MONTEGO BAY ICE COMPANY LIMITED

FINANCIAL STATEMENTS

DECEMBER 31, 2012

KPMG
Chartered Accountants
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INDEPENDENT AUDITORS' REPORT

To the Members of
MONTEGO BAY ICE COMPANY LIMITED

Report on the Financial Statements

We have audited the financial statements of Montego Bay Ice Company Limited (the company) and the consolidated financial statements of the company and its subsidiaries (the group), set out on pages 3 to 30, which comprise the company's and group's statements of financial position as at December 31, 2012, the company's and group's 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 of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the Jamaican Companies Act, and for such internal control 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 relating to 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Members of
MONTEGO BAY ICE COMPANY LIMITED

Report on the Financial Statements, continued

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the company and group as at December 31, 2012, and of the company's and group's 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, so far as appears from our examination of those records, 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
Montego Bay, Jamaica

March 28, 2013

MONTEGO BAY ICE COMPANY LIMITED

Statements of Financial Position
December 31, 2012

	Notes	Company 2012	Company 2011	Group 2012	Group 2011
CURRENT ASSETS					
Cash and cash equivalents	3	1,237,411	1,477,707	41,048,332	37,110,542
Investments	4	21,072,903	21,951,852	21,072,903	21,951,852
Asset held for sale	5	963,874	-	963,874	-
Accounts receivable	6	1,139,253	1,288,195	1,440,898	1,461,024
Inventories	7	-	258,158	-	258,158
Taxation recoverable		478,117	477,335	478,396	477,335
Total current assets		24,891,558	25,453,247	65,004,403	61,258,911
CURRENT LIABILITIES					
Bank overdraft (unsecured)		95,654	-	95,654	-
Accounts payable	8	2,572,808	3,657,746	4,066,219	4,962,704
Taxation payable		-	-	757,840	730,816
Dividends unclaimed		575,144	575,660	575,144	575,660
Total current liabilities		3,243,606	4,233,406	5,494,857	6,269,180
Net current assets		21,647,952	21,219,841	59,509,546	54,989,731
NON-CURRENT ASSETS					
Interest in subsidiaries	9	40,001	40,001	-	-
Investment properties	10	35,036,399	9,882,366	85,046,192	60,981,152
Property, plant and equipment	11	-	26,976,140	4,023,843	32,005,944
Total non-current assets		35,076,400	36,898,507	89,070,035	92,987,096
Total assets less current liabilities		$56,724,352	58,118,348	148,579,581	147,976,827
EQUITY					
Share capital	12(a)	1,242,302	1,242,302	1,242,302	1,242,302
Reserves	12(b)	37,973,641	42,053,638	110,753,579	111,198,892
Equity attributable to owners of the company		39,215,943	43,295,940	111,995,881	112,441,194
Non-controlling interests		-	-	36,409,884	34,592,542
Total equity		39,215,943	43,295,940	148,405,765	147,033,736
NON-CURRENT LIABILITY					
Due to subsidiary		17,508,409	14,822,408	-	-
Deferred tax liability	13	-	-	173,816	943,091
Total equity and non-current liability		$56,724,352	58,118,348	148,579,581	147,976,827

The financial statements on pages 3 to 30 were approved for issue by the Board of Directors on March 28, 2013 and signed on its behalf by:

____________________ Director
Andrew Brennan

____________________ Director
Theresa Chin

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

MONTEGO BAY ICE COMPANY LIMITED

Statement of Comprehensive Income
Year ended December 31, 2012

	Notes	Company 2012	Company 2011 Restated*	Group 2012	Group 2011 Restated*
Continuing operations					
Gross operating revenue	14	1,211,716	998,294	16,072,079	14,979,114
Administrative and other expenses		(3,769,449)	(813,802)	(14,801,588)	(10,396,233)
Operating profit		(2,557,733)	184,492	1,270,491	14,979,114
Other income		-	-	15,000	70,000
		(2,557,733)	184,492	1,285,491	4,652,881
Finance income	15(a)	2,866,548	1,593,283	6,278,357	2,886,077
Finance costs	15(b)	(4,624)	(4,367)	(4,624)	(4,367)
Profit from continuing operations before taxation		304,191	1,773,408	7,559,224	7,534,591
Taxation	17	-	-	(1,803,007)	(2,162,959)
Profit from continuing operations		304,191	1,773,408	5,756,217	5,371,632
Discontinued operations					
Loss from discontinued operations	19	(4,384,188)	(10,866,128)	(4,384,188)	(10,866,128)
(Loss)/profit for the year, being total comprehensive loss	16	$(4,079,997)	(9,092,720)	1,372,029	(5,494,496)
Attributable to:					
Owners of the company		(4,079,997)	(9,092,720	(445,313)	(6,693,904)
Non-controlling interest		-	-	1,817,342	1,199,408
		$(4,079,997)	(9,092,720)	1,372,029	(5,494,496)
Total comprehensive (loss)/income attributable to owners of the company dealt with in the financial statements of:					
The company		(4,079,997)	(9,092,720)	(4,079,997)	(9,092,720)
The subsidiaries		-	-	3,634,684	2,398,816
Loss for the year attributable to members		$(4,079,997)	(9,092,720)	(445,313)	(6,693,904)
Loss per ordinary stock unit	20	$(0.66)	(1.48)	(0.07)	(1.09)

*Restated (see discontinued operations note 19).
The accompanying notes form an integral part of the financial statements.

MONTEGO BAY ICE COMPANY LIMITED

Company Statement of Changes in Equity
Year ended December 31, 2012

	Share capital [note 12(a)]	Capital reserves: Share premium [note 12(b)]	Capital reserves: Realised [note 12(b)]	Revenue reserves: Retained earnings [note 12(b)]	Total
Balances at December 31, 2010	1,242,302	19,229,822	3,108,691	28,807,845	52,388,660
Total comprehensive loss for the year	-	-	-	(9,092,720)	(9,092,720)
Transfer of gain on disposal of property, plant and equipment	-	-	80,092	(80,092)	-
Balances at December 31, 2011	1,242,302	19,229,822	3,188,783	19,635,033	43,295,940
Total comprehensive loss for the year	-	-	-	(4,079,997)	(4,079,997)
Transfer of gain on disposal of property, plant and equipment	-	-	11,316	(11,316)	-
Balances at December 31, 2012	$1,242,302	19,229,822	3,200,099	15,543,720	39,215,943

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

MONTEGO BAY ICE COMPANY LIMITED

Group Statement of Changes in Equity
Year ended December 31, 2012

		Capital reserves		Revenue reserves			
	Share capital [note 12(a)]	Share premium [note 12(b)]	Realised [note 12(b)]	Retained earnings [note 12(b)]	Total	Non-controlling interest	Total equity
Balances at December 31, 2010	1,242,302	19,229,822	3,108,691	95,554,283	119,135,098	33,393,134	152,528,232
Total comprehensive loss for the year	-	-	-	(6,693,904)	(6,693,904)	1,199,408	(5,494,496)
Transfer of gain on disposal of property, plant and equipment	-	-	80,092	(80,092)	-	-	-
Balances at December 31, 2011	1,242,302	19,229,822	3,188,783	88,780,287	112,441,194	34,592,542	147,033,736
Total comprehensive loss for the year	-	-	-	(445,313)	(445,313)	1,817,342	1,372,029
Transfer of gain on disposal of property, plant and equipment	-	-	11,316	(11,316)	-	-	-
Balances at December 31, 2012	$1,242,302	19,229,822	3,200,099	88,323,658	111,995,881	36,409,884	148,405,765

Retained earnings dealt with in the financial statements of:

	2012	2011
The company	15,543,720	19,635,033
The subsidiaries	72,779,938	69,145,254
	$88,323,658	88,780,287

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

MONTEGO BAY ICE COMPANY LIMITED

Company Statement of Cash Flows
Year ended December 31, 2012

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the year		(4,079,997)	(9,092,720)
Adjustments for:			
Interest income	15(a)	(1,176,817)	(1,286,703)
Gain on disposal of property, plant and equipment		(11,316)	(80,092)
Depreciation	10/11	689,549	763,801
Interest expense	15(b)	4,624	4,367
		(4,573,957)	(9,691,347)
(Increase)/decrease in current assets:			
Accounts receivable		126,738	(68,503)
Inventories		258,158	2,029,409
Increase/(decrease) in current liabilities:			
Accounts payable		(1,084,938)	212,641
Dividends unclaimed		(516)	84
Cash used by operations		(5,274,515)	(7,517,716)
Tax paid		(782)	(8,512)
Interest paid		(4,624)	(4,367)
Net cash used by operating activities		(5,279,921)	(7,530,595)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,199,021	1,383,401
Investments		878,949	1,823,735
Proceeds from disposal of property, plant and equipment		180,000	240,000
Net cash provided by investing activities		2,257,970	3,447,136
CASH FLOWS FROM FINANCING ACTIVITY			
Bank overdraft		95,654	-
Due to subsidiary		2,686,001	4,139,942
Net cash provided by financing activities		2,781,655	4,139,942
Net (decrease)/increase in cash and cash equivalents		(240,296)	56,483
Cash and cash equivalents at beginning of the year		1,477,707	1,421,224
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		$1,237,411	1,477,707

