Lascelles • deMercado

Lascelles, deMercado & Co. Limited

CHAIRMAN

Lawrence A. Duprey, CMT

MANAGING DIRECTOR

Hon. William A. McConnell, O.J., C.D., J.P., F.C.A.

DIRECTORS

David K.C. Henriques

Anthony J. Bell

Michael A.G. Fraser, J.P., C.L.U.

Richard K. Powell, M.B.A., M.Sc., B.Sc.

Tulla Marlene P. Sutherland, LL.M.,LL.B., B.Sc.

Michael E. Carballo, FCCA, CA

Geoffrey E. Leid, B. Econ, B.A.S, LL.B

Eric Jason Abrahams

SECRETARY

Jane George, M.A. (Oxon.)

REGISTRAR

Marvia J. Williams, ACIS

REGISTERED OFFICE

23 Dominica Drive
Kingston 5
P.O. Box 382, Kingston 10
Jamaica

Lascelles, deMercado & Co. Limited

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Lascelles, deMercado & Co. Limited

Notice of Meeting

NOTICE IS HEREBY GIVEN

That the Ninety-Fourth Annual General Meeting of the Stockholders of Lascelles, deMercado & Co. Limited will be held at the registered office of the Company, 23 Dominica Drive, Kingston 5, on Tuesday, February 17, 2009 at 9:30 o'clock in the forenoon, for the purposes of considering and, if thought fit, passing the following resolutions, namely:

1. **Resolution No. 1 – 2008 Audited Accounts**
   THAT the Directors' Report, the Auditors' Report and the Audited Financial Statements for the Company and the Group for the year ended 30th September, 2008 be and are hereby adopted.

2. **Resolution No. 2 – Remuneration of the Auditors**
   THAT the remuneration of the Auditors, KPMG, who have indicated their willingness to continue in office, be fixed by the Directors.

3. **Resolution No. 3 – Re-election of Director**
   THAT Mr. David K.C. Henriques, a Director retiring by rotation and, being eligible, having offered himself for re-election, be and is hereby re-elected a Director of the Company.

4. **Resolution No. 4 – Re-election of Director**
   THAT Mr. Michael A.G. Fraser, a Director retiring by rotation and, being eligible, having offered himself for re-election, be and is hereby re-elected a Director of the Company.

5. **Resolution No. 5 – Re-election of Director**
   THAT Mr. Richard K. Powell, a Director retiring by rotation and, being eligible, having offered himself for re-election, be and is hereby re-elected a Director of the Company.

6. **Resolution No. 6 – Re-election of Director**
   THAT pursuant to Article 89 of the Company's Articles of Association, Mr. Lawrence A. Duprey, having been appointed to the Board since the last Annual General Meeting, be and is hereby re-elected a Director of the Company.

7. **Resolution No. 7 – Re-election of Director**
   THAT pursuant to Article 89 of the Company's Articles of Association, Mr. Michael E. Carballo, having been appointed to the Board since the last Annual General Meeting, be and is hereby re-elected a Director of the Company.

8. **Resolution No. 8 – Re-election of Director**
   THAT pursuant to Article 89 of the Company's Articles of Association, Mr. Geoffrey E. Leid, having been appointed to the Board since the last Annual General Meeting, be and is hereby re-elected a Director of the Company.

9. **Resolution No. 9 – Re-election of Director**
   THAT pursuant to Article 89 of the Company's Articles of Association, Mr. Eric Jason Abrahams, having been appointed to the Board since the last Annual General Meeting, be and is hereby re-elected a Director of the Company.

10. To consider any other business of an Annual General Meeting.

BY ORDER OF THE BOARD
Jane George
Secretary

January 21, 2009

A member entitled to attend and vote at this meeting is entitled to appoint a Proxy to attend and, upon a poll, vote instead of him. A proxy need not be a member of the company. To be effective, Proxies must be received at the registered office not less than forty-eight hours before the time fixed for the meeting.

Lascelles, deMercado & Co. Limited

Report of the Directors

To the Stockholders of
LASCELLES, deMERCADO & CO. LIMITED

On the affairs of the Group for the year ended September 30, 2008

ACCOUNTS

	2008	2007
	$000s	**$000s**
Profit attributable to stockholders	3,015,131	2,665,420
Retained profits at beginning of year	7,661,995	5,581,899
Balance attributable to stockholders	10,677,126	8,247,319
Dividends and distributions	(162)	(288,162)
	10,676,964	7,959,157
Transfer to capital reserve, net	(998,315)	(297,162)
Retained profits at end of year	9,678,649	7,661,995

DIRECTORATE

In accordance with the Articles of Association, Mr. David K.C. Henriques, Mr. Michael A.G. Fraser, and Mr. Richard K. Powell retire by rotation and, being eligible, offer themselves for re-election. Additionally, Mr. Lawrence A. Duprey, Mr. Michael E. Carballo, Mr. Geoffrey E. Leid and Mr. Eric Jason Abrahams, having been appointed to the Board since the last Annual General Meeting cease to hold office and, being eligible, offer themselves for re-election.

Mr. George N. Ashenheim retired on July 29, 2008 and Mr. Lawrence A. Duprey was appointed Chairman of the Board on July 29, 2008.

AUDITORS

KPMG has expressed its willingness to continue in office in accordance with the Companies Act.

BY ORDER OF THE BOARD
Jane George
Secretary
January 21, 2009

Lascelles, deMercado & Co. Limited

Chairman's Statement

STATEMENT

This is my first statement to you since CL Spirits Limited, a 100% subsidiary of CL Financial Limited, acquired control of your Group on July 28th, 2008.

CL Financial Limited is a Trinidad and Tobago based investment holding company that operates globally in 32 countries and supports the growth and well-being of its enterprises. The Group operates within a wide range of industry sectors including Insurance, Banking & Financial Services, Real Estate development, Energy & Petrochemicals and Spirits. CL Spirits Limited completed the purchase commenced by its sister company, Angostura Limited, and the accepting stockholders received a total of US$9.25 for each ordinary stock unit sold. The price paid is a demonstration of the confidence felt by the CL Group in the future of your Group and testament to the careful and far-sighted strategic planning implemented by your board and executive management, under the leadership of Mr. George Ashenheim, retired Chairman and Hon. William McConnell, who continues as Managing Director of your Group. Mr. Ashenheim joined the company as Secretary in 1958 and the Board in 1959 and became Chairman of the company in 1975 and presided over the steady growth of your Group into the internationally-competitive conglomerate that it is today. On behalf of the Board, I would like to thank Mr. Ashenheim for all he has done, and to wish him a long and happy retirement.

I became a board member on April 30th, 2008 and Chairman on July 29th, 2008, following Mr. Ashenheim's retirement. On July 29th, 2008, Mr. Michael Carballo, Group Finance Director for the C.L. Financial Group of Companies and Mr. Geoffrey Leid, Attorney-at-Law and Mergers and Acquisitions Advisor to the C.L. Financial Group, became members of your Board. After the end of the financial year, on November 17th, 2008, Mr. Eric Jason Abrahams, a noted investment banker, also accepted an invitation to join the Board. The new directors bring a wealth of experience and proven track records in their fields. They also bring considerable collective experience in transitioning and growing companies following takeovers and mergers. I am happy that the executive management of your Group, which has led its fortunes with such care, continues in place.

Your Board intends to build on the legacy of growth and take your Group from strength to strength, leveraging the advantages of critical mass now afforded to it as part of a larger overall group. The starting point is most likely to be the effective combination of the wines and spirits operations of the two groups. To this end, management in the respective groups has been meeting and liaising in order to identify those areas most ripe for collaboration, in order to power a global thrust to grow strong brands; brands which will be synonymous with quality and recognised the world over.

However, in such planning for the future, your Board is well aware of the exigencies of the current economic climate, and realises that the plans for growth and expansion must be carefully crafted. We must all brace ourselves against the global economic shocks arising out of the current crisis, which will continue to reverberate for some time yet and will present challenges to overcome. At the time of writing, it is unclear how long the uncertainty and economic contraction will continue. Nonetheless, opportunities are often born out of adversity and we must, therefore, continue to look outwards and think laterally in order to realize our vision of a

world-beating Caribbean conglomerate. Your Group must strive to be strategically placed to take advantage of the upturn, when it occurs.

The financial results and the segment-by-segment narrative are, of course, set out in full elsewhere in this report. You will see that your Group's revenues increased by 17.9% and its net profits by 13.1%, in comparison with the previous year. The operating climate in Jamaica has produced its own challenges over the last year, quite independent of those the world is now facing. Disposable income in the pockets of the consumers has been eroded by the marked increase in the rate of inflation and in many cases, by the collapse of the unregulated alternative investment schemes and the consequent loss of income. This has led to a slowdown which has affected all the business segments of the company. This may be compounded if the prediction comes to pass that remittances sent by Jamaicans residing overseas to their families in Jamaica will reduce in the very near future, as their jobs are lost or perceived to be under threat, and the availability of consumer credit lessens. Crime and the fear of crime in Jamaica continue to curtail the social life of many people, with a consequent reduction of the number and popularity of social events at which liquor and in particular your favourite Rum brands are served and of the on-premise sales of liquor. The Agri Division, having started the year with renewed confidence and predictions of healthier results than hitherto, found that the forces of nature once more defeated much of its planning, with the passing of Tropical Storm Gustav and other heavy rainfall in 2008 compounding the after effects of storms and rainfall in 2007. Mechanical failures and breakdowns exacerbated this situation.

The divisions are stepping forward to meet these challenges by ensuring that their cost control measures are adequate and by cutting costs where possible, without impacting on the quality of goods and services rendered. Strategies are being implemented to ensure the visibility and ready availability of your Group's products and services. I would draw your attention to the eye-catching and effective marketing of new and existing consumer products by Globe, with new products available to give consumers choice and flexibility; to the energy and focus displayed by the Automotive Division to attract new customers and maintain its existing base, through tireless market analysis and promotion; to the tenacity of AJAS in times which are challenging for the airline industry generally and for those operating in the newly-privatised Jamaican airports in particular. The Merchandising Division continues its stellar performance, driven by the ability to identify market trends and to build excellent relationships with its principals. The Liquors, Wines and Spirits operations continue their energetic and creative initiatives to raise visibility and availability of the products locally, and to work with the network of excellent overseas distributors to ensure that every marketing dollar is well spent in the pursuit of brand loyalty. Appleton Jamaica Rum continues its march across the world, with extremely promising results from its new USA distributor and with increased penetration into the South American and European markets, including the formal entry into the Eastern European markets. However, without goods to sell, all marketing initiatives would be in vain – I am happy to report that the Production Division has implemented measures which have led to greater productivity and a more comfortable level of stock-on-hand, bolstering the drive by the Global Marketing Division to ensure constant availability of quality products to the consumers.

Therefore, in uncertain and challenging times, your Directors are pleased to note the balanced pro-active approach being pursued across the Group – the control of costs, and the forward-thinking initiatives, which should insulate the Group against the worst shocks of the local and international financial challenges, while positioning it to take advantage of the opportunities which may arise.

Lascelles, deMercado & Co. Limited

Chairman's Statement (continued)

CASH DISTRIBUTION

Dividends have been paid on the 6% Cumulative Preference Stock, and the 15% Cumulative Preference Stock.

STAFF AND FACILITIES

As of 1st January, 2009, all new employees in the Group will become members of the Lascelles deMercado Defined Contribution Fund. The Lascelles, Henriques et al Superannuation Fund (LHSF) will continue in operation for the benefit of its existing members and its pensioners.

The Lascelles Employees' Co-Operative Credit Union continued its excellent operations during the year in review. Once again, your Directors note with pleasure the involvement and interest of the Board, Secretary and members of the Credit Union in all its affairs. Its members continue to avail themselves of its many services, to their benefit.

Your Directors are happy to record their recognition of and appreciation for the dedication and keen interest shown by the management and staff of all companies in your Group during the year in review. Personally, I would make it my duty to spend the necessary time to meet with management and staff in due course to share our vision as we move forward to build an even greater group that we will continue to be extremely proud of.

BOARD OF DIRECTORS

I repeat the appreciation of your Directors for Mr. Ashenheim's sterling contribution to the Group over the years, and the welcome to the new directors, whose contribution is greatly anticipated.

Again, I wish to thank all stockholders, management, staff and all stakeholders, including our many customers and suppliers, both in Jamaica and across the globe, and say that we will continue to partner together for the benefit of this great organisation.

Lawrence A. Duprey
Chairman

Lascelles, deMercado & Co. Limited

Management Discussion and Analysis Financial Year 2008

General Comments

The Lascelles deMercado Group had another successful year in 2008. We achieved growth in revenues, profits and stockholders' equity. Teamwork and commitment to excellence were important ingredients in this year's success. As in previous years, we are pleased to note that our operating business segments, being Liquor, Rums, Wines & Sugar; General Merchandise; General Insurance; Investments and Transportation Services all recorded creditable performances and in some instances, significant growth.

