LASCELLES, deMERCADO & CO. LIMITED
("the company")

FINANCIAL STATEMENTS

SEPTEMBER 30, 2011

KPMG
Chartered Accountants
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Jamaica, W.I.

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INDEPENDENT AUDITORS' REPORT

To the Members of
LASCELLES, deMERCADO & CO. LIMITED

Report on the Financial Statements

We have audited the financial statements of Lascelles, deMercado & Co. Limited ("the company"), set out on pages 3 to 29 which comprise the statement of financial position as at September 30, 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 our judgment, including our assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

KPMG, a Jamaican partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Elizabeth A. Jones
R. Tarun Handa
Patrick A. Chin
Patricia O. Dailey-Smith
Linroy J. Marshall

Cynthia L. Lawrence
Rajan Trehan
Norman O. Rainford
Nigel R. Chambers

INDEPENDENT AUDITORS' REPORT

To the Members of
<u>LASCELLES, deMERCADO & CO. LIMITED</u>

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 company as at September 30, 2011, 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.

Report on additional matters as required by the Jamaican Companies Act

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. In our opinion, proper accounting records have been maintained and the financial statements, which are in agreement therewith, give the information required by the Jamaican Companies Act in the manner required.

KPMG

Chartered Accountants
Kingston, Jamaica

November 29, 2011

LASCELLES, deMERCADO & CO. LIMITED

Statement of Financial Position
September 30, 2011

	Notes	2011 $'000s	2010 $'000s
Assets			
Property, plant & equipment	3	87,269	87,242
Due from subsidiaries	4(c)	8,777,290	8,846,532
Interest in subsidiaries shares, at cost		164,546	164,546
Investments	5	4,828,052	3,786,206
Employee benefits assets	6	2,433,100	2,414,700
Total non-current assets		16,290,257	15,299,226
Due from subsidiaries	4(a)	54,596	25,735
Taxation recoverable		390	348
Accounts receivable	7	2,824	15,982
Cash and cash equivalents		168,760	8,355
Total current assets		226,570	50,420
Total assets		16,516,827	15,349,646
Equity			
Share capital	8	20,400	20,400
Capital reserve	9	1,792,576	1,792,368
Employee benefits reserve	10	1,622,267	1,610,000
Equity revaluation reserve		4,825,041	3,783,195
Unappropriated profits		7,265,401	7,309,037
Total equity attributable to equity holders of the company		15,525,685	14,515,000
Liabilities			
Deferred taxation	11	811,091	804,891
Total non-current liability		811,091	804,891
Due to subsidiaries	4(b)	90,059	26,622
Accounts payable	12	89,992	3,133
Total current liabilities		180,051	29,755
Total liabilities		991,142	834,646
Total equity and liabilities		16,516,827	15,349,646

The financial statements, on pages 3 to 29, were approved for issue by the Board of Directors on November 29, 2011, and signed on its behalf by:

Director — Gerald Yetming

Managing Director — Fraser Thornton

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

LASCELLES, deMERCADO & CO. LIMITED

Statement of Comprehensive Income
Year ended September 30, 2011

	Notes	2011 $'000s	2010 $'000s
Investment income and capital gains	13	4,101,286	6,414,771
Finance costs		(8,427)	(118)
Finance income		167	25
Net finance costs	14	(8,260)	(93)
		4,093,026	6,414,678
Administration expenses, net of credits		(66,625)	781,356
Profit before taxation	15	4,026,401	7,196,034
Taxation	16	(6,200)	(264,721)
Net profit for the year		4,020,201	6,931,313
Other comprehensive income:			
Appreciation in fair value of investments		1,041,846	411,524
Total comprehensive income for the year		5,062,047	7,342,837