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

MONTEGO BAY ICE COMPANY LIMITED

Group Statement of Cash Flows
Year ended December 31, 2012

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year		1,372,029	(5,494,496)
Adjustments for:			
Interest income	15(a)	(1,936,614)	(2,069,710)
Gain on disposal of property, plant and equipment		(26,316)	(150,092)
Depreciation	10/11	2,784,503	3,126,445
Interest expense	15(b)	4,624	4,367
Taxation	17(a)	1,803,007	2,162,959
		4,001,233	(2,420,527)
(Increase)/decrease in current assets:			
Accounts receivable		(1,134)	(173,343)
Inventories		258,158	2,029,409
Increase/(decrease) in current liabilities:			
Accounts payable		(896,485)	606,331
Dividends unclaimed		(516)	84
Cash provided by operations		3,361,256	41,954
Tax paid		(2,546,179)	(2,016,392)
Interest paid		(4,624)	(4,367)
Net cash provided/(used) by operating activities		810,453	(1,978,805)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		1,957,734	2,177,539
Investments		878,949	1,823,735
Proceeds from disposals of property, plant and equipment		195,000	310,000
Net cash provided by investing activities		3,031,683	4,311,274
CASH FLOWS FROM FINANCING ACTIVITY			
Bank overdraft, being net cash provided/(used) by financing activity		95,654	(458,532)
Net increase in cash and cash equivalents		3,937,790	1,873,937
Cash and cash equivalents at beginning of the year		37,110,542	35,236,605
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		$41,048,332	37,110,542

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

1. The company

Montego Bay Ice Company Limited (the company) is incorporated and domiciled in Jamaica. The company is listed on the Jamaica Stock Exchange and its registered office and principal place of business is located at 2 Creek Street, Montego Bay, St. James.

The principal activities of the company and its subsidiaries (the group) (note 9) are the rental of properties and cold storage facilities. The group discontinued the retailing of ice and the sale of bottled spring water in July 2012 and November 2012 respectively (note 19).

2. 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 and comply with the provisions of the Jamaican Companies Act.

During the year, certain new, revised and amended standards and interpretations became effective. None of these resulted in any change in accounting policies or material changes to the content or presentation of amounts or disclosures in these financial statements.

At the date of authorisation of the financial statements, there were certain new, revised and amended standards and interpretations which were in issue but were not yet effective and which the company has not early-adopted. Those which management considered may be relevant to the group and their effective dates are as follows:

- Amendments to IAS 1 *Presentation of Financial Statements* is effective for annual reporting periods beginning on or after July 1, 2012. This requires a reporting entity to present separately the items of other comprehensive income (OCI) that may be reclassified to profit or loss in the future from those that would never be reclassified to profit or loss. Consequently an entity that presents items of OCI before related tax effects will also have to allocate the aggregated tax amount between these sections. The existing option to present the profit or loss and other comprehensive income in two statements has not changed. The title of the statement has changed from 'Statement of Comprehensive Income' to 'Statement of Profit or Loss and Other Comprehensive Income'. However, an entity is still allowed to use other titles.

- IFRS 9 *Financial Instruments* is effective for annual reporting periods beginning on or after January 1, 2015. The standard retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. 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. Basis of preparation and significant accounting policies (cont'd)

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

- IFRS 12 *Disclosure of Interests in Other Entities* is effective for annual reporting periods beginning on or after January 1, 2013. It contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities. Interests are widely defined as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order 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.

  Entities are encouraged to provide information required by IFRS 12 before the effective date, but this early disclosure would not compel the entity to apply either IFRS 12 in its entirety or the other new consolidation standards.