As our financial year drew to a close the turmoil in the US financial sector was beginning to impact on the world financial markets. The problems triggered by the sub-prime debacle caused a "credit crunch" and inevitably a lack of confidence in the United States financial sector. The impact of this crisis extended to the Asian, European and Russian markets – indeed the world. Some emerging developments in what is now being called the "global economic crisis" include a tightening of international credit and a general contraction in the global economy.

In addition to this, the Jamaican economy continues to face many challenges. The global economic crisis was preceded in Jamaica by the collapse during this financial year of certain alternative unregulated investment schemes, from which many Jamaicans were deriving significant disposable income. It is expected that there will be a fall in the volume of remittances sent to Jamaicans from their relatives abroad, particularly in the United States. We continue to experience an increase in criminal activity, an increase in inflation and generally, anemic growth. Furthermore, we suffered from a year of adverse weather conditions, with flooding affecting much of our sugar cane fields.

For the 2007/08 financial year, there were no operational or management changes flowing from the acquisition of Lascelles deMercado by the CL Financial Group. All business units and existing contracts remained in place. The Group's Managing Director, the Hon. William McConnell also continued to serve in that capacity. The acquisition, which began in November 2007, was concluded in July 2008. With the synergies identified and the strength, expertise and farsightedness of the new Board, we will undoubtedly be poised to realize our vision of becoming a world-beating Caribbean conglomerate even amidst challenging times.

Financial Statements

The financial statements comprising the Balance Sheet as at September 30, 2008, the Statement of Changes in Stockholders' Equity, Income Statement, Statement of Cash Flows for the year ended September 30, 2008 and the Notes to the Financial Statements for the company and the group are submitted.

We are pleased to report that your Group produced excellent results for the financial year ended September 30, 2008. This year's performance demonstrates a consistent trend of positive performance indicators and indeed speaks to the strength and sustainability of our operations.

Operating Revenues from continuing operations increased by $3.5 billion or 17.9% from $19.5 billion in September 2007 to $23.0 billion in September 2008. For the same period, Profit Before Taxation increased by $334.1 million or 10.4% from $3.21billion to $3.54 billion.

On July 31, 2008, the business, including the related assets and liabilities, of Lascelles Telecom, a Division of Lascelles Limited, was sold to a third party for $93.6 million, resulting in a capital gain of $100.8 million. The net profit of $115.1 million (inclusive of the capital gain) is reflected in the financial statements as discontinued operations.

Net Profit Attributable to Members totaled $3.0 billion, an increase of 13.1% over last year's $2.7 billion.

Some of the key financial highlights for the year ended September 30, 2008 are noted below. These indicators attest to the continued strong financial performance of the Lascelles deMercado Group.

	FY 2008	FY 2007	% Change
Operating revenues ($'000)	22,963,136	19,478,663	**17.9**
Profit before taxation ($'000)	3,543,512	3,209,419	**10.4**
Profit after taxation ($'000)	2,900,022	2,670,853	**8.6**
Profit/(loss) from discontinued operations ($'000)	115,109	(5,433)	**2,218.7**
Net profit attributable to members ($'000)	3,015,131	2,665,420	**13.1**
Stockholders' equity ($'000)	25,695,806	22,532,031	**14.0**
Earnings per share ($)	31.41	27.76	**13.1**
Cash generated from operations ($'000)	1,269,969	2,136,863	**(40.6)**
JSE share price at year end ($)	**500.00**	**282.50**	**77.0**

(Note that Operating Revenues, Profit Before Taxation and Profit After Taxation are based on continuing operations.)

For the 2007/08 financial year the General Merchandise Segment accounted for $1.6 billion of the total increase of $3.5 billion in revenues, whilst the Liquor, Rums, Wines & Sugar Segment accounted for $1.0 billion of the total increase. The record 52.9% growth in the General Merchandise Segment over last year not only emanated from growth in existing business but also the addition of a new principal. In the case of the Liquor, Rums, Wines & Sugar Segment, increased revenues were due mainly to growth in the international markets and price increases in the local market. All the other segments made a positive contribution to the overall 17.9% growth in revenues.

The Group's Profit Before Tax of $3.5 billion increased by $334.1 million or 10.4% over last year. All the segments excepting Liquor, Rums, Wines & Sugar recorded an increase in profits over prior year. Even though the Liquor, Rums, Wines & Sugar Segment achieved a profit of $1.1 billion for the year under review, there was a 34.3% decline in profitability when compared with last year. It is worthy of note that this decline was due to the losses experienced in our sugar operations only. The spirits operations did in fact experience growth. The challenges in the sugar operations can be explained by the effects of the bad weather conditions on cane fields and the resultant increase in fuel costs as well as the reduction in sugar production. The Investment

Segment returned $1.5 billion in profits for the year. The total increase contributed by that Segment amounted to $569.7 million. Significant increases in dividend income and the increase in the IAS 19 pension credit account for this improvement. The General Merchandise Segment contributed $227.8m to this year's overall profit growth. Following from the increased revenues generated and the ability to contain costs, the General Merchandise Segment was able to grow profits by 194.4% over last year.

On examination of the components of the Group Income Statement, in addition to increases in Operating Revenue which have already been discussed, Cost of Operating Revenue increased by 20.6% and Administration, Marketing and Selling Expenses increased by 7.1%. (Note that the total IAS 19 pension credit included in Administration, Marketing and Selling Expenses for 2008 is $397m compared to $255m for 2007.) The changes in these items have resulted in an overall 31.4% increase in Operating Profits compared to the preceding year.

For 2008, cost containment initiatives were an important feature of our operations as reflected in the Administration, Marketing and Selling Expenses. For the 2009 financial year, we are expecting a greater increase in these expenses. This projection is based not only on our inflationary expectations for the next financial year but also on planned significant brand investment in the international market.

The Other Income category which includes mainly gains on disposal of fixed assets and investments experienced a decline of 35.8%. Finance Income decreased by 42% and Finance Costs decreased by 3.3%. The most significant movement was in the Foreign Exchange Gains line item. Fluctuation in the various world currencies was responsible for the reduction in this category compared to last year.

Stockholders' Equity as per the Group's Financial Statements grew by $3.2 billion or 14.0% for the year ended September 30, 2008. Of this amount, Profit Attributable to Members accounted for $3.0 billion. The appreciation in the fair value of investments amounted to $556.5 million compared to $1.6 billion in prior year. This category was directly affected by the global economic crisis which started to unfold at year end. The market value of bonds, stocks and other investments experienced a substantial decline.

For the year, the Group generated approximately $330.8 million in cash (2007: $980.6 million). Net Cash Provided by Operations as per the Group Statement of Cash Flows amounted to $1.27 billion (2007: $2.14 billion). Mention must be made of the $1.5 billion increase in inventories over last year. The necessity for this significant outflow of cash can be explained by the rebuilding of stock levels, particularly in the Spirits operations. Capital additions amounted to $731.0 million (2007: $728.0 million). Over $550m of the total capital additions relate to the continued upgrade of the production facilities of Wray & Nephew housed at the main complex on Spanish Town Road and to the upgrading of the power house and distillery operations at our estates. As in prior years, we continued to use internally generated funds to finance capital additions.

The detailed operational and financial performance of the group organized into our five primary segments is noted below.

Liquors, Rums, Wines & Sugar

The flagship segment of your Group - Liquors, Rums, Wines & Sugar, experienced mixed fortunes for the year under review. Overall, the segment achieved revenues of $12.6 billion,

representing an increase of $997.0 million or 7.91% over last year. Segment profits totaling $1.06 billion fell below prior year by $554 million or 34.3% due mainly to losses incurred in the Sugar operations. Although the Spirits operations experienced growth, this was not sufficient to offset the losses in Sugar.

Sugar

The performance of the Agricultural Operations for the 2008 financial year was disappointing. We began the year hoping to achieve a break-even position but instead incurred substantial losses. Bad weather conditions which commenced with Hurricane Dean in August 2007 led to a reduction in cane quantity and deterioration in cane quality. This, therefore, resulted in a decrease in sugar production. The Appleton Factory produced a little over 22,000 tonnes of sugar for the 2007/08 crop, a 29% decrease over last year. In addition to this, increased costs of fuel coupled with greater usage affected production costs adversely. The Agricultural Division took another blow from the passage of Tropical Storm Gustav in August 2008. Because of the damage experienced, a reduction in cane quantity and quality is expected for the 2009 crop. In accordance with accounting standards an impairment loss of over $200m was recognized in the 2008 financial statements. These cultivation costs already incurred for 2009 crop are treated as irrecoverable.

Despite the challenges, we remain committed to achieving sustainable and profitable sugar operations, having over the years invested heavily in our plant and personnel. We will continue to strive to increase our cane quality and yields, thereby increasing throughput to the factory while improving our efficiency and profitability.

Liquors, Rums and Wines

Production

Our production facilities have kept pace with the demand for our products. For the 2008 financial year, total production output increased by 17% over prior year. Bulk exports showed a slight decrease over 2007; it was mainly the timing of orders of bulk shipments to Canada and Mexico which accounted for this.

The Division is positioned to improve delivery of production orders as evidenced by this year's continued improvement of its facilities and the introduction of a second shift to increase available line time.

In an effort to improve our production facilities we will continue our planned capital expenditure programme. Two major capital projects for 2009 are the North Complex Blending Automation, which is expected to be completed in January 2009, and the construction of a new Rum Barrel Warehouse which is expected to begin in January 2009 and be finished by September 2009.

For 2009 and beyond, the centerpiece of our plan is to deliver improved results, through enhancing quality, reducing expenses and increasing output.

Distribution

Revenues and profits in the Spirits Segment increased mainly as a result of growth in the international market and price increases in the local market.

The trend in the local alcoholic beverage market is the growth in lower margin products, especially alcoholic tonic wines, whilst spirits remain relatively flat. Against this background, Magnum sales have experienced good growth over last year and, in fact, are responsible for most of the growth in the local sales.

Other major brands performed creditably in the midst of an environment where high energy and food costs were directly impacting disposable incomes and where fierce competition from competitors' brands had to be faced.

Wray & Nephew has continued to achieve excellence as evidenced by the various prestigious awards which were received during the year. As the company continues to grow its export business, in June 2008, Wray & Nephew was awarded the Governor General's Award for Champion Exporter by the Jamaica Exporters' Association (JEA). In October 2008, Wray & Nephew received the prestigious Jamaica Manufacturers' Association (JMA) Governor General's Award for being the Champion Manufacturer 2007. This is the first time that the company has won both the JEA and JMA top awards in the same year. In addition, the company also received the Robert Lightbourne 2007 Productivity Award; JMA Special Recognition Award for Information Technology and the JMA Food and Agro Products, Product Group for 2007.

In April 2008, Wray & Nephew participated in the Ministry of Labour's Health and Safety programme and was the only company to receive a Gold Medal for Health and Safety. This speaks to the high level of procedures and programmes that the company has introduced and successfully maintained in this area. With quality being the hallmark of all the company brands, Wray and Nephew attained ISO 22000 certification in April 2008 for its local operations.

In addition to the local accolades, Wray & Nephew also received international recognition for its Appleton Estate brands which are renowned for their consistently high quality. During the year, the company received 12 international awards including the prestigious Crystal Prestige Trophy by the Monde Selection in recognition of over 10 years of successive high quality by the Brand. These awards further acknowledge the dedication of the Wray & Nephew team and the effort that they put into consistently producing Jamaican rums of the highest quality.

On the international market, as in other industries, mergers and acquisitions remain a prominent feature of the market. Our quality brands, in particular Appleton continues to compete in the global market returning a creditable performance. Appleton Jamaica Rum remains the leading brand of imported rum in both the Canadian and Mexican markets. It is encouraging to note that sales to the U.S.A. have shown a 9% growth over prior year.

As in previous years, we continued to throw support behind all of our brands. Our marketing spend this year was again focused strongly on the Appleton Estate range of products, our premium spirits range locally and internationally. This is in keeping with our commitment to enhance brand equity and to secure quality earnings for the Group.

General Merchandise

The diverse businesses of the General Merchandise Segment experienced a significant growth in revenues and profits for this financial year. Revenues and profits increased by $1.55 billion or 53% and $227.8 million or 194%, respectively. These increases were driven by a combination of price increases from existing suppliers and the inclusion of products from a new principal, Kimberly Clark, as well as our ability to manage and contain costs. Continued restructuring

activities resulted in the closure of our Telecoms Division. This operation which was sold during 2008 resulted in a profit of $115 million. This is shown in our consolidated results as profit from discontinued operation.

Lascelles Merchandise commenced the distributorship of Kimberley Clark's products in October 2007. Kimberly Clark is a global health and hygiene leader. Their range of products includes tissue and personal care products, commercial tissue and wipers and professional health care products. Well known brands include "Kleenex" facial tissue, "Kotex" feminine hygiene products, "Cottenelle" toilet paper and "Huggies" disposable diapers.

We continued to partner with Connors and Unilever, our other main principals. Their products remain a vital part of our operations. We are, indeed, proud to announce that during 2008, Lascelles Merchandise was awarded the "2007 Top Performing International Distributor" by Connors Brothers, brand owners of "Brunswick". This achievement speaks to the dedication and hard work of our team.