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

LASCELLES, deMERCADO & CO. LIMITED

Statement of Changes in Stockholders' Equity
Year ended September 30, 2011

	Share capital (note 8) $'000s	Capital reserve (note 9) $'000s	Employee benefits reserve (note 10) $'000s	Equity revaluation reserve $'000s	Unappropriated profits $'000s	Total $'000s
Balances at September 30, 2009	20,400	1,792,368	1,080,333	3,371,671	1,435,553	7,700,325
Net profit for the year	-	-	-	-	6,931,313	6,931,313
Other comprehensive income: Appreciation in fair value of investments	-	-	-	411,524	-	411,524
Total comprehensive income	-	-	-	411,524	6,931,313	7,342,837
Transfer, net	-	-	529,667	-	(529,667)	-
Dividends and distributions (note 17)	-	-	-	-	(528,162)	(528,162)
Balances at September 30, 2010	20,400	1,792,368	1,610,000	3,783,195	7,309,037	14,515,000
Net profit for the year	-	-	-	-	4,020,201	4,020,201
Other comprehensive income: Appreciation in fair value of investments	-	-	-	1,041,846	-	1,041,846
Total comprehensive income	-	-	-	1,041,846	4,020,201	5,062,047
Transfer, net	-	208	12,267	-	(12,475)	-
Dividends and distributions (note 17)	-	-	-	-	(4,051,362)	(4,051,362)
Balances at September 30, 2011	20,400	1,792,576	1,622,267	4,825,041	7,265,401	15,525,685

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

LASCELLES, deMERCADO & CO. LIMITED

Statement of Cash Flows
Year ended September 30, 2011

	2011 $'000s	2010 $'000s
Cash flows from operating activities		
Net profit attributable to members	4,020,201	6,931,313
Adjustments to reconcile net profit to net cash provided by operating activities:		
Employee benefits	(18,400)	(794,200)
Depreciation	45	42
Interest income	(167)	(11)
Loss on the sale of investment	-	316
Income tax expense	6,200	264,721
Operating profit before changes in working capital	4,007,879	6,402,181
Change in working capital:		
Accounts receivable	13,158	(414)
Due from subsidiaries	(28,861)	(8,087)
Due to subsidiaries	63,437	(23)
Accounts payable	86,859	229
Cash provided by operating activities	4,142,472	6,393,886
Interest received	167	11
Tax refunded	(42)	(3)
Net cash provided by operating activities	4,142,597	6,393,894
Cash flows used by investing activity		
Purchase of property, plant & equipment being net cash used by investing activity	(72)	-
Cash flows from financing activity		
Proceeds from the sale of investments	-	47,432
Due from subsidiaries	69,242	(5,913,687)
Net cash provided/(used) by financing activities	69,242	(5,866,255)
Cash provided before dividends and distributions	4,211,767	527,639
Dividends and distributions paid	(4,051,362)	(528,162)
Net increase/(decrease) in cash and cash equivalents	160,405	(523)
Cash and cash equivalents at beginning of year	8,355	8,878
Cash and cash equivalents at end of year	168,760	8,355

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 immediate holding company, CL Spirits Limited, 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. In July 2009, the Government of Trinidad and Tobago effectively assumed control and direction of the ultimate holding company.

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

At September 30, 2011, 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 adopted by the International Accounting Standards Board, and comply with the provisions of the Jamaican Companies Act.

Certain new IFRS, and interpretations of and amendments to existing standards which were in issue, came into effect for the current financial year as follows:

- *Amendments to IAS 32 Financial Instruments: Presentation* (effective February 1, 2010). 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. There was no material impact on the financial statements as a result of the revision.

- *Business Combinations* (effective July 1, 2010) was amended to state that contingent consideration arising in a business combination that had been accounted for in accordance with IFRS 3 (2004) that has been settled or otherwise resolved at the effective date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004). IFRS 3 was also amended to limit the accounting policy choice to measure non-controlling interests (NCI) upon initial recognition either at fair value or at the NCI's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and entitle the holder to a share of net assets in the event of liquidation. IFRS 3 was also amended to provide guidance on unreplaced and voluntary replaced share-based payment awards. There was no material impact on the financial statements as a result of the revision.

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

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

A number of new standards, amendments to standards and interpretations have been issued which are not yet effective at the reporting date and which the company has not early-adopted. The company has assessed the relevance of all such new standards, amendments and interpretations with respect to the company's operations and has determined that the following are likely to have an effect on the company's financial statements.

- *IAS 1 Presentation of Financial Statements* (effective January 1, 2011) is amended to state that for each component of equity a reconciliation from opening to closing balances is required to be presented in the statement of changes in equity, showing separately changes arising from items recognised in profit or loss, in other comprehensive income and from transactions with owners acting in their capacity as owners.

- *IFRS 7 Financial Instruments: Disclosures* (effective January 1, 2011) is amended to add an explicit statement that the interaction between qualitative and quantitative disclosures better enables users to evaluate an entity's exposure to risks arising from financial instruments. Existing disclosures relating to maximum exposure to credit risk, financial effect of collateral held as security and other enhancements in respect of a financial instrument have been amended. Certain disclosures relating to the carrying amount of financial assets that are not past due or are not impaired as a result of their terms having been renegotiated and description of collateral held as security for financial assets that are past due have been removed.