- IFRS 13 *Fair Value Measurement* is effective for annual reporting periods beginning on or after January 1, 2013. It replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. It defines *fair value* as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price.

- IAS 27 (2011) *Separate Financial Statements* is effective for annual reporting periods beginning on or after January 1, 2013. The amended standard carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. The requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27.

2. Basis of preparation and significant accounting policies (cont'd)

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

- *Improvements to IFRS 2009-2010* cycle contains amendments to certain standards and interpretations and are effective for accounting periods beginning on or after January 1, 2013. The main amendments that may be applicable to the group are as follows:

    - IAS 1 *Presentation of Financial Statements* has been amended to clarify that only one comparative period, which is the preceding period, is required for a complete set of financial statements. IAS 1 requires the presentation of an opening statement of financial position when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification. IAS 1 has been amended to clarify that (a) the opening statement of financial position is required only if a change in accounting policy, a retrospective restatement or a reclassification has a material effect upon the information in that statement of financial position; (b) except for the disclosures required under IAS 8, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented.

- IFRS 10 *Consolidated Financial Statements* is effective for annual reporting periods beginning on or after January 1, 2013. IFRS 10 supersedes IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation Special Purpose Entities* and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when (1) it is exposed or has rights to variable returns from its involvement with that investee, (2) has the ability to affect those returns through its power over that investee and (3) there is a link between power and returns. The exposure to risks and rewards of an investee does not, on its own, determine that the investor has control over an investee. It is one of the factors of the control analysis. IFRS 10 clarifies that the investor always considers purpose and design of the investee when assessing control.

The group is assessing the impact the new, revised and amended standards and interpretations may have on its financial statements when they become effective.

(b) Basis of measurement and functional currency:

The financial statements are prepared on the historical cost basis and are presented in Jamaica dollars ($), which is the functional currency of the company.

(c) Going concern:

The preparation of the financial statements in conformity with International Reporting Standards assumes that the company will continue in operational existence for the foreseeable future. This means, in part, that the statements of financial position and comprehensive income assume no intention or necessity to liquidate or curtail the scale of operations. This is commonly referred to as the going concern basis. Although the company has been making losses, management is of the opinion that the going concern assumption remains appropriate as the company has sufficient equity and asset base to sustain operations. The company is also able to obtain funding from its subsidiary, Montego Cold Storage Limited, which has adequate cash resources that can be advanced to the company.

2. Basis of preparation and significant accounting policies (cont'd)

(d) Use of estimates and judgements:

The preparation of the financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of, and disclosures relating to, assets, liabilities, contingent assets and contingent liabilities at the reporting date and the income and expenses for the year then ended. Actual amounts could differ from those estimates.

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 relate to residual value and expected useful life of property, plant and equipment and investment properties.

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

The significant accounting policies below conform in all material respects with IFRS.

(e) Basis of consolidation:

A "subsidiary" is an entity 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. The consolidated financial statements comprise the financial results of the company and its subsidiaries for the year ended December 31, 2012.

The company and its subsidiaries are collectively referred to as the "group".

All significant inter-company transactions are eliminated in preparing the consolidated financial statements.

(f) Cash and cash equivalents:

Cash and cash equivalents comprise cash, bank balances and short-term deposits with maturity within three months, or less, from the date of acquisition. For the purpose of the statement of cash flows, bank overdraft, if any, is presented as a financing activity.

(g) Investments:

Investments are classified as loans and receivables. Loans and receivables are those that have a fixed or determinable payment and which are not quoted in an active market.

Loans and receivables investments are initially measured at cost and subsequently at amortised cost, calculated on the effective interest rate method, less impairment losses.

Investments are recognised/derecognised on the trade date.

(h) Accounts receivable:

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

2. Basis of preparation and significant accounting policies (cont'd)

(i) Inventories:

Inventories are valued at the lower of cost, determined principally on the first-in first-out basis, and net realisable value. Net realisable value is the estimated disposal price in the ordinary course of business, less selling expenses.

(j) Accounts payable:

Trade and other payables are stated at amortised cost.

(k) Interest in subsidiaries:

Interest in subsidiaries is stated at cost, less impairment losses.

(l) Asset held for sale:

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held-for-sale, the assets are remeasured in accordance with the group's other accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to financial assets, deferred tax assets or investment property, which continue to be measured in accordance with the group's other accounting policies. Impairment losses on initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

(m) Investment properties:

Investment properties are held either to earn rental income or for capital appreciation, or both. They are measured at cost, less accumulated depreciation and impairment losses.