Our own FP brands performed creditably this year, reporting increases in both sales volume and value. The main FP brands are DPH and Cetamol. Both experienced significant revenue growth over last year, 18% in the case of the former and 149% in the case of the latter. Cetamol is fast becoming a household name for pain, fever and cold multi-symptom relief.

The Agri-Chemical Division enjoyed another successful year, primarily in the area of export sales. Product development is an important area of focus for this division. Several new and improved products are in various developmental stages.

Our general merchandise business has grown significantly over the last few years. In fact, the General Merchandise Division has enjoyed phenomenal growth not only in revenues and profits but also in our range of product offerings and overall trade presence. Inadequate warehouse space is impacting negatively on our operations. To address this, for 2009 the Board has approved the building of a new state of the art warehousing facility to be located on Spanish Town Road.

Having undertaken significant restructuring and growth in the last few years, the General Merchandise Segment will now focus on consolidating the gains and building on our successes.

General Insurance

The Insurance Division has operated in a challenging economic environment with high inflation rates affecting its costs, particularly the cost of claims. On the revenue side, consumers are facing reduced disposable income and this is also negatively affecting operations. Despite these challenges, revenues grew by 10% and pre-tax profits grew by 17%.

The division continues to build its brand in the Personal Lines market while maintaining its extremely strong position in the Commercial market. During the year it introduced CHOICES, an innovative new Home Insurance policy; and completed and implemented a revised approach to underwriting and rating private motor insurance. Both of these initiatives are expected to generate excellent returns in the future.

The Division relies heavily on data and information systems and technology and has completed the implementation of a Geographic Information System (GIS). This system will provide immense benefits to the underwriting and marketing processes.

Investments

For the financial year ended September 30, 2008, the revenues and profits of the Investment Segment increased by 109% and 61%, respectively. An increase in dividend income is mainly responsible for this improvement. Dividend income continues to be a significant contributor to the Investment Segment and indeed the Group's profitability. In addition to increased dividend income, the profit includes $397m (2007:$255m) representing the IAS 19 pension credit.

Transportation Services

Automotive Division

Amidst the harsh economic realities of the Jamaican environment, the Automotive Division was able to report an improvement in revenues and profits. Although new unit sales experienced a decline over last year, the After Sales Service and Parts Sales achieved significant increases over last year.

The successes of the After Sales Service and Parts Sales are a result of significant improvements in the Division's customer service delivery, quality control and promotional efforts. Through this medium we were also able to distinguish ourselves and in so doing create satisfied and loyal customers.

During the 2007/08 financial year there were also rigorous efforts to improve operating efficiency through greater investment in training of our workforce and the acquisition of tools and equipment. Additionally, there were improvements in the quality control through strengthening of supervision and management in the workshop. This also led to improved time management and cost efficiencies.

On January 15, 2008 Kingston Industrial Garage became 100 years old. The occasion was recognized by Ford Motor Company which presented the company with a plaque. This significant milestone in the company's history was celebrated with a Thanksgiving Service at the St. Andrew Parish Church and a Banquet at the Terra Nova Hotel. Keynote speakers at the Banquet included the Honourable Prime Minister of Jamaica and the Customer Service Director for the Ford Motor Company's Export and Global Marketing Division.

The Division is committed to representing the quality brands of our principals - Ford, Subaru, Land Rover and Jaguar. The excellent After Sales Service and Parts Sales for which we are known will continue to be a feature of the total experience offered to our customers.

Aircraft Passenger, Cargo Handling and General Services Agency

The resilience of AJAS, your Group's aircraft passenger and cargo handling subsidiary, was tested during the 2007/08 financial year. However, despite the challenges, total flights handled increased by 12% and total freight handled increased by 22%. This achievement is remarkable in the context of a fragile Jamaican economy and, more specifically, in a context where for most of our financial year, fuel price increases had threatened to reduce the activity of airlines.

Lascelles, deMercado & Co. Limited

Management Discussion and Analysis Financial Year 2008 (continued)

The year ahead promises even more challenges. Players in the tourism industry are viewing Jamaica's 2009 prospects with caution based on recent developments in the global economy. AJAS is committed to working through the new challenges and seizing opportunities that will arise.

Lascelles, deMercado & Co. Limited

Audit Committee

The Audit Committee was established by the Board on 28th July, 2006. The following directors were elected to serve and remained members as at the 30th September, 2008:

Mr. David K. C. Henriques (Chairman);
Mr. Michael A.G. Fraser;
Mr. Richard K. Powell; and
Mrs. Tulla Marlene P. Sutherland.

The functions of the Audit Committee are as follows:

- To monitor the integrity of the financial statements of the company, including its annual and interim reports, preliminary results, announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain and to review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature;

- To keep under review the effectiveness of the company's internal controls and risk management systems, discussing significant risk exposures and examining steps taken by the board and management of LdM to control such exposures, and to review and approve the statements to be included in the annual report concerning internal controls and risk management;

- To review the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;

- To monitor and review the effectiveness of the company's internal audit function in the context of the company's overall risk management system;

- To consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the company's external auditor and to oversee the selection process for new auditors; and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

- To oversee the relationship with the external auditor;

- To review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

- To review the findings of the audit with the external auditor, including a discussion of any major issues which may have arisen during the audit, any accounting and audit judgements, and levels of errors identified during the audit.

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

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 19 to 64 which comprise the group's balance sheet as at September 30, 2008, the group's statements of income, changes in equity and cash flows for the year then ended, 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.

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, 2008 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 therewith, give the information required by the Jamaican Companies Act in the manner so required.

KPMG

November 17, 2008

Lascelles, deMercado & Co. Limited

Group Balance Sheet

September 30, 2008

	Notes	2008 $'000s	2007 $'000s
Current assets			
Cash and cash equivalents	26(d)	3,641,558	3,212,110
Short-term investments	26(d)	1,887,409	1,080,982
Accounts receivable	3	3,639,098	3,278,301
Taxation recoverable		165,909	309,171
Reinsurance assets	9	1,091,341	1,041,430
Inventories	4	7,379,722	5,906,158
Biological assets	5	131,103	155,325
		17,936,140	14,983,477
Current liabilities			
Bank loans and overdrafts	6	340,345	187,399
Other unsecured loans	7	320,844	493,850
Current maturities of long-term liabilities	18	49,043	50,995
Accounts payable	8	3,327,591	3,397,159
Insurance contract provisions	9	2,893,451	2,654,406
Taxation payable		231,038	166,356
		7,162,312	6,950,165
Net current assets		10,773,828	8,033,312
Non-current assets			
Employee benefits assets	10(a)	2,802,900	2,405,900
Investments	11,26(d)	9,873,222	10,028,218
Interest in associated companies	12	13,610	10,752
Intangible assets	13	105,481	105,481
Property, plant & equipment	14	3,634,239	3,378,215
Deferred tax assets	15(a)	22,499	10,443
		16,451,951	15,939,009
		27,225,779	23,972,321
Financed by:			
Stockholders' equity			
Share capital	16	20,400	20,400
Reserves	17	15,996,757	14,849,636
Unappropriated profits		9,678,649	7,661,995
		25,695,806	22,532,031
Non-current liabilities			
Employee benefits obligations	10(b)	398,100	354,900
Deferred tax liabilities	15(b)	1,104,028	1,024,222
Long-term liabilities	18	27,845	61,168
		1,529,973	1,440,290
		27,225,779	23,972,321

The financial statements on pages 19 to 64 were approved for issue by the Board of Directors on November 17, 2008 and signed on its behalf by:

_____ Director
William A. McConnell

_____ Director
Anthony J. Bell

Lascelles, deMercado & Co. Limited

Group Statement of Changes in Stockholders' Equity

Year ended September 30, 2008

	Share capital (note 16) $'000s	Reserves (note 17) $'000s	Unappropriated profits $'000s	Total $'000s
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, net	-	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
Net profit attributable to members		-	3,015,131	3,015,131(a)
Appreciation in fair value of investments, net	-	556,461	-	556,461(a)
Released on sale of investments	-	(505,692)	-	(505,692)(a)
Impairment loss	-	5,666	-	5,666(a)
Transfers, net	-	998,315	(998,315)	-
Translation adjustment arising on consolidation of foreign subsidiaries	-	92,371	-	92,371(a)
Dividends and distributions paid (note 23)	-	-	(162)	(162)
Balances at September 30, 2008	20,400	15,996,757	9,678,649	25,695,806
Retained in the financial statements of:				
The company (including dividends received from subsidiaries)	20,400	9,841,155	1,340,285	11,201,840
The subsidiaries, net, including associated companies (accounted for on the equity basis)	-	6,155,602	8,338,364	14,493,966
Balances at September 30, 2008	20,400	15,996,757	9,678,649	25,695,806
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

Recognised gains:

		2008	2007
(a)	Total recognised gains	3,163,937,000	4,307,196,000
(b)	Recognised gains per ordinary stock unit	$ 32.96	44.87

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

Lascelles, deMercado & Co. Limited

Group Income Statement

Year ended September 30, 2008

	Notes	2008 $'000s	2007 $'000s
Continuing operations			
Operating revenue	19	22,963,136	19,478,663
Cost of operating revenue		(13,683,093)	(11,345,098)
Gross profit		9,280,043	8,133,565
Administrative, marketing and selling expenses		(6,204,974)	(5,792,968)
Operating profit		3,075,069	2,340,597
Other income		112,791	175,639
Profit before net finance income and taxation		3,187,860	2,516,236
Finance cost		(116,000)	(120,005)
Finance income		471,652	813,188
Net finance income	20(a)	355,652	693,183
Profit before taxation	20(b)	3,543,512	3,209,419
Taxation	21	(643,490)	(538,566)
Net Profit for the year from continuing operations		2,900,022	2,670,853
Discontinued operations			
Profit/(loss) from discontinued operations	30(b)	115,109	(5,433)
Net Profit for the year attributable to members		3,015,131	2,665,420
Dealt with in the financial statements of:			
The company (including dividends received from subsidiaries)		616,724	637,554
The subsidiaries, net, including associated companies (accounted for on the equity basis)		2,398,407	2,027,866
		3,015,131	2,665,420
Earnings per ordinary stock unit	22	$ 31.41	27.76

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

Lascelles, deMercado & Co. Limited

Group Statement of Cash Flows

Year ended September 30, 2008

	Notes	2008 $'000s	2007 $'000s
Cash flows from operating activities			
Net profit for the year attributable to members		3,015,131	2,665,420
Adjustments for:			
Employee benefits, net		(353,800)	(208,200)
Unrealised translation adjustment on consolidation		92,371	65,591
Profit on disposal of investments		(31,539)	(22,316)
Gain on sale of discontinued operations	30(c)	(100,792)	-
Results retained in associated companies		(2,858)	(886)
Interest income	20	(438,146)	(403,065)
Interest expense		101,922	93,560
Income tax expense	21	643,490	538,566
Depreciation	14	448,596	382,015
Impairment of property, plant & equipment		-	5,256
Impairment of investments		5,666	-
Loss/(gain) on disposal of property, plant & equipment		4,606	(24,361)
Cash generated before changes in working capital		3,384,647	3,091,580
(Increase)/decrease in current assets:			
Accounts receivable		(315,184)	(467,637)
Reinsurance assets		(49,911)	(341,056)
Inventories		(1,473,564)	(657,580)
Biological assets		24,222	8,748
Increase/(decrease) in current liabilities:			
Accounts payable		(131,826)	837,237
Insurance contract provisions		239,045	351,108
Cash generated from operations		1,677,429	2,822,400
Interest paid		(39,664)	(155,818)
Income tax paid/tax deducted at source		(367,796)	(529,719)
Net cash provided by operating activities		1,269,969	2,136,863
Cash flows from investing activities			
Additions to investments		(1,220,533)	(2,084,070)
Interest received		392,533	349,765
Short term investments, net		(806,427)	1,113,967
Proceeds of sale of investments		1,457,837	327,971
Net assets sold of discontinued operations	30(c)	7,192	-
Proceeds from sale of assets of discontinued operations	30(c)	93,600	-
Additions to property, plant & equipment	14	(730,950)	(728,053)
Proceeds of sale of property, plant & equipment		21,724	185,278
Net cash used by investing activities		(785,024)	(835,142)
Net cash provided before financing activities		484,945	1,301,721

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, 2008

	Notes	2008 $'000s	2007 $'000s
Net cash provided before financing activities		484,945	1,301,721
Cash flows from financing activities			
Increase/(decrease) in bank loans		54,343	(29,198)
(Decrease)/increase in other unsecured loans		(173,006)	73,216
Long-term liabilities, net of repayments		(35,275)	(76,937)
Net cash used by financing activities		(153,938)	(32,919)
Net cash provided before dividend and distribution payments		331,007	1,268,802
Dividends and distributions paid		(162)	(288,162)
Net increase in cash and cash equivalents		330,845	980,640
Net cash and cash equivalents at beginning of year		3,120,936	2,140,296
Net cash and cash equivalents at end of year		3,451,781	3,120,936
Comprised of:			
Cash and bank balances		2,015,410	1,410,680
Short term deposits and monetary instruments		1,626,148	1,801,430
		3,641,558	3,212,110
Less: Bank overdrafts	6	(189,777)	(91,174)
		3,451,781	3,120,936

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. The registered office of the company is situated at 23 Dominica Drive, Kingston 5, Jamaica, West Indies. Effective July 28, 2008, pursuant to a public offer initiated in December 2007 by its fellow subsidiary, CL Spirits Limited (immediate holding company), a company incorporated in St. Lucia and a wholly owned subsidiary of CL Financial Limited (ultimate holding company), a company incorporated in Trinidad and Tobago, together with other subsidiaries of the ultimate holding company, acquired 86.89% of the ordinary stock units and 97.15% of the preference stock units aggregating 92.01% of the voting rights of the company.