- *Disclosures–Transfer of Financial Assets (Amendments to IFRS 7)* (effective July 1, 2011). The amendment requires disclosure of information that enable users of financial statements to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities and to evaluate the nature of and risks associated with the entity's continuing involvement in these derecognised assets.

- *IFRS 9, Financial Instruments,* is (effective January 1, 2013). The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. It eliminates the existing IAS 39 categories of held to maturity, available-for-sale and loans and receivables. For an investment in an equity instrument which is not held for trading, the standard permits an irrevocable election, on initial recognition, to present all fair value changes from the investment in other comprehensive income. The standard includes guidance on classification and measurement of financial liabilities designated as fair value through profit or loss and incorporates certain existing requirements of IAS 39 *Financial Instruments: Recognition and Measurement* on the recognition and de-recognition of financial assets and financial liabilities.

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

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

- *IFRS* 10 *Consolidated Financial Statements* (effective January 1, 2013) supersedes IAS 27 *Consolidated and Separate Financial Statements* and provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities. The consolidation procedures are carried forward from IAS 27 (2008).

- *IFRS 11 Joint Arrangements* and IAS 28 *Investments in Associates* and *Joint Ventures (2011)* (effective January 1, 2013) removes from IAS 31 *Jointly Controlled Entities*, those cases which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations and are now called joint operations. IFRS 11 also removes the choice of equity accounting or proportionate consolidation under IAS 31 and requires that the equity method be used.

- *IFRS 12 Disclosure of Interest in Other Entities* (effective January 1, 2013) contains disclosure requirements for entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. These required disclosures aim to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows.

- *IFRS* 13 *Fair Value Measurement* (effective January 1, 2013) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value and is applicable to assets, liabilities and an entity's own equity instruments that, under other IFRSs, are required or permitted to be measured at fair value or when disclosure of fair values is provided. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards..

- IAS *19 Employee Benefits* (effective January 1, 2013), has been amended to require all actuarial gains and losses will be recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss. It also requires the expected return on plan assets recognized in profit or loss to be calculated based on the rate used to discount the defined benefit obligation. The amendment also includes changes to the definitions and disclosure requirements in the current standard.

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

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

- IAS 24, *Related Party Disclosure, revised* (effective January 1, 2011) introduces changes to the related party disclosure requirements for government-related entities and amends the definition of a related party. The standard also expands the list of transactions that require disclosure.

IAS 1, IFRS 10, IFRS 11, IFRS 12, IFRS 13 and IAS 24 are unlikely to have any material impact to the financial statements other than enhanced disclosures. The company is assessing the impact, if any, that the other amendments may have on the 2012-2014 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 reporting 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) Pension and other post retirement benefits:

The amounts recognised in the statement of financial position and profit or loss 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.

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

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

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

Management assesses at each reporting 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 the statement in other comprehensive income and recognised in profit or loss. Impairment losses recognised in other comprehensive income on equity instruments are not reversed through profit or loss.

(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.

(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.

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

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

(d) 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 statement of financial position 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;

(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.

The company has a related party relationship with its immediate and ultimate holding companies, fellow subsidiaries, group pension plans, its directors and key management personnel.

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

(i) 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 company'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.

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.

Based on arrangements between the company and its subsidiaries, the entire obligation in respect of pension benefits is treated as a post-retirement benefit arrangement under common control and consequently, is recognised in the company's financial statements.

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 reporting 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.

When the benefits of the plan are improved, the portion of the increased benefit relating to past service by employees is recognised as an expense on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are vested immediately, the expense is recognised immediately in profit or loss.

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 profit or loss 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 profit or loss as incurred.

(j) Interest in subsidiaries:

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

(k) Revenue recognition:

Dividend income is recognised in profit or loss in the period in which dividends are declared.

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

(l) Investments:

Investments with fixed or determinable payments and which are not quoted in an active market are classified as loans and receivables and are stated at amortised cost, less impairment losses. Where the company has the positive intent and ability to hold securities to maturity, they are classified as held-to-maturity and recognised initially at cost and subsequently measured at amortised cost, less impairment losses. Other investments held by the company are classified as being available-for-sale and are stated at fair value with changes in fair value taken to fair value reserve except for impairment losses and foreign exchange gains and losses in the case of monetary items, such as debt securities. Where these investments are derecognised, the cumulative gain or loss previously recognised directly in other comprehensive income is recognised in company's profit or loss. Where fair value cannot be reliably measured, these investments are stated at cost. Available-for-sale investments include certain debt and equity securities.