(n) Property, plant and equipment:

Property, plant and equipment are stated at cost, less accumulated depreciation and impairment losses. Cost includes expenditures that are attributable to the acquisition of the asset. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item, if it is probable that the future economic benefit embodied within the part will flow to the group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2. Basis of preparation and significant accounting policies (cont'd)

(o) Depreciation:

Property, plant and equipment and investment properties, with the exception of freehold land on which no depreciation is provided, are depreciated on the reducing-balance basis, at annual rates to write down the assets to their estimated residual values over their expected useful lives.

The depreciation rates are as follows:

Property, plant and equipment:	
Buildings	5%
Plant, machinery and vehicles	5 - 20%
Office furniture and equipment	10%
Investment properties:	
Buildings	$2^1/_2$ - 5%
Machinery and equipment	10 - 20%
Furniture and fixtures	5 -10%

The depreciation methods, useful lives and residual values are re-assessed at each reporting date.

(p) Foreign currencies:

Transactions in foreign currencies are converted at the rates of exchange ruling on the dates of those transactions. Foreign currency balances at the reporting date are translated at the rates of exchange ruling on that date. Gains and losses arising from fluctuations in exchange rates are included in profit or loss.

(q) Related parties:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the "reporting entity").

a) A person or a close member of that person's family is related to a reporting entity if that person:

i) has control or joint control over the reporting entity;

ii) has significant influence over the reporting entity; or

iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:

i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

2. Basis of preparation and significant accounting policies (cont'd)

(q) Related parties (cont'd):

b) An entity is related to a reporting entity if any of the following conditions applies (cont'd):

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity.

vi) The entity is controlled, or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

The company has related party relationships with its subsidiaries and companies under common control with the company, as well as with their directors, senior officers and executives. "Key management personnel" represents senior officers of the company.

(r) Revenue recognition:

Revenue from the sale of goods is recognised in profit or loss 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.

Rental income from investment properties is accrued and recognised in profit or loss on the straight-line basis over the term of the lease agreement.

(s) Preference share capital:

Preference share capital is classified as equity, as it is non-redeemable. Dividends on preference share capital are recognised as distributions within equity.

(t) Finance costs and interest income:

Finance costs comprise interest on bank overdraft, other interest and foreign exchange losses.

Interest expense and interest income on funds invested are recognised in profit or loss as they accrue, using the effective yield method.

2. Basis of preparation and significant accounting policies (cont'd)

(u) Taxation:

Income tax on the results for the year comprises current and deferred tax. Income tax 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 taxable income for the year, using tax rates enacted or substantively 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 or substantively enacted at the reporting date.

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 asset is reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A deferred tax liability is recognised for all taxable temporary differences, 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.

(v) Impairment:

The carrying amounts of the group's assets 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. 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.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset and that the loss event has an impact on the future cash flows of the asset that can be estimated. Objective evidence that financial assets are impaired can include default or delinquency by a customer or counterparty or indicators that the customer or counterparty will enter bankruptcy.

(i) Calculation of recoverable amount:

The recoverable amount of the group's receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate. Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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. Basis of preparation and significant accounting policies (cont'd)

(v) Impairment (cont'd):

(ii) Reversals of impairment:

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

In respect of other assets, an impairment loss is reversed, if there has been a change in the estimate used to determine the recoverable amount. 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. An impairment loss is reversed in profit or loss.

(w) Segment reporting:

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the group's other components. An operating segment's results are reviewed regularly by the Managing Director to make decisions about resources to be allocated to the segment and assess its performance.

Based on the nature of the group's products, processes and customers, management has determined that disclosure of segment information is not applicable to the group.

(x) 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 the financial statements, financial assets have been determined to include cash and cash equivalents, investments and accounts receivable. Financial liabilities include bank overdraft, accounts payable and due to subsidiary.

(y) Determination of fair value:

Fair value amounts represent estimates of the arm's length consideration for which an asset could be exchanged or a liability settled 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 and the fair value disclosed may not necessarily be indicative of the amounts realisable in an immediate settlement of the instruments.