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 certain new standards, interpretations and amendments to the existing standards became effective. Management has assessed that IFRS 7 *Financial Instruments: Disclosures* and the amendments to *IAS 1 Presentation of Financial Statements* were the only relevant pronouncements, and appropriate additional disclosures, together with comparatives, are incorporated in these financial statements.

At the date of authorisation of the financial statements the following new relevant 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 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 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.

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

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

- *IAS 1, Revised – Presentation of Financial Statements* (effective January 1, 2009) requires presentation of all non-owner changes in equity, either in a single statement of comprehensive income, or in an income statement plus 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) removes 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.

- *Amendments to IAS 32 Financial instruments: Presentation* (effective January 1, 2009). The amendments allow certain instruments that would normally be classified as liabilities to be classified as equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification.

  The adoption of IFRS 8, IFRIC 14, IAS19, IAS 1, revised and IAS 23 revised and amendment to 1AS 32 are 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 2008 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, through 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 estimated 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 of the insurance subsidiary believes, that 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-tenure 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) 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.

(vi) Deferred taxation:

In recognising a deferred tax asset in the financial statements, management makes judgements regarding the utilisation of losses. Management makes an estimate of the future taxable profit against which the deductible temporary differences, unused tax losses or unused tax credit will be utilised.

(vii) 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. 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 group.

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

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

(viii) Impairment of available-for-sale financial assets:

Management of the group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. This determination requires significant judgment. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the requisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

(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, 2008. 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, 2008. 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.

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

(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.

(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 for valuation 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.

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

(k) Insurance contract recognition and measurement:

(i) Insurance contracts

Insurance contracts are accounted for in compliance with the recommendations and practices of the insurance industry, and comply with the provisions of the Insurance Act 2001. The underwriting results are determined after making provision for, inter alia, unearned premiums, outstanding claims, unexpired risks, deferred commission expense and deferred commission income.

Gross written premiums

Gross premiums reflect business written during the year, and includes adjustments to premiums written in previous years. The earned portion of premiums is recognized as revenue. Premiums are earned from the effective date of the policy.

Unearned premiums

Unearned premiums represent that proportion of the premiums written up to the accounting date which is attributable to subsequent periods and is calculated on the "twenty-fourths" basis on the total premiums written.

Unexpired risks

Unexpired risks represent the amount set aside in addition to unearned premiums, in respect of risks to be borne by the insurance subsidiary under contracts of insurance entered into before the end of the financial year and is actuarially determined.

Outstanding claims

Outstanding claims 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 the insurance subsidiary. The loss and loss expense reserves have been reviewed by the insurance subsidiary's actuary using the past loss experience of the insurance subsidiary and industry data. Amounts recoverable in respect of claims from reinsurers are estimated in a manner consistent with the underlying liabilities.

Deferred acquisition cost and deferred commission income

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

(ii) Reinsurance assets

In the normal course of business, the insurance subsidiary seeks 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 (see note 26).

Reinsurance ceded does not discharge the company's liability as the principal insurer. Failure of reinsurers to honour their obligations could result in losses to the company. Consequently, a contingent liability exists in the event that an assuming reinsurer is unable to meet its obligations.

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

(k) Insurance contract recognition and measurement (cont'd):

(ii) Reinsurance assets (cont'd):

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with reinsured policies. Unearned reinsurance premiums on business ceded up to the accounting date which are attributable to subsequent periods are calculated substantially on the "twenty-fourths" basis on the total premiums ceded.

Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due, and that event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in the income statement.

(iii) Insurance receivable and insurance payable

Amounts due from and to policyholders, brokers, agents and reinsurers are financial instruments and are included in insurance receivables and payables and not in insurance contract provisions or reinsurance assets.

(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.

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

(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.

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 exceed 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 leave entitlements 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.

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

(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.

(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. 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:

This represents the carrying value of acquired 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 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 of being 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.

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

(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.

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 recognised 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:

Objective evidence that financial assets are impaired can include default or delinquency by a customer, indications that a customer will enter bankruptcy and changes in the payment status of customers.

The carrying amounts of the group's assets, other than inventories and deferred tax assets 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.

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

(w) Impairment (cont'd):

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.

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.

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

(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.

(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 merchandising of electronic telephone cards was discontinued during the year arising from the sale of the Telecoms Division of Lascelles Limited (see note 30).

(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".

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

(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.

(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**

	2008 $'000s	2007 $'000s
Trade receivables	2,683,598	2,578,646
Investment income receivable	203,779	158,167
Prepayments	367,325	244,703
Other receivables and advances	523,223	473,254
	3,777,925	3,454,770
Less: Allowances for doubtful debts	(138,827)	(176,469)
	3,639,098	3,278,301

The ageing of trade receivables at the reporting date was:

	2008		2007	
	Gross $'000s	Impairment $'000s	Gross $'000s	Impairment $'000s
Not past due	1,755,228	27,110	1,668,754	18,755
Past due 31-60 days	481,950	592	493,809	-
Past due 60-90 days	201,121	8,704	87,138	15,254
More than 90 days	245,299	102,421	328,945	142,460
	2,683,598	138,827	2,578,646	176,469

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2008 $'000s	2007 $'000s
Balance at October 1	176,469	155,092
Amount (released)/recognised	(37,642)	21,377
Balance at September 30	138,827	176,469

4. **Inventories**

	2008 $'000s	2007 $'000s
In-bond rum and other liquors	4,063,447	3,234,869
Duty-paid liquors and other finished goods held for sale	670,188	743,018
Raw and packaging materials	1,946,249	1,475,617
Estate supplies	272,668	225,464
Motor vehicle units and spare parts	427,170	227,190
	7,379,722	5,906,158

During the year, inventory write-offs, aggregating $ 38,770,000 (2007: $54,336,000), were recognised in the group income statement.

5. **Biological assets**

	2008 $'000s	2007 $'000s
Immature sugarcane, at cost	352,430	207,966
Less: Allowance for impairment losses	(221,327)	(52,641)
	131,103	155,325

6. **Bank loans and overdrafts**

	2008 $'000s	2007 $'000s
Bank loans	150,568	96,225
Bank overdrafts	189,777	91,174
	340,345	187,399

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 (2007:$1.5 billion).

As at September 30, 2008, bank loans, and overdrafts included net foreign currency indebtedness aggregating approximately US$887,000 (2007: US$334,000).

7. **Other unsecured loans**

These include loans from related parties aggregating $138,925,000 (2007: $263,626,000), contracted strictly at arms length in the ordinary course of business. The loans bear interest at 5.3% - 12.3% per annum (2007: 5.3% - 12.3%) and are repayable on demand.

8. **Accounts payable**

	2008 $'000s	2007 $'000s
Trade accounts payable	2,388,742	2,204,846
Customer deposits	17,437	5,884
Other payables	921,412	1,186,429
	3,327,591	3,397,159

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9. **Reinsurance assets and insurance contract provisions**

	2008			2007		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Claims outstanding (i)	1,631,553	345,931	1,285,622	1,578,703	364,246	1,214,457
Unearned premiums (ii)	1,261,898	745,410	516,488	1,075,703	677,184	398,519
	2,893,451	1,091,341	1,802,110	2,654,406	1,041,430	1,612,976

(i) Claims outstanding relate to incidents occurring prior to the balance sheet date but not settled on that date. Claims incurred but not reported aggregated $599,451,000 (2007: $450,859,000). Reinsurance recoverable on claims incurred but not reported aggregated $211,560,000 (2007: $60,043,000).

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

10. **Employee benefits**

(a) Employee benefits assets:

	2008	2007
	$'000s	$'000s
Present value of funded obligations	(3,847,500)	(3,130,300)
Fair value of plan assets	9,446,000	7,727,200
Unrecognised actuarial gains	(2,832,000)	(1,986,100)
Unrecognised amount due to limitation	-	(207,200)
Unrecognised past service costs	36,400	2,300
Recognised asset	2,802,900	2,405,900

(i) Plan assets include ordinary stock units issued by the company with a fair value of $Nil (2007: $647,096,000). Plan assets also include investments in assets with a fair value of $311,266,000 (2007: $241,475,000) held under operating lease arrangements with the company and its subsidiaries.

(ii) Movements in funded obligations:

	2008	2007
	$'000s	$'000s
Balance at beginning of year	(3,130,300)	(3,106,800)
Release on termination of other pension plans	-	404,500
Benefit paid	205,100	147,700
Current service and interest costs	(598,300)	(504,600)
Past service costs	(242,300)	-
Actuarial gain	(81,700)	(71,100)
Balance at end of year	(3,847,500)	(3,130,300)

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

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

(iii) Movement in plan assets:

	2008 $'000s	2007 $'000s
Fair value of plan assets at beginning of year	7,727,200	7,101,800
Release on termination of other pension plans	-	(404,500)
Contributions paid	150,400	125,000
Expected return on plan assets	770,000	668,600
Benefits paid	(205,100)	(147,700)
Actuarial gain	1,003,500	384,000
Fair value of plan assets at end of year	9,446,000	7,727,200
Plan assets consist of the following:		
Equities	1,384,499	1,935,300
Fixed-income securities	7,797,263	5,563,000
Real estate	264,238	228,900
	9,446,000	7,727,200

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

	2008 $'000s	2007 $'000s
Balance at beginning of year	2,405,900	2,150,700
Contributions paid	30,500	25,300
Credit recognised in the income statement	366,500	229,900
Balance at end of year	2,802,900	2,405,900

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

	2008 $'000s	2007 $'000s
Current service costs	77,900	89,500
Interest on obligations	400,400	315,400
Actuarial gains recognised	(75,800)	(62,700)
Expected return on plan assets	(770,000)	(668,600)
Change in disallowed assets	(207,200)	95,700
Past service costs – non-vested benefits	208,200	800
	(366,500)	(229,900)
Actual return on plan assets	1,773,500	1,052,600

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

(a) Employee benefits assets (cont'd)

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

At September 30, 2008, 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 year ended September 30, 2006. The members were given the option to join an existing defined contribution pension scheme effective October 1, 2006.

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

	2008	2007
Discount rate	13%	12.5%
Expected return on plan assets	13%	10%
Future salary increases	9%	8.5%
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.

(b) Other post-retirement benefits:

	2008 $'000s	2007 $'000s
Present value of obligations	432,300	331,400
Unrecognised past services cost – non-vested benefits	(19,000)	-
Unrecognised actuarial gains/(losses)	(15,200)	23,500
Recognised liability	398,100	354,900

(i) Movements in the present value of obligations:

	2008 $'000s	2007 $'000s
Balance at beginning of year	331,400	313,900
Interest cost	42,700	36,900
Current service costs	14,400	19,700
Past service cost – non-vested benefits	19,900	-
Past service cost – vested benefits	1,400	-
Benefits paid	(14,100)	(15,600)
Actuarial (gains)/ losses	36,600	(23,500)
Balance at end of year	432,300	331,400

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

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

(ii) Expense recognised in the income statement:

	2008 $'000s	2007 $'000s
Current service costs	19,200	19,700
Interest on obligations	40,900	36,900
Actuarial (loss)/ gains recognised	(500)	4,400
	59,600	61,000

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):

	2008	2007
Discount rate	13%	12.5%
Medical claims growth	12%	11%

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

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	13,600	(8,800)
Effect on the defined benefit obligations	81,000	(62,100)

(c) Historical information:

(i) Defined benefit pension plan:

	2008 $'000s	2007 $'000s	2006 $'000s	2005 $'000s	2004 $'000s
Present value of the defined benefit obligations	(3,847,500)	(3,130,300)	(2,702,300)	(2,172,400)	(1,772,500)
Fair value of plan assets	9,446,000	7,727,200	6,697,300	5,820,900	4,977,900
Experience adjustments arising on plan liabilities	(148,500)	(179,300)	(71,600)	(129,500)	(12,800)
Experience adjustments arising on plan assets	1,003,500	384,000	309,300	328,400	1,162,100

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

(c) Historical information (cont'd):

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

	2008 $'000s	2007 $'000s	2006 $'000s	2005 $'000s	2004 $'000s
Present value of the post-employment benefit obligations	432,300	331,400	313,900	276,600	204,200
Experience adjustments arising on plan liabilities	2,000	(1,200)	20,900	(31,000)	71,200

11. **Investments**

	2008 $'000s	2007 $'000s
Available-for-sale:		
Quoted	6,304,395	5,923,355
Unquoted at cost, less impairment losses	123,534	199,616
Government of Jamaica securities	2,256,808	2,656,486
AIC (Barbados) Bonds	-	150,000
	8,684,737	8,929,457
Loans and receivables:		
Urban Renewal Programme	1,237	1,237
Building society deposits	25,108	22,199
9.25% Commercial Paper (iii)	25,269	-
Government of Jamaica securities (iv)	1,136,871	1,075,325
	1,188,485	1,098,761
	9,873,222	10,028,218

(i) 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.

