'000 |
| **Financial assets** | | | | |
| Cash and cash equivalents | 13,039 | 172,407 | 13,039 | 172,407 |
| Receivables and prepayments | 330,670 | 384,512 | 330,670 | 384,512 |
| Due from related companies | 512,567 | 20,723 | 512,567 | 20,723 |
| **Financial liabilities** | | | | |
| Bank overdraft | 29,532 | 56,471 | 29,532 | 56,471 |
| Payables and accruals | 2,547,146 | 1,125,514 | 2,547,146 | 1,125,514 |
| Due to related companies | 1,334,164 | 1,894,038 | 1,170,795 | 1,573,878 |
| Short term loans | 476,231 | 165,285 | 476,231 | 165,285 |
| Long term loans | 12,767 | 16,291 | 9,320 | 13,330 |