The fair value of quoted available-for-sale investments is their bid price.

Available-for-sale investments are recognised/derecognised by the company on the date it commits to purchase or sell the investments. Other investments are recognised/derecognised on the day they are transferred to/by the company.

(m) Property, plant & equipment:

(i) Owned assets:

Items of property, plant & equipment are stated at cost less accumulated depreciation and impairment losses, if any. 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 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.

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 methods, useful lives and residual values are reassessed annually.

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

(n) Impairment:

The carrying amounts of the company's assets, other than deferred tax assets [see note 2(q)] are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated at each reporting 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 profit or loss.

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

(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. 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 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.

(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 profit or loss. 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 statement of comprehensive income, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

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

(o) 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.

Dividends and distributions are recognized in the period in which they are declared.

(p) Foreign currencies:

Monetary assets and liabilities denominated in foreign currencies at the reporting 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 profit or loss. 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 profit or loss are treated as cash items and are included in cash flows from operating or financing activities along with movements in the relevant balances.

(q) Income taxes:

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

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

Deferred tax is provided for 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 reporting 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 is 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.

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

(r) 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 profit or loss.

Interest income is recognised in profit or loss 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. 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, 2009 to 2010	87,121	1,985	603	89,709
Additions	-	-	72	72
September 30, 2011	87,121	1,985	675	89,781
Depreciation:				
September 30, 2009	-	1,822	603	2,425
Charge for the year	-	42	-	42
September 30, 2010	-	1,864	603	2,467
Charge for the year	-	42	3	45
September 30, 2011	-	1,906	606	2,512
Net book values:				
September 30, 2011	87,121	79	69	87,269
September 30, 2010	87,121	121	-	87,242

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 9).

4. Due from subsidiaries

(a) Due from subsidiaries within twelve months:

	2011 $'000s	2010 $'000s
Ajas Limited	10,934	10,934
Lascelles Merchandise Limited	5,894	5,894
Tradewell Limited	737	722
Turks Island Importers Limited	25	25
Wray & Nephew Group Limited	28,946	100
Cars & Commercial Limited	8,060	8,060
	54,596	25,735

(b) Due to subsidiaries within twelve months:

	2011 $'000s	2010 $'000s
J. Wray & Nephew Limited	4,427	-
JWN International Limited	59,032	-
CP Stephenson Limited	600	623
Lascelles Limited	25,880	25,880
Wray & Nephew Global Brands Limited	120	119
	90,059	26,622

(c) Due from subsidiaries after twelve months:

	2011 $'000s	2010 $'000s
Globe Holdings Limited	429,210	429,210
J. Wray & Nephew Limited	8,348,080	8,417,322
	8,777,290	8,846,532

5. Investments

	2011 $'000s	2010 $'000s
Available-for-sale:		
Quoted	4,827,937	3,781,032
Unquoted	115	5,174
	4,828,052	3,786,206

6. Employee benefits assets

	2011 $'000s	2010 $'000s
Present value of funded obligations	(6,415,600)	(5,573,000)
Fair value of plan assets	14,115,200	12,464,600
Unrecognised actuarial losses	(2,430,400)	(2,512,500)
Unrecognised amount due to limitation	(2,858,500)	(1,990,900)
Unrecognised past service costs	22,400	26,500
Recognised pension asset	2,433,100	2,414,700

6. Employee benefits assets (cont'd)

(i) Movements in funded obligations:

	2011 $'000s	2010 $'000s
Balance at beginning of year	(5,573,000)	(4,095,700)
Benefits paid	451,800	438,100
Interest cost	(651,800)	(775,200)
Current service costs	(282,600)	(235,400)
Gain on curtailment	7,600	14,100
Actuarial loss on obligation	(367,600)	(918,900)
Balance at end of year	(6,415,600)	(5,573,000)

(ii) Movement in plan assets:

	2011 $'000s	2010 $'000s
Fair value of plan assets at beginning of year	12,464,600	10,926,000
Contributions paid	152,800	163,200
Expected return on plan assets	1,416,400	1,834,100
Benefits paid	(451,800)	(438,100)
Actuarial gain/(loss)	533,200	(20,600)
Fair value of plan assets at end of year	14,115,200	12,464,600
Plan assets consist of the following:		
Equities	2,874,453	2,112,136
Fixed income securities and other investments	10,084,839	9,435,340
Real estate	1,155,908	917,124
	14,115,200	12,464,600

(iii) Plan assets also include investments in assets leased under operating lease arrangements with the company and its subsidiaries, with a fair value of $332,025,000 (2010: $308,675,000).