(ii) At September 30, 2008, the fair value of Government of Jamaica securities accounted for at amortised cost aggregated $1,129 million (2007: $1,084 million).

(iii) This represents funds invested with the parent company in the aggregate amount of US$350,000.

(iv) Government of Jamaica securities include investments aggregating $45 million (2007: $45 million) held to the order of the Financial Services Commission, as required by the Insurance Regulations.

12. Interest in associated companies

	2008 $'000s	2007 $'000s
Shares, at cost	150	150
Group's share of associated companies' reserves:		
Pre-acquisition	1,125	1,125
Post acquisition	11,753	8,895
Loan accounts	582	582
	13,610	10,752

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, 2007
West Indies Glass Company Limited	39.7%	Dormant	December 31, 2005

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:

	2008 $'000s	2007 $'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, 2006	115,038	1,040,307	4,600,073	70,214	5,825,632
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	181,875	1,083,480	4,610,786	235,813	6,111,954
Additions	3,232	63,436	346,116	318,166	730,950
Transfers and reclassifications	-	-	42,226	(42,226)	-
Disposals	(10,543)	(12,861)	(76,073)	(12,130)	(111,607)
September 30, 2008	174,564	1,134,055	4,923,055	499,623	6,731,297

14. **Property, plant & equipment (cont'd):**

	Freehold land $'000s	Freehold buildings $'000s	Machinery, equipment and vehicles $'000s	Construction in progress $'000s	Total $'000s
Depreciation:					
September 30, 2006	-	272,201	2,355,081	-	2,627,282
Charge for the year	-	31,605	350,410	-	382,015
Transfers	-	(22,641)	22,641	-	-
Eliminated on disposals	-	(5,428)	(275,386)	-	(280,814)
Impairment adjustments	-	5,256	-	-	5,256
September 30, 2007	-	280,993	2,452,746	-	2,733,739
Charge for the year	-	34,377	414,219	-	448,596
Eliminated on disposals	-	(7,173)	(78,104)	-	(85,277)
September 30, 2008	-	308,197	2,788,861	-	3,097,058
Net book values:					
September 30, 2008	174,564	825,858	2,134,194	499,623	3,634,239
September 30, 2007	181,875	802,487	2,158,040	235,813	3,378,215

Freehold buildings include a property which is subject to a registered debenture to secure a bank overdraft in a subsidiary in the aggregate amount of $24 million (NZ$500,000).

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 $225 million (2007: $169 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:

	2008 $'000s	2007 $'000s
Property, plant & equipment	333,248	330,961
Accounts receivable	47,943	33,425
Accounts payable	(2,579)	(9,461)
Biological assets	(65,541)	(16,420)
Tax value of losses carried forward	(21,114)	(21,318)
Employee benefits	814,366	710,680
Other	(2,295)	(3,645)
	1,104,028	1,024,222

15. **Deferred tax (cont'd)**

(b) Deferred tax liabilities (cont'd):

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

At September 30, 2008, a deferred tax liability of approximately $3,291 million (2007: $2,520 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**

	2008 $'000s	2007 $'000s
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		
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

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**

	2008 $'000s	2007 $'000s
Capital reserve	8,043,920	7,310,272
Employee benefits reserve (see below)	1,868,600	1,603,933
Unrealised translation reserve	340,493	248,122
Equity revaluation reserve	5,743,744	5,687,309
	15,996,757	14,849,636

This represents an appreciation of 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.

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18. **Long-term liabilities**

		2008 $'000s	2007 $'000s
(a)	Bank loan 2006-2009	76,076	111,351
(b)	Loan from related party	812	812
		76,888	112,163
Less: Current maturities		(49,043)	(50,995)
		27,845	61,168

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 to 13% (2007: 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 $31,483,000 (2007: $72,814,000) form part of subsidiaries' bank borrowings covered by the arrangements described in note 6. Bank loans in the amount of $44,593,000 (2007: $38,537,000) are fully secured on the assets financed.

(b) This loan is repayable on demand.

19. **Operating revenue**

	2008 $'000s	2007 $'000s
Primary income arising from:		
Sale of goods and related services	22,818,133	19,822,769
General insurance business	2,391,597	2,172,570
Investment income	1,013,870	485,208
	26,223,600	22,480,547
Less: Consumption taxes	(3,260,464)	(3,001,884)
	22,963,136	19,478,663

20. **Disclosure of (income)/expenses**

(a) Net finance (income)/costs:

	2008 $'000s	2007 $'000s
Interest expense:		
Long term liabilities	28,255	14,774
Bank loans and overdrafts	18,752	18,534
Other third parties	54,915	60,252
Bank charges	14,078	26,445
Finance costs	116,000	120,005

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

(a) Net finance (income)/costs (cont'd):

	2008 $'000s	2007 $'000s
Interest income:		
Bank deposits	(35,402)	(28,532)
Related parties	(1,026)	(959)
Other treasury transactions	(401,718)	(373,574)
	(438,146)	(403,065)
Gain on exchange, net	(33,506)	(410,123)
Finance income	(471,652)	(813,188)
	(355,652)	(693,183)

(b) Profit before taxation is stated after charging:

	2008 $'000s	2007 $'000s
Depreciation	448,596	382,015
Amortisation and other impairment losses	5,666	5,256
Directors' emoluments:		
Fees	2,401	3,001
Management remuneration	42,905	33,150
Audit fees	46,929	42,407
Staff costs, net of pension credits	3,015,047	2,438,051

(c) Transactions with key management personnel:

Key management personnel compensation is as follows:

	2008 $'000s	2007 $'000s
Short-term employee benefits	101,386	80,743
Post-employment benefits	(43,640)	(34,790)

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

21. **Taxation**

	2008 $'000s	2007 $'000s
Current tax expense:		
Income tax	579,147	441,353
Prior year's (over)/ under provision	(3,407)	762
	575,740	442,115

21. **Taxation (cont'd)**

	2008 $'000s	2007 $'000s
Deferred taxation:		
Reversal of tax losses carried forward	106,256	37,873
Origination and reversal of other temporary differences, net	(38,506)	58,578
	67,750	96,451
	643,490	538,566

(a) Reconciliation of effective tax rate:

	2008 $'000s	2007 $'000s
Profit before taxation	3,543,512	3,209,419
Computed "expected" tax expense @ 33⅓%	1,181,171	1,069,806
Difference between profit for financial statements and tax reporting purposes arising from:		
Tax losses brought forward/utilised	69,498	1,746
Adjustment for losses in subsidiaries with no tax charge	(18,872)	5,975
Adjustment for net profits in overseas subsidiaries with lower tax rates	(246,374)	(298,568)
Tax-free dividend income	(126,635)	(153,259)
Tax-free capital gain	(212,912)	(85,280)
Tax-free interest income	-	(1,407)
Exchange losses disallowed	8,761	553
Prior year's (over)/ under provision	(3,407)	762
Disallowed expenses and other capital adjustments	(7,740)	(1,762)
Actual tax expense	643,490	538,566

(b) At September 30, 2008, 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 $542 million (2007: $572 million). Of this amount, $140 million (2007: $156 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 (2007: $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 (2007: 96,000,000) fully paid ordinary stock units each in issue as follows:

22. **Earnings per ordinary stock unit (cont'd)**

	2008 $'000s	2007 $'000s
Net profit attributable to members	3,015,131	2,665,420
Dividends on non-redeemable cumulative preference units	(162)	(162)
	3,014,969	2,665,258
Basic earnings per stock unit	$ 31.41	$ 27.76

23. **Dividends and distributions**

Dividends and distributions paid, gross, are as follows:

	2008 $'000s	2007 $'000s
Ordinary stock units @$Nil (2007: $3.00) per stock unit	-	288,000
6% Non-redeemable cumulative preference stock units	12	12
15% Non-redeemable cumulative preference stock units	150	150
	162	288,162

Half-yearly dividends were paid to the 6% and 15% non-redeemable cumulative preference stockholders on, March 31, 2008 and September 30, 2008.

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.

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

(a) Principal operating subsidiaries (cont'd):

John Crook Limited	100%	Holding of investments; distribution of motor vehicles and spares; servicing and repair of motor vehicles.
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.
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	

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

(b) Cont'd:

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

The business including all the assets and liabilities of the Telecoms Division of Lascelles Limited was sold with effect from July 1, 2008 (see note 30).

25. **Segment results**

(a) Business segments:

	2008						
	Liquors, rums wines and sugar $'000s	General merchandise $'000s	General insurance $'000s	Investments $'000s	Transportation services $'000s	Eliminations $'000s	Total $'000s
Revenue:							
External	13,600,193	4,483,046	2,391,597	1,013,870	1,474,430		
Inter segment	-	55,902	333,198	-	51,631		
Total revenue	13,600,193	4,538,948	2,724,795	1,013,870	1,526,061	(440,731)	22,963,136
Segment results	1,063,176	345,019	586,459	1,499,471	49,387		3,543,512
Segment assets	13,096,574	1,808,001	5,258,897	13,270,430	752,171		34,186,073
Unallocated assets							202,018
							34,388,091
Segment liabilities	3,142,140	455,877	3,286,196	79,070	393,125		7,356,408
Unallocated liabilities							1,335,877
							8,692,285

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

(a) Business segments (cont'd):

	2008						
	Liquors, rums wines and sugar $'000s	General merchandise $'000s	General insurance $'000s	Investments $'000s	Transportation services $'000s	Eliminations $'000s	Total $'000s
Other segment items:							
Additions to property, plant and equipment	600,575	69,907	17,236	4,688	38,544		730,950
Depreciation and Impairment	348,149	58,689	1,442	19,372	26,610		454,262
Other non-cash items	140,380	(61,617)	124,112	(314,040)	26,419		(84,746)

	2007						
	Liquor, rums wines & sugar $'000s	General merchandise $'000s	General insurance $'000s	Investments $'000s	Transportation services $'000s	Eliminations $'000s	Total $'000s
Revenue:							
External	12,603,216	2,932,292	2,172,570	485,208	1,285,377		
Inter segment	-	49,510	325,745	-	62,400		
Total revenue	12,603,216	2,981,802	2,498,315	485,208	1,347,777	(437,655)	19,478,663
Segment results	1,617,318	117,188	499,470	929,680	45,763		3,209,419
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

The results of the investments segment in 2008 include a credit to employee benefits assets of approximately $397 million (2007: $255 million).

(b) Geographical segments:

	Jamaica		Overseas		Total	
	2008 $'000s	2007 $'000s	2008 $'000s	2007 $'000s	2008 $'000s	2007 $'000s
Revenue from external customers	17,588,635	14,763,668	5,374,501	4,714,995	22,963,136	19,478,663
Segment assets	30,808,446	25,048,733	3,377,627	5,543,387	34,186,073	30,592,120
Additions to property, plant, and equipment	717,762	722,480	13,188	5,573	730,950	728,053

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.

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.

(d) Restriction on cash and cash equivalents, short term investments and investments:

Policyholders' liabilities comprising outstanding claims and unearned premiums of $2.9 billion (2007: $2.6 billion) [see note 9], by their nature, constitute a first call on the major operating insurance subsidiary's cash resources and accordingly, such resources would not be available for any other purpose in the normal course of business.

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

(d) Restriction on cash and cash equivalents, short term investments and investments (cont'd):

In addition, the insurance subsidiary is required to maintain certain liquidity ratios specified by its regulator. In aggregate, the following cash and investment resources of the insurance subsidiary are subject to the above restrictions before being unconditionally available for distribution to shareholders:

	2008 $'000s	2007 $'000s
Cash and cash equivalents	965,937	976,347
Short-term investments	1,026,789	584,858
Investments	1,415,693	1,252,284
	3,408,419	2,813,489

27. **Financial risk management**

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

The Board of Directors, together with senior management delegates of its ultimate holding company, has overall responsibility for the establishment and oversight of the group's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the company and its subsidiaries to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the group's activities.

(a) 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 concentration of credit risk attaching to accounts receivable as the group has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities. The group has policies in place to ensure that sales are made to customers with an appropriate credit rating. Accounts receivable are shown net of allowances for impairment, which reflects the group's estimate of expected losses on collection of receivables.

Credit rating is not publicly available for any assets with credit risk except for reinsurance assets.

Cash and cash equivalents are held with reputable and regulated financial institutions, which present minimal risk of default.