3. Cash and cash equivalents

	Company		Group	
	2012	2011	2012	2011
Cash	20,000	20,000	20,000	20,000
Bank accounts	1,217,411	1,457,707	1,217,411	2,215,450
Certificates of deposit	-	-	39,810,921	34,875,092
	$1,237,411	1,477,707	41,048,332	37,110,542

Certificates of deposit comprise foreign currency deposits of US$429,736 (2011: US$403,244) for the group.

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

4. Investments

Investments consist of corporate bonds valued at US$228,681 (2011: US$254,854) which have been classified as loans and receivables and carried at amortised cost.

5. Assets held for sale

	Company and Group	
	2012	2011
Cost of plant and equipment (note 11)	3,102,961	-
Less: Accumulated depreciation (note 11)	(2,139,087)	-
	$ 963,874	-

During the year, management decided on a plan to dispose of its bottling equipment for spring water (see note 11). Consequently, the asset is presented as an asset held for sale. As at December 31, 2012, the sale of the asset has not been executed.

6. Accounts receivable

	Company		Group	
	2012	2011	2012	2011
Trade receivables	141,662	1,105,603	141,662	1,105,603
Less: Allowance for impairment losses	-	(366,694)	-	(366,694)
	141,662	738,909	141,662	738,909
Others	997,591	549,286	1,299,236	722,115
	$1,139,253	1,288,195	1,440,898	1,461,024

Trade receivables include Nil (2011: $26,438) due from a related party.

The aging of trade receivables at the reporting date was:

	Company and Group			
	2012		2011	
	Gross	Impairment	Gross	Impairment
0-30 days	-	-	541,227	-
Past due 31-60 days	-	-	6,000	-
Past due 61-90 days	-	-	-	-
More than 90 days	141,662	-	558,376	366,694
Total	$141,662	-	1,105,603	366,694

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

	Company and Group	
	2012	2011
Balance at January 1	366,694	366,694
Accounts written off	(366,694)	-
Balance at December 31	$ -	366,694

During the year, impairment losses recognised in profit or loss amounted to $Nil (2011:$366,694).

7. Inventories

	Company and Group	
	2012	2011
Water bottles and labels	-	105,649
Plant and machinery spares	-	152,509
	$ -	258,158

During the year, purchase of ice and supplies recognised in cost of operating revenue relating to discontinued operations amounted to $5,929,644.

8. Accounts payable

	Company		Group	
	2012	2011	2012	2011
Trade payables	435,708	1,369,967	435,708	1,369,967
Other	2,137,100	2,287,779	3,630,511	3,592,737
	$2,572,808	3,657,746	4,066,219	4,962,704

9. Interest in subsidiaries

Interest in subsidiaries comprises unquoted shares, as follows:

	2012	2011	% held	Main activity
Montego Cold Storage Limited, at cost	40,000	40,000	$66^2/_3$	Cold storage and property rental
Deans Valley Ice Company Limited, at cost	160	160	100	Dormant
Less: Provision for impairment	(159)	(159)		
	1	1		
	$40,001	40,001		

10. Investment properties

Company

	Freehold land and buildings	Plant machinery and vehicles	Office furniture and equipment	Total
Cost:				
December 31, 2010 and 2011	10,129,032	-	-	10,129,032
Reclassified from property, plant and equipment (note 11)	37,958,999	23,389,272	1,749,106	63,097,377
December 31, 2012	48,088,031	23,389,272	1,749,106	73,226,409
Depreciation:				
December 31, 2010	228,910	-	-	228,910
Charge for the year	17,756	-	-	17,756
December 31, 2011	246,666	-	-	246,666
Charge for the year	360,923	285,063	43,563	689,549
Reclassified from property, plant and equipment (note 11)	14,437,905	21,502,418	1,313,472	37,253,795
December 31, 2012	15,045,494	21,787,481	1,357,035	38,190,010
Net book values:				
December 31, 2012	$33,042,537	1,601,791	392,071	35,036,399
December 31, 2011	$ 9,882,366	-	-	9,883,366

10. Investment properties (cont'd)

Group

	Freehold land and buildings	Machinery and equipment	Furniture and fixtures	Total
Cost:				
December 31, 2010 and 2011	70,516,140	2,009,318	1,079,946	73,605,404
Reclassified from property, plant and equipment (note 11)	37,958,999	23,389,272	1,749,106	63,097,377
December 31, 2012	108,475,139	25,398,590	2,829,052	136,702,781
Depreciation:				
December 31, 2010	9,046,385	1,821,120	633,798	11,501,303
Charge for the year	1,081,821	18,820	22,308	1,122,949
December 31, 2011	10,128,206	1,839,940	656,106	12,624,252
Charge for the year	1,411,786	302,001	64,755	1,778,542
Reclassified from property, plant and equipment (note 11)	14,437,905	21,502,418	1,313,472	37,253,795
December 31, 2012	25,977,897	23,644,359	2,034,333	51,656,589
Net book values:				
December 31, 2012	$82,497,242	1,754,231	794,719	85,046,192
December 31, 2011	$60,387,934	169,378	423,840	60,981,152

Freehold land and buildings include land at cost of $26,185,000 (2011: $9,545,000) for the company and $53,437,000 (2011: $53,437,000) for the group.

At December 31, 2012, the fair value of investment properties amounted to $38,070,901 (2011: $11,900,000) for the company and $136,770,901 (2011: $103,100,000) for the group, as determined by the directors, having regard to market conditions for similar properties in comparable locations and categories as the investment properties.

During the year, investment properties generated income and incurred expenses as follows:

	Company		Group	
	2012	2011	2012	2011
	$	$	$	$
Income earned from properties	1,211,716	998,294	16,072,079	14,979,114
Expenses incurred by properties	(43,750)	(50,001)	(3,139,076)	(2,593,338)

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

11. Property, plant and equipment

Company

	Freehold land and buildings	Plant, machinery and vehicles	Office furniture and equipment	Total
Cost:				
December 31, 2010	37,958,999	27,572,142	1,749,106	67,280,247
Disposals	-	(762,500)	-	(762,500)
December 31, 2011	37,958,999	26,809,642	1,749,106	66,517,747
Disposals	-	(317,409)	-	(317,409)
Reclassified to investment properties (note 10)	(37,958,999)	(23,389,272)	(1,749,106)	(63,097,377)
Reclassified to asset held for sale (note 5)	-	(3,102,961)	-	(3,102,961)
December 31, 2012	-	-	-	-
Depreciation:				
December 31, 2010	14,075,743	24,057,343	1,265,068	39,398,154
Charge for the year	362,162	335,479	48,404	746,045
Eliminated on disposal	-	(602,592)	-	(602,592)
December 31, 2011	14,437,905	23,790,230	1,313,472	39,541,607
Charge for the year	-	-	-	-
Eliminated on disposal	-	(148,725)	-	(148,725)
Reclassified to investment properties (note 10)	(14,437,905)	(21,502,418)	(1,313,472)	(37,253,795)
Reclassified to asset held for sale (note 5)	-	(2,139,087)	-	(2,139,087)
December 31, 2012	-	-	-	-
Net book values:				
December 31, 2012	$ -	-	-	-
December 31, 2011	$23,521,094	3,019,412	435,634	26,976,140

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

11. Property, plant and equipment

Group

	Freehold land and buildings	Plant, machinery and vehicles	Office furniture and equipment	Total
Cost:				
December 31, 2010	37,958,999	39,192,612	1,749,106	78,900,717
Disposals	-	(1,662,500)	-	(1,662,500)
December 31, 2011	37,958,999	37,530,112	1,749,106	77,238,217
Disposals	-	(917,409)	-	(917,409)
Reclassified to investment properties (note 10)	(37,958,999)	(23,389,272)	(1,749,106)	(63,097,377)
Reclassified to asset held for sale (note 5)	-	(3,102,961)	-	(3,102,961)
December 31, 2012	-	10,120,470	-	10,120,470
Depreciation:				
December 31, 2010	14,075,743	29,390,558	1,265,068	44,731,369
Charge for the year	362,162	1,592,930	48,404	2,003,496
Eliminated on disposal	-	(1,502,592)	-	(1,502,592)
December 31, 2011	14,437,905	29,480,896	1,313,472	45,232,273
Charge for the year	-	1,005,961	-	1,005,961
Eliminated on disposal	-	(748,725)	-	(748,725)
Reclassified to investment properties (note 10)	(14,437,905)	(21,502,418)	(1,313,472)	(37,253,795)
Reclassified to asset held for sale (note 5)	-	(2,139,087)	-	(2,139,087)
December 31, 2012	-	6,096,627	-	6,096,627
Net book values:				
December 31, 2012	$ -	4