(iv) Movements in the net asset recognised in the statement of financial position:

	2011 $'000s	2010 $'000s
Balance at beginning of year	2,414,700	1,620,500
Contributions paid	31,000	33,100
(Expense)/income recognised in profit or loss	(12,600)	761,100
Balance at end of year	2,433,100	2,414,700

6. Employee benefits assets (cont'd)

(v) (Expense)/income recognised in profit for the year:

	2011 $'000s	2010 $'000s
Current service costs	(160,900)	(105,300)
Interest on obligations	(651,800)	(775,200)
Actuarial gain/(loss) recognised	340,700	(833,300)
Expected return on plan assets	1,416,400	1,834,100
Change in disallowed assets	(960,500)	630,800
Past service costs – non-vested benefits	(4,100)	(4,100)
Gain on curtailment	7,600	14,100
	(12,600)	761,100
Actual return on plan assets	1,948,400	1,813,500

Of the above (expense)/income recognised in profit or loss, total expense recognised as administrative, marketing and selling expenses aggregated $12.6 million (2010: income of $761.1 million).

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

	2011	2010
Discount rate	10.5%	11.5%
Expected return on plan assets	10.0%	11.5%
Future salary increases	7.0%	8.0%
Future pension increases	5.5%	6.5%

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.

(vii) Historical information:

Defined benefit pension plan:

	2011 $'000s	2010 $'000s	2009 $'000s	2008 $'000s	2007 $'000s
Present value of the defined benefit obligations	(6,415,600)	(5,573,000)	(4,095,700)	(3,911,000)	(3,130,300)
Fair value of plan assets	14,115,200	12,464,600	10,926,000	9,446,900	7,727,200
Experience adjustments arising on plan liabilities	(298,800)	501,500	(390,100)	(209,600)	(179,300)
Experience adjustments arising on plan assets	533,200	(20,600)	411,000	1,004,400	384,000

7. Accounts receivable

	2011 $'000s	2010 $'000s
Trade receivables	473	473
Other receivables	2,824	15,982
	3,297	16,455
Less: Allowance for impairment losses	(473)	(473)
	2,824	15,982

8. Share capital

	2011 $'000s	2010 $'000s
Authorised in shares; Stated, issued and fully paid as 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 the holders of non-redeemable cumulative preference units receive a cumulative dividend on their stockholdings.

9. Capital reserve

This mainly comprises capital dividends received and revaluation surplus (note 3).

10. Employee benefits reserve

Employee benefits reserve 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.

11. Deferred taxation

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

	2009 $'000s	Recognised in income $'000s	2010 $'000s	Recognised in income $'000s	2011 $'000s
Property, plant & equipment	3	6	9	6	15
Employee benefits	540,167	264,715	804,882	6,194	811,076
	540,170	264,721	804,891	6,200	811,091

11. Deferred taxation (cont'd)

At September 30, 2011, a deferred tax liability of $120 million (2010: $75 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.

12. Accounts payable

	2011 $'000s	2010 $'000s
Trade payables	150	150
Other payables	89,842	2,983
	89,992	3,133

13. Investment income and capital gains

	2011 $'000s	2010 $'000s
Dividend income from subsidiaries	3,650,601	6,036,641
Quoted investment income	450,477	378,130
Capital distribution	208	-
	4,101,286	6,414,771

14. Net finance costs

	2011 $'000s	2010 $'000s
Bank charges	2,264	118
Loss on foreign exchange	6,163	-
Finance costs	8,427	118
Bank interest	(167)	(11)
Gain on foreign exchange	-	(14)
Finance income	(167)	(25)
	8,260	93

15. Disclosure of expenses and related party transactions

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

	2011 $'000s	2010 $'000s
Directors' emoluments:		
Fees	7,904	8,531
Management remuneration	Nil	Nil
Rent received – related party	(10)	(10)
Audit fees	Nil	Nil
Staff costs, excluding unrealised pension credits	Nil	Nil
Depreciation	45	42

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

16. Taxation

	2011 $'000s	2010 $'000s
Deferred taxation:		
Origination and reversal of temporary differences, net	6,200	264,721