The carrying amounts of cash and cash equivalents and other financial assets as stated below do not include any asset that either are past due or impaired.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

27. **Financial risk management (cont'd)**

(a) Credit risk (cont'd):

	2008	2007
	$'000s	$'000s
Trade receivables	2,544,771	2,402,177
Other receivables and prepayments	1,094,327	876,124
Reinsurance assets	345,931	364,246
Cash and cash equivalents	3,641,558	3,212,110
Short-term Investments	1,887,409	1,080,982
Investments	3,445,293	3,905,247
	12,959,289	11,840,886

The following table shows the credit ratings for reinsurance assets bearing credit risk:

	2008 $'000s	2007 $'000s
Ratings:		
A+	66,176	35,206
AA-	164,241	167,765
A-	72,687	105,367
Not rated	42,827	55,908
	345,931	364,246

(b) Market risk:

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) 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.

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.

27. **Financial risk management (cont'd)**

(b) Market risk (cont'd):

(i) Interest rate risk (cont'd)

At the reporting date the interest profile of the group's interest bearing financial instruments was:

	Carrying amount	
	2008	2007
	$'000s	$'000s
Fixed rate instruments		
Financial Assets	4,542,271	4,990,002
Financial liabilities	(548,300)	(702,238)
	3,993,971	4,287,764
Variable rate instruments		
Financial assets	2,416,579	1,797,657
Financial liabilities	(189,777)	(91,174)
	2,226,802	1,706,483

Interest rate sensitivity

Fair value sensitivity analysis for fixed rate instruments

The company does not hold any fixed rate financial assets that are subject to material changes in fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

	Equity	
	100bp Increase	100bp decrease
	$'000s	$'000s
September 30, 2008		
Variable rate instruments	22,268	(22,268)
September 30, 2007		
Variable rate instruments	17,065	(17,065)

(ii) Currency risk:

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

27. **Financial risk management (continued)**

(b) Market risk (cont'd):

(ii) Currency risk (cont'd)

The group incurs foreign currency risk on transactions that are denominated in a currency other than the Jamaica dollar. The main currencies giving rise to this risk are United States dollar, Canadian dollar, New Zealand dollar and the Pound sterling.

The group ensures that the net exposure is kept to an acceptable level by daily monitoring their cost of funds against market price so as to ensure that a consistent positive spread is maintained between the buying and selling price of the traded currencies. Foreign currency liabilities are backed by foreign currency assets resulting in net assets.

Net foreign currency assets were as follows:

	2008				2007			
	US$	CAD$	UK£	NZ$	US$	CAD$	UK£	NZ$
	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s	$'000s
Cash and cash equivalents	29,674	347	610	391	24,263	881	1,156	-
Accounts receivable	10,987	2,391	1,626	2,104	10,089	2,042	1,649	2,427
Reinsurance assets	8,474	-	-	-	13,358	-	-	-
Short-term investments	10,867	-	-	-	3,829	-	-	-
Investments	36,692	-	-	-	37,690	-	-	-
Accounts payable	(17,789)	(1,035)	(585)	(2,494)	(17,971)	-	(909)	(1,871)
Bank loans and overdraft	(887)	-	-	-	(334)	-	-	(442)
Insurance contract provisions	(10,702)	-	-	-	(17,005)	(798)	-	-
	67,316	1,703	1,651	1	53,919	2,125	1,896	114

Sensitivity analysis:

A 5 percent weakening of the Jamaican dollar against the following currencies at the reporting date would have increased profit or loss and equity by the amounts shown. The analysis assumes that all other variables, in particular, interest rates, remain constant. The analysis is performed on the same basis for 2007.

	2008 $'000s	2007 $'000s
United States dollar	243,280	189,822
Canadian dollars	5,770	7,478
Pounds sterling	10,630	13,488
New Zealand dollar	2	299
	259,682	211,087

27. **Financial risk management (cont'd)**

(b) Market risk (cont'd):

(ii) Currency risk (cont'd):

A 5 percent strengthening of the Jamaican dollar against these currencies at the reporting date would have had the equal but opposite effect, on the basis that all other variables remain constant.

Exchange rates, in terms of Jamaica dollars, were as follows:

	US$	UK£	CAD$	NZ$
November 17, 2008	76.61	112.65	60.44	43.08
September 30, 2008	72.28	128.79	67.76	48.96
September 30, 2007	70.41	142.28	70.38	52.42

(iii) Equity price risk:

Equity price risk arises from available-for-sale equity securities held by the company as part of its investment portfolio and is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Management monitors equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise investment returns.

A 5% increase or decrease in the bid price at the balance sheet date would have an increase and an equal decrease respectively in equity of $273 million (2007: $243 million).

(c) Liquidity risk:

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Management aims at maintaining flexibility in funding by keeping lines of funding available with relevant suppliers and bankers, sourcing the appropriate currency through open market purchase to match foreign currency liabilities and by pursuing prompt payment policies.

27. **Financial risk management (cont'd):**

(c) Liquidity risk (cont'd):

The following are the contractual maturities of the non-derivative financial liabilities, including interest payments and excluding the impact of netting agreements:

	Carrying Amount $'000s	Contractual cash flow $'000s	Less than 1 year $'000s	1-2 years $'000s	2-5 years $'000s
September 30, 2008:					
Bank loans overdraft	340,345	340,345	340,345	-	-
Other unsecured loans	320,844	320,844	320,844	-	-
Accounts payable	3,327,591	3,327,591	3,327,591	-	-
Long term liabilities	76,888	90,934	44,214	27,594	19,126
Insurance contract provisions	1,631,553	1,631,553	1,631,553	-	-
	5,697,221	5,711,267	5,664,547	27,594	19,126
September 30, 2007:					
Bank loans overdraft	187,399	187,399	187,399	-	-
Other unsecured loans	493,850	493,850	493,850	-	-
Accounts payable	3,397,159	3,397,159	3,397,159	-	-
Long term liabilities	112,163	148,191	60,270	43,405	44,516
Insurance contract provisions	1,578,703	1,578,703	1,578,703	-	-
	5,769,274	5,805,302	5,717,381	43,405	44,516

(d) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the group's processes, personnel, technology and infrastructure, and from external factors, other than financial risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.
The group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

(e) Capital management:

The Board's policy is to maintain a strong capital base to maintain customer, creditor and other stakeholder confidence, and to sustain future development of the business. The Board of Directors monitor the return on capital, which is defined as total shareholders' equity and the level of dividends to shareholders. The group's objectives when managing capital, which is a broader concept than equity on the face of the balance sheet are:

- To comply with the capital requirements set by the regulator, to avoid the possible suspension or loss of insurance licence of its insurance subsidiaries;

27. **Financial risk management (cont'd):**

(e) Capital management (cont'd):

- To safeguard the company's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The group has complied with all capital regulatory requirements.

28. **Fair value of financial instruments**

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. Market price is used to determine fair value where an active market exists as it is the best evidence of the fair value of a financial instrument. However, market prices are not available for a number of the financial assets and liabilities held and issued by the group. Therefore, for financial instruments where no market price is available, the fair values presented have been estimated using present value or other estimation and valuation techniques based on market conditions existing at balance sheet dates. The values derived from applying these techniques are significantly affected by the underlying assumptions used concerning both the amounts and timing of future cash flows and the discount rates. The following methods and assumptions have been used:

(i) The fair value of liquid assets and other assets maturing within one year is assumed to approximate their carrying amount. This assumption is applied to liquid assets and the short-term elements of all other financial assets and financial liabilities; and

(ii) The fair value of variable-rate financial instruments is assumed to approximate their carrying amounts.

29. **Commitments and contingencies**

(a) Capital commitments:

At September 30, 2008, approximately $1,661 million (2007: $477 million) had been authorised for capital expenditure by various subsidiaries, of which $Nil (2007: $268 million) had been committed, for which no provision has been made in these financial statements.

(b) Lease commitments:

At September 30, 2008, there were unexpired lease commitments with a related party in respect of office building and warehouse terminating in July 2012 and February 2013 aggregating $82,957,000 (2007: $103,408,826) of which $20,451,826 (2007: $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 $131,932,000 (2007: $115,682,000).

Other operating lease commitments aggregated $3,550,000 (2007:$14,286,000) of which $3,195,000 (2007:$12,143,000) is due within one year.

30. **Statement of revenue and expenses from discontinued operations**

(a) On July 31, 2008, the business including the related assets and liabilities of the Lascelles Telecoms division of Lascelles Limited was sold to a third party for $93.6 million resulting in a capital gain of approximately $101 million [(see note (c)].

(b) The results of this division are as follows:

	2008 $'000s	2007 $'000s
Gross operating revenue	1,322,353	1,574,981
Cost of operating revenue	(1,295,044)	(1,543,779)
Gross profit	27,309	31,202
Administration, marketing and selling expenses	(36,702)	(42,777)
Operating loss	(9,393)	(11,575)
Other income	25,923	5,977
Profit/(loss) before finance (cost)/income and taxation	16,530	(5,598)
Finance (cost)/income	(13)	165
Profit/(loss) before taxation	16,517	(5,433)
Taxation	(2,200)	-
Profit/(loss) after taxation	14,317	(5,433)
Gain on sale of discontinued operations [note (c)]	100,792	-
	115,109	(5,433)

(c) Gain on sale of discontinued operations was computed as follows:

	2008 $'000s
Property, plant and equipment	(2,144)
Inventories	(12,622)
Trade and other receivables	(88,824)
Cash and cash equivalents	(8,952)
Trade and other payables	119,734
Net assets and liabilities	7,192
Consideration received, satisfied in cash	93,600
	100,792

(d) During the year ended September 30, 2008, the Lascelles Telecoms division had cashflows as follows:

	2008 $'000s	2007 $'000s
Net cash (used)/provided by operating activities	(89,403)	13,086
Net cash provided by investing activities	103,095	-
Net cash provided by discontinued operations	13,692	13,086

KPMG
Chartered Accountants
The Victoria Mutual Building
6 Duke Street
Kingston
Jamaica, W.I.

P.O. Box 76
Kingston
Jamaica, W.I.
Telephone +1 (876) 922-6640
Fax +1 (876) 922-7198
+1 (876) 922-4500
e-Mail firmmail@kpmg.com.jm

INDEPENDENT AUDITORS' REPORT

To the Members of
LASCELLES, deMERCADO & CO. LIMITED

Report on the Financial Statements

We have audited the unconsolidated financial statements of Lascelles, deMercado & Co. Limited ("company"), set out on pages 67 to 91, which comprise the company only balance sheet as at September 30, 2008, statements of income, changes in equity and cash flows for the year then ended, 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 misstatements, 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 relating to 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 company'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 company'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.

Report on the Financial Statements (Cont'd)

Opinion

In our opinion, the unconsolidated financial statements give a true and fair view of the financial position of the company only as at September 30, 2008, and of its financial performance, changes in equity and cash flows for the year then ended, in accordance with International Financial Reporting Standards and the Jamaican Companies Act.

Additional reporting 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 therewith, give the information required by the Jamaican Companies Act in the manner so required.

KPMG

November 17, 2008

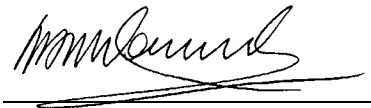
Lascelles, deMercado & Co. Limited

Company Balance Sheet

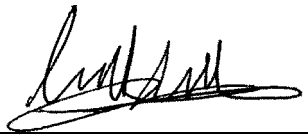
September 30, 2008

	Notes	2008 $'000s	2007 $'000s
Current assets			
Cash and cash equivalents		8,384	7,973
Accounts receivable	3	93	229
Taxation recoverable		814	753
Due from subsidiaries	4(a)	17,601	11,897
		26,892	20,852
Current liabilities			
Due to subsidiaries	4(b)	11,038	1,769
Accounts payable	5	1,257	68,874
		12,295	70,643
Net current assets/(liabilities)		14,597	(49,791)
Non-current assets			
Employee benefits assets	6	2,802,900	2,405,900
Investments	7	5,462,946	4,866,756
Interest in subsidiaries shares, at cost		164,546	164,546
Due from subsidiaries	4(c)	3,603,951	3,316,323
Property, plant & equipment	8	87,326	87,368
		12,121,669	10,840,893
		12,136,266	10,791,102
Financed by:			
Stockholders' equity			
Share capital	9	20,400	20,400
Capital reserve	10	2,560,368	1,943,961
Employee benefits reserve	11	1,868,600	1,603,933
Equity revaluation reserve		5,412,187	4,815,997
Unappropriated profits		1,340,285	1,604,797
		11,201,840	9,989,088
Non-current liability			
Deferred tax liability	12	934,426	802,014
		12,136,266	10,791,102

The financial statements, on pages 67 to 91, were approved for issue by the Board of Directors on November 17, 2008, 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

Company Income Statement

Year ended September 30, 2008

	Notes	2008 $'000s	2007 $'000s
Investment income and capital gains	13	995,658	472,682
Finance costs		(3,646)	(106)
Finance income		245	148
Net finance (costs)/income	14	(3,401)	42
		992,257	472,724
Administration expenses, net of credits		392,000	249,901
		1,384,257	722,625
Other expenses	15	(635,121)	-
Profit before taxation	16	749,136	722,625
Taxation	17	(132,412)	(85,071)
Net profit attributable to members		616,724	637,554

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

Lascelles, deMercado & Co. Limited

Company Statement of Changes in Stockholders' Equity

Year ended September 30, 2008

	Share capital (note 9) $'000s	Capital reserve (note 10) $'000s	Employee benefits reserve (note 11) $'000s	Equity revaluation reserve $'000s	Unappropriated profits $'000s	Total $'000s
Balances at September 30, 2006	20,400	1,839,880	1,433,800	3,468,658	1,529,619	8,292,357
Net profit attributable to members	-	-	-	-	637,554	637,554*
Appreciation in fair value of investments	-	-	-	1,347,339	-	1,347,339*
Transfer, net	-	104,081	170,133	-	(274,214)	-
Dividends and distributions (note 18)	-	-	-	-	(288,162)	(288,162)
Balances at September 30, 2007	20,400	1,943,961	1,603,933	4,815,997	1,604,797	9,989,088
Net profit attributable to members	-	-	-	-	616,724	616,724*
Appreciation in fair value of investments	-	-	-	596,190	-	596,190*
Transfer, net	-	616,407	264,667	-	(881,074)	-
Dividends and distributions (note 18)	-	-	-	-	(162)	(162)
Balances at September 30, 2008	20,400	2,560,368	1,868,600	5,412,187	1,340,285	11,201,840

*Total recognized gains for the year aggregated $1,212,914,000 (2007: $1,984,893,000).

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

Lascelles, deMercado & Co. Limited

Company Statement of Cash Flows

Year ended September 30, 2008

	2008 $'000s	2007 $'000s
Cash flows from operating activities		
Net profit attributable to members	616,724	637,554
Adjustments to reconcile net profit to net cash provided by operating activities:		
Employee benefits	(397,000)	(255,200)
Depreciation	42	42
Interest income	(245)	(27)
Income tax expense	132,412	85,071
Operating profit before changes in working capital	351,933	467,440
Change in working capital:		
Accounts receivable	136	83
Due from subsidiaries	(5,704)	8,841
Due to subsidiaries	9,269	1,676
Accounts payable	(67,617)	(56,711)
Cash provided by operating activities	288,017	421,329
Interest received	245	27
Tax deducted at source	(61)	(7)
Net cash provided by operating activities	288,201	421,349
Cash flows from investing activities		
Additions to investments	-	(24,264)
Additions to property, plant & equipment	-	(82,908)
Net cash used by investing activities	-	(107,172)
Cash flows from financing activities		
Due from subsidiaries	(287,628)	(21,566)
Cash provided before dividends and distributions	573	292,611
Dividends and distributions paid	(162)	(288,162)
Net increase in cash and cash equivalents	411	4,449
Cash and cash equivalents at beginning of year	7,973	3,524
CASH AND CASH EQUIVALENTS AT END OF YEAR	8,384	7,973

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. The registered office of the company is situated at 23 Dominica Drive, Kingston 5, Jamaica, West Indies. Effective July 28, 2008, pursuant to a public offer initiated in December 2007 by its fellow subsidiary, CL Spirits Limited (immediate holding company), a company incorporated in St. Lucia and a wholly owned subsidiary of CL Financial Limited (ultimate holding company), a company incorporated in Trinidad and Tobago, together with other subsidiaries of the ultimate holding company, acquired 86.89% of the ordinary stock units and 97.15% of the preference stock units aggregating 92.01% of the voting rights of the company.

The principal activities of the company are the provision of management services to its subsidiaries and the holding of investments.

At September 30, 2008, the company did not directly employ any person.

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 certain new standards, interpretations and amendments to the existing standards became effective. Management has assessed that IFRS 7 *Financial Instruments: Disclosures* and the amendments to *IAS 1 Presentation of Financial Statements* were the only relevant pronouncements, and appropriate additional disclosures, together with comparatives, are incorporated in these financial statements.

At the date of authorisation of the financial statements the following relevant 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 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 12 Service Concession Arrangements* (effective January 1, 2008) addresses the accounting requirements for public-to-private service concession arrangements in private sector entities.

- *IAS 23, Revised – Borrowing Costs (*effective January 1, 2009) removes 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.

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

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

- Amendments to IAS 32 Financial instruments: Presentation and IAS 1, Presentation of financial statements is effective for annual periods beginning on or after January 1, 2009. The amendments allow certain instruments that would normally be classified as liabilities to be classified, the equity if certain conditions are met. Where such instruments are reclassified, the entity is required to disclose the amount, the timing and the reason for the reclassification. The revisions are not expected to have any significant impact on the company's financial statement.

- *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.

- *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.

The adoption of IFRIC 14, IAS19, IAS 1 revised and IAS 23 and amendment to 1AS 32 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 company's functional currency.

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

(c) Use of estimates and judgement:

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:

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

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

(i) Pension and other post retirement benefits:

The amounts recognised in the 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. 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 terms 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.

It is 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.

(ii) Impairment of available-for-sale financial assets:

Management assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. This determination requires significant judgment. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the requisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

(iii) 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.

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

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

(iv) Deferred taxation:

In recognising a deferred tax asset in the financial statements, management makes judgements regarding the utilisation of losses. Management makes an estimate of the future taxable profit against which the deductible temporary differences, unused tax losses or unused tax credit will be utilised.

(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 charge is accounted for. The useful life of an asset is defined in terms of the asset's expected utility to the company.

(d) Cash and cash equivalents:

This comprises cash and bank balances.

(e) Accounts receivable:

Trade and other receivables are stated at amortised cost less impairment losses.

(f) Accounts payable:

Trade and other payables are stated at amortised cost.

(g) Provisions:

A provision is recognised in the balance sheet when the company has a legal and 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. 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.

(h) 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;

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

(h) Related parties (cont'd):

(ii) the party is an associate of the company;
(iii) the party is a joint venture in which the company is a venturer;
(iv) the party is a member of the key management personnel of the company;
(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.

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

(i) Employee benefits:

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

The company's net obligation in respect of defined benefit pension scheme 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 company. 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 company's obligation [note (c)(i)]. 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.

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

(j) Investments:

(i) 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.

(ii) 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.

(k) Interest in subsidiaries:

The company's interest in its subsidiaries is carried at cost less impairment losses.

(l) Property, plant & equipment:

(i) Owned assets:

Items of property, plant & equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and related costs to put the asset into service.

(ii) Depreciation:

Depreciation is computed on the straight-line basis at annual rates estimated to write off the property, plant & equipment over their expected useful lives.

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

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

(l) Property, plant & equipment (cont'd):

(ii) Depreciation (cont'd):

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%.

Depreciation rates applied to leased assets are consistent with similar owned assets, except where there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term; in which case the asset is depreciated at the shorter of the lease term or its useful life.

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

(m) Impairment:

The carrying amounts of the company's assets, other than deferred tax assets [see note 2(q)] are reviewed at each balance sheet date to determine whether there is any 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 income statement.

When a decline in the 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 amount:

The recoverable amount of the company'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 asset. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and fair value less cost to sell. In assessing fair value less cost to sell, 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 to which the asset belongs.

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

(m) Impairment (cont'd):

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

An impairment loss in respect of an investment in an equity instrument classified as available-for-sale is not reversed through the income statement. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the income statement, the impairment loss is reversed, with the amount of the reversal recognised in the income statement.

(n) 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.

(o) Revenue recognition:

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

(p) Foreign currencies:

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Jamaica dollars at rates of exchange ruling on that date. Transactions in foreign currencies are converted at the rates of exchange ruling at the dates of those transactions. Gains and losses arising from fluctuations in exchange rates are recognised in the income statement. 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 are included in cash flows from operating and financing activities along with movements in the principal balances.

(q) Income taxes:

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 temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

(q) Income taxes (cont'd):

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.

(r) Net finance costs:

Net finance costs comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested, 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.

(s) Financial instruments:

A financial instrument is any contract that gives rise to both 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, related party receivables and investments. Similarly, financial liabilities include accounts payable, and related party payables.

(t) Fair value disclosures:

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 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

	2008 $'000s	2007 $'000s
Trade accounts receivable	473	473
Other receivables	93	229
	566	702
Less: Allowance for impairment losses	(473)	(473)
	93	229

4. Due from subsidiaries

	2008 $'000s	2007 $'000s
(a) Due from subsidiaries within twelve months:		
Ajas Limited	10,934	10,934
C.P. Stephenson Limited	-	199
Lascelles Merchandise Limited	5,894	-
Tradewell Limited	650	642
Turks Island Importers Limited	23	22
Wray & Nephew Group Limited	100	100
	17,601	11,897
(b) Due to subsidiaries within twelve months:		
CP Stephenson Limited	662	-
Lascelles Limited	10,275	1,670
Wray & Nephew Global Brands Limited	101	99
	11,038	1,769
(c) Due from subsidiaries after twelve months:		
Globe Holdings Limited	429,210	429,210
J. Wray & Nephew Limited	3,174,741	2,887,113
	3,603,951	3,316,323

5. Accounts payable

	2008 $'000s	2007 $'000s
Trade payables	150	150
Other payables	1,107	68,724
	1,257	68,874

6. Employee benefits assets

	2008 $'000s	2007 $'000s
Present value of funded obligations	(3,847,500)	(3,130,300)
Fair value of plan assets	9,446,000	7,727,200
Unrecognised actuarial losses	(2,832,000)	(1,986,100)
Unrecognised amount due to limitation	-	(207,200)
Unrecognised past service costs	36,400	2,300
Recognised pension asset	2,802,900	2,405,900

(i) Plan assets include ordinary shares issued by the company with a fair value of $Nil (2007: $647,096,000). Plan assets also include investments in assets leased under operating lease arrangements with the company and its subsidiaries, with a fair value of $311,331,000 (2007: $241,475,000).

(ii) Movements in funded obligations:

	2008 $'000s	2007 $'000s
Balance at beginning of year	(3,130,300)	(2,702,300)
Benefit paid	205,100	147,700
Current service and interest costs	(598,300)	(504,600)
Past service costs – vested and non-vested benefits	(242,300)	-
Actuarial loss	(81,700)	(71,100)
Balance at end of year	(3,847,500)	(3,130,300)

(iii) Movement in plan assets:

	2008 $'000s	2007 $'000s
Fair value of plan assets at beginning of year	7,727,200	6,697,300
Contributions paid	150,400	125,000
Expected return on plan assets	770,000	668,600
Benefits paid	(205,100)	(147,700)
Actuarial gain	1,003,500	384,000
Fair value of plan assets at end of year	9,446,000	7,727,200
Plan assets consist of the following:		
Equities	1,395,540	1,935,300
Fixed income securities	7,786,222	5,563,000
Real estate	264,238	228,900
	9,446,000	7,727,200

6. Employee benefits assets (cont'd)

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

	2008 $'000s	2007 $'000s
Balance at beginning of year	2,405,900	2,150,700
Contributions paid	30,500	25,300
Expense recognised in the income statement	366,500	229,900
Balance at end of year	2,802,900	2,405,900

(v) Credit recognised in the income statement:

	2008 $'000s	2007 $'000s
Current service costs	(77,900)	(89,500)
Interest on obligations	(400,500)	(315,400)
Actuarial gains recognised	75,800	62,700
Expected return on plan assets	770,000	668,600
Change in disallowed assets	207,200	(95,700)
Past service costs – non-vested benefits	(208,100)	(800)
	366,500	229,900
Actual return on plan assets	1,773,500	1,052,600

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

	2008	2007
Discount rate	13%	12.5%
Expected return on plan assets	13%	10%
Future salary increases	9%	8.5%
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.

6. Employee benefits assets (cont'd)

(vii) Historical information:

(a) Defined benefit pension plan:

	2008 $'000s	2007 $'000s	2006 $'000s	2005 $'000s	2004 $'000s
Present value of the defined benefit obligations	(3,847,500)	(3,130,300)	(2,702,300)	(2,172,400)	(1,772,500)
Fair value of plan assets	9,446,000	7,727,200	6,697,300	5,820,900	4,977,900
Experience adjustments arising on plan liabilities	(148,500)	(179,300)	(71,600)	(129,500)	(12,800)
Experience adjustments arising on plan assets	1,003,500	384,000	309,300	328,400	1,162,100

7. Investments

	2008 $'000s	2007 $'000s
Available-for-sale:		
Quoted	5,462,832	4,866,642
Unquoted, at cost, less impairment loss	114	114
	5,462,946	4,866,756

8. Property, plant & equipment

	Freehold land $'000s	Freehold buildings $'000s	Office fixtures, furniture and motor vehicles $'000s	Total $'000s
At cost or deemed cost:				
September 30, 2006	4,213	1,985	603	6,801
Additions	82,908	-	-	82,908
September 30, 2007 and 2008	87,121	1,985	603	89,709
Depreciation:				
September 30, 2006	-	1,696	603	2,299
Charge for the year	-	42	-	42
September 30, 2007	-	1,738	603	2,341
Charge for the year	-	42	-	42
September 30, 2008	-	1,780	603	2,383
Net book values:				
September 30, 2008	87,121	205	-	87,326
September 30, 2007	87,121	247	-	87,368

8. Property, plant & equipment (cont'd)

Certain items of property, plant and equipment had been revalued to fair value on or prior to October 1, 2001 (IFRS transition date). Revaluation surpluses are reflected in capital reserve (note 10).

9. Share capital

	2008 $'000s	2007 $'000s
Authorised in shares, stated, issued and fully paid stock units of no par value:		
96,000,000 Ordinary units	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

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 the holders of non-redeemable cumulative preference units receive a cumulative dividend on their stockholdings.

10. Capital reserve

This mainly comprises capital dividends received and revaluation surplus (note 8) and is available for distribution after deduction of transfer tax of 7½%.

11. Employee benefits reserve

This represents accumulated unrealised pension credits, which represents the excess of fair value of scheme assets over the obligation, restricted to the present value of the possible reduction in future contribution, net of deferred tax.

12. Deferred tax liability

Deferred tax liability is attributable to temporary differences arising in respect of the following:

	2008 $'000s	2007 $'000s
Property, plant & equipment	121	32
Foreign exchange gain	5	15
Employee benefits	934,300	801,967
	934,426	802,014

All movement in temporary differences were recognised in the income statement in both years.

12. Deferred tax liability (cont'd)

At September 30, 2008, a deferred tax liability of $3,291 million (2007: $2,520 million) relating to investment in certain subsidiaries and associated companies has not been recognised, as the company controls, or significantly controls, whether the liability will be incurred and management is satisfied that it will not be incurred in the foreseeable future.

13. Investment income and capital gains

	2008 $'000s	2007 $'000s
Quoted investment income	379,072	368,601
Capital distribution	616,586	104,081
	995,658	472,682

14. Net finance cost/ (income)

	2008 $'000s	2007 $'000s
Bank charges	78	90
Bank overdraft interest	-	16
Loss on foreign exchange	3,568	-
Finance costs	3,646	106
Bank interest	(245)	(26)
Gain on foreign exchange	-	(122)
Finance income	(245)	(148)
Finance cost/(income),net	3,401	(42)

15. Other expenses

This comprises legal and professional fees, and brokerage expenses relating to the negotiation and sale of shares in the company to CL Financial Limited. It was financed through the gain on disposal of the shares held by a subsidiary in the company (see note 1).

16. Disclosure of expenses and related party transactions

Profit before taxation is stated after charging/(crediting) the following:

	2008 $'000s	2007 $'000s
Directors' emoluments:		
Fees	2,401	3,001
Management remuneration	Nil	Nil
Rent received – related party	(10)	Nil
Audit fees	Nil	Nil
Staff costs, excluding unrealised pension credits	Nil	Nil
Depreciation	42	42

All corporate expenses are borne by a principal operating subsidiary, J. Wray & Nephew Limited.

17. Taxation

	2008 $'000s	2007 $'000s
Deferred taxation:		
Origination and reversal of temporary differences, net	132,412	85,071

Reconciliation of effective tax rate:

	2008 $'000s	2007 $'000s
Profit before taxation	749,136	722,625
Computed "expected" taxation expense @ 33⅓%	249,712	240,875
Difference between profit for financial statements and tax reporting purposes on:		
Tax-free dividend income	(124,850)	(121,113)
Disallowed expenses	213,018	3
Tax-free capital gain	(205,468)	(34,694)
Actual taxation expense	132,412	85,071

18. Dividends and distributions

Dividends and distributions paid, gross, are as follows:

	2008 $'000s	2007 $'000s
Ordinary stock units @ $Nil (2007: $3.00) per stock unit	-	288,000
6% Non-redeemable cumulative preference stock units	12	12
15% Non-redeemable cumulative preference stock units	150	150
	162	288,162

Half-yearly dividends were paid to the 6% and 15% Non-redeemable cumulative preference stockholders on March 31, 2008 and September 30, 2008.

19. Contingencies and commitments

(a) The company has entered into contracts to lease certain lots of land to a related party, at a nominal rental, until 2012.

(b) The company has given an undertaking to support the operations of certain loss-making subsidiaries for the foreseeable future.

(c) 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 (2007:$1.5 billion).

20. Financial risk management

The company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk

The Board of Directors, together with senior management delegates of its ultimate holding company, has overall responsibility for the establishment and oversight of the company's risk management framework.

The risk management policies are established to identify and analyse the risks faced by the company and to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions.

(a) 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. At September 30, 2008, the company did not have any material exposure to credit risk.

Cash and cash equivalents

Cash and cash equivalents are placed with substantial financial institutions for short-term periods and management believes these institutions have minimal risk of default.

Trade receivables

Management establishes an allowance for impairment that represents its estimate of losses in respect of trade and other receivables. Management's policy is to provide for balances based on past default experience, current economic conditions and expected recovery.

Taxation recoverable

The exposure to credit risk is influenced mainly by the Government of Jamaica's ability to repay and management believes that government have minimal risk of default.

Due from subsidiaries

All subsidiaries must meet minimum requirements that are established and enforced by the company's management.

20. Financial risk management (cont'd)

(b) Market risk:

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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

Interest bearing financial assets have been contracted at variable interest rates for the duration of their terms.

At the reporting date the interest profile of the company's interest bearing financial instruments was:

	Carrying amount	
	2008	2007
	$'000s	$'000s
Variable rate:		
Assets	2,143	2,125

Fair value sensitivity analysis for fixed rate instruments

The company does not hold any fixed rate financial assets that are subject to material changes in fair value through profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase/(decrease) of 100 basis points in interest rates at the reporting date would have increased/(decreased) profit after tax by $ 21,000 (2007: $21,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2007.

20. Financial risk management (cont'd)

(b) Market risk (cont'd):

(ii) 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 company incurs foreign currency risk primarily on purchases and borrowings that are denominated in a currency other than the Jamaican dollar. Such exposures comprise the monetary assets and liabilities of the company that are not denominated in that currency. The main foreign currency risks of the company 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.

The table below shows the company's main foreign currency exposure at the balance sheet date.

	Net foreign currency monetary liabilities	
	2008	2007
	US$	US$
Cash and cash equivalents	31	32
Due to fellow subsidiary	(2)	(2)
Net exposure	29	30

Exchange rates, in terms of Jamaica dollars, were as follows:

	US$
November 17, 2008	76.61
September 30, 2008	72.68
September 30, 2007	70.41

Sensitivity analysis

A 5% strengthening/weakening of the US$ against the Jamaica dollar would have increased/(decreased) profit for the year by $105,000 (2007: $106,000). This analysis assumes that all other variables, in particular interest rates, remain constant.

20. Financial risk management (cont'd)

(b) Market risk (cont'd):

(iii) Equity price risk

Equity price risk arises from available-for-sale equity securities held by the company as part of its investment portfolio and is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Management monitors equity securities in its investment portfolio based on market expectations. The primary goal of the company's investment strategy is to maximise investment returns.

A 5% increase or decrease in the bid price at the balance sheet date would have an increase and an equal decrease respectively in equity of $273 million (2007: $243 million).

(c) Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due.

The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liability when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the company's reputation.

Management aims at maintaining flexibility in funding by keeping lines of funding available with relevant suppliers and bankers, sourcing the appropriate currency through open market purchase to match foreign currency liabilities and by pursuing prompt payment policies.

(d) Operational risk:

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the company's processes, personnel, technology and infrastructure, and from external factors, other than financial risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to its reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management.

20. Financial risk management (cont'd)

(e) Capital management:

The Board of Directors monitors the return on capital, which is defined as total shareholders' equity. The board's policy is to maintain a strong capital base so as to maintain shareholder and market confidence and sustain the future development of the business. The Board of Directors' objective is to pursue growth and maintain profitable operations. There were no changes in the company's approach to capital management during the year.

Lascelles, deMercado & Co. Limited

Group Five Year Financial Highlights

	2008 $' 000	2007 $' 000	2006 $' 000	2005 $' 000	2004 $' 000
Net Profit	3,015,131	2,665,420	2,555,244	1,889,139	1,509,726
Operating Revenue	22,963,136	19,478,663 *	18,401,066	16,279,054	13,525,970
Gross Profit	9,280,043	8,133,565	6,901,409	6,111,454	5,285,789
Operating Profit	3,075,069	2,340,597	2,524,729	1,769,435	1,737,669
Stockholders' Equity	25,695,806	22,532,031	18,512,997	15,064,925	13,436,632
Total Debt	738,077	793,412	791,611	1,232,936	1,375,997
Total Assets	34,388,091	30,922,486	25,754,177	22,172,752	20,085,680
Current Assets	17,936,140	14,983,477	13,552,287	12,172,758	10,705,746
Current Liabilities	7,162,312	6,950,165	5,835,671	5,876,162	5,386,857
Profitability Ratios					
Return on Equity	11.73%	11.83%	13.80%	12.54%	11.24%
Return on Total Assets	8.77%	8.62%	9.92%	8.52%	7.52%
Gross Profit Percentage	40.41%	41.76%	37.51%	37.54%	39.08%
Return on Operating Revenue	13.13%	13.68%	13.89%	11.60%	11.16%
Liquidity Ratios					
Current Ratio	2.50	2.16	2.32	2.07	1.99
Capital Ratios					
Debt to Equity	0.03	0.04	0.04	0.08	0.10
Market Statistics					
JSE Share Price at Year End ($)	500.00	282.50	250.00	230.00	155.00
Earnings per Share ($)	31.41	27.76	26.62	19.68	15.72
Price Earnings Ratio	15.92	10.18	9.39	11.69	9.86
Inflation Rate (Year over Year)	25.3%	9.0%	6.5%	18.7%	10.5%
Exchange Rate (J$:US$)	72.68	70.41	66.06	62.89	61.89

* Excludes revenues from discontinued operations totaling $1,574,981,000.

Lascelles, deMercado & Co. Limited

Supplementary information to the Group Financial Statements

September 30, 2008

Disclosure of stockholdings required by the Jamaica Stock Exchange

The stockholdings of directors and officers and their connected persons in the company at September 30, 2008 were:

Directors (together with their connected persons, where applicable)	Number of Ordinary Stock Units held
Mr. L. A. Duprey *	Nil
Hon. W. A. McConnell	Nil
Mr. D. K. C. Henriques	Nil
Mr. A. J. Bell	Nil
Mr. M. A. G. Fraser	Nil
Mr. R. K. Powell	Nil
Mrs. T. M .P. Sutherland	Nil
Mr. M. E. Carballo	Nil
Mr. G. E. Leid	Nil
Officers (together with their connected persons, where applicable)	
Mr. R. B. Chambers	Nil
Mr. M. A. Braham	Nil
Mrs. J. E. Shaw	Nil
Mrs. J. George	Nil
Miss M. J. Williams	Nil

*Mr. L.A. Duprey is connected with C L Financial Limited, a company incorporated in Trinidad & Tobago which controls CL Spirits Limited, Calla Lilly Holdings Limited, Angostura Limited and Colonial Life Insurance (Trinidad) Limited.

(i) No class of preference shares was held by a director or officer of the company.

(ii) There has been no change in the Directors' interests occurring between the end of the company's financial year and the date of the Notice convening the Annual General Meeting. At no time during or at the end of the financial year did any Director have any material beneficial interest in any contract or arrangement in relation to the business of the company or any of its subsidiaries.

Lascelles, deMercado & Co. Limited

Supplementary information to the Group Financial Statements

Stockholders holding the ten largest blocks of ordinary stock units at September 30, 2008 were:

STOCKHOLDERS	Number of Ordinary Stock Units Held
CL Spirits Limited	68,620,190
Calla Lilly Holdings Limited	9,515,980
Angostura Limited	2,781,824
Colonial Life Insurance (Trinidad) Limited	2,494,310
NCB Insurance Co. Ltd. A/c WT109	1,457,287
NCB Insurance Co. Ltd. A/c WT013	1,140,574
National Insurance Fund	1,099,429
NCBCM Managed Client Account 210406	1,074,739
NCB Insurance Co. Limited A/c WT089	640,165
NCB Insurance Co. Limited A/c WT157	332,205
	89,156,703

Lascelles, deMercado & Co. Limited

Proxy Form

I/We ……
(Block Capitals)
of ……
being (or representing, as the case may be) a registered member/members of Lascelles, deMercado & Co. Limited, HEREBY APPOINT
……
of……
as my/our Proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on the 17th day of February, 2009 and at any adjournment thereof.

As witness my hand this ……day of……2009

Name……

Address……

With regard to the Resolutions set out in the Notice convening the Meeting, please indicate with an "X" in the spaces below how you wish your votes to be cast. On receipt of this form duly signed, but without any specific directions, all your votes will be exercised at the discretion of your proxy holder.

	FOR	AGAINST
RESOLUTION 1:		
RESOLUTION 2:		
RESOLUTION 3:		
RESOLUTION 4:		
RESOLUTION 5:		
RESOLUTION 6:		
RESOLUTION 7:		
RESOLUTION 8:		
RESOLUTION 9:		

Notes:

1. To be valid this Form must be lodged at the Registered Office of the Company not later than forty-eight hours before the meeting.
2. This Form of Proxy must be signed by the appointer, or his attorney, duly authorized in writing or, if the appointer is a Corporation, it must be either under Seal, or under the hand of an officer or attorney duly authorised.
3. An adhesive stamp for $100.00 must be affixed to this Form of Proxy.

Place $100 adhesive stamp here