Reconciliation of effective tax rate:	2011 $'000s	2010 $'000s
Profit before taxation	4,026,401	7,196,034
Computed "expected" taxation expense @ 33⅓%	1,342,134	2,398,678
Difference between profit for financial statements and tax reporting purposes on:		
Tax-free dividend income	(1,361,433)	(2,133,763)
Disallowed expenses	25,499	(194)
Actual taxation expense	6,200	264,721

17. Dividends and distributions

Dividends and distributions paid, gross, are as follows:

	2011 $'000s	2010 $'000s
Ordinary stock units @ $42.20 (2010: $5.50) per stock unit	4,051,200	528,000
6% Non-redeemable cumulative preference stock units	12	12
15% Non-redeemable cumulative preference stock units	150	150
	4,051,362	528,162

During the year the following dividends were declared:

Interim dividend	- December 17, 2010	- $ 5.50 per stock unit
Special dividend	- December 17, 2010	- $ 5.50 per stock unit
Interim dividend	- July 6, 2011	- $ 5.50 per stock unit
Special dividend	- July 6, 2011	- $25.70 per stock unit
Total		$42.20 per stock unit

In 2010, an interim dividend of $5.50 per stock was declared on January 29, 2010.

Half-yearly dividends were paid to the 6% and 15% non-redeemable cumulative preference stockholders on March 31, 2011 and September 30, 2011.

18. 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:

(i) Negative pledge given by the company in the aggregate amount of $1.1 billion (2010: $0.6 billion);

(ii) Letter of undertaking given by the company to maintain a maximum debt to equity ratio, as defined; and

(iii) Letter of undertaking given by the company not to charge any of its assets or shareholdings without the prior consent of the lender, except in the normal course of business.

19. Financial risk management

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

- Credit risk
- Market risk
- Liquidity risk

This note presents information about the company's exposure to each of the above risks, the company's objective, policies and processes for measuring and managing risk, and the company's management of capital.

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 and the company's activities.

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

19. Financial risk management (cont'd)

(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, 2011, 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.

Due from subsidiaries

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

(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	
	2011	2010
	$'000s	$'000s
Variable rate:		
Assets	26,629	1,972

19. Financial risk management (cont'd)

(b) Market risk (cont'd):

(i) Interest rate risk (cont'd):

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 (2010: 500) basis points in interest rates at the reporting date would have increased/(decreased) profit for the year by $266,000 (2010: $99,000). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2010.

(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 manages 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 reporting date.

	Net foreign currency monetary assets	
	2011 US$'000s	2010 US$'000s
Cash and cash equivalents	310	23
Due to fellow subsidiary	(685)	(1)
Investments	113	99
Net exposure	(262)	121

19. Financial risk management (cont'd)

(b) Market risk (cont'd):

(ii) Foreign currency risk (cont'd):

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

	US$
September 30, 2010	86.25
September 30, 2011	86.30
November 29, 2011	86.69

Sensitivity analysis

A 1% (2010: 5%) strengthening/weakening of the US$ against the Jamaica dollar would have (decreased)/increased profit for the year by $226,000 (2010: increased/(decreased) profit for the year by $517,000). This analysis assumes that all other variables, in particular interest rates, remain constant.

(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 20% (2010: 10%) increase or decrease in the bid price at the reporting date would have an increase and an equal decrease respectively in equity of $966 million (2010: $379 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.

19. Financial risk management (cont'd)

(c) Liquidity risk (cont'd):

The following are the contractual maturities of financial liabilities:

	Carrying Amount $'000	Contractual cash flows $'000	Less than 1 year $'000
September 30, 2011			
Accounts payable	89,992	89,992	89,992
Due to subsidiaries	90,059	90,059	90,059
	180,051	180,051	180,051
September 30, 2010			
Accounts payable	3,133	3,133	3,133
Due to subsidiaries	26,622	26,622	26,622
	29,755	29,755	29,755

(d) Capital management:

The Board of Directors monitors the return on capital, which is defined as total stockholders' equity. The board's policy is to maintain a strong capital base so as to maintain stockholder 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.

20. 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. 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.

20. Fair value of financial instruments (cont'd)

Determination of fair value and fair values hierarchy

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. These two types of inputs have created the following fair value hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available.

The company considers relevant and observable market prices in its valuations where possible.

	2011 $'000s			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	4,827,937	115	-	4,828,052

	2010 $'000s			
	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets	3,781,032	5,174	-	3,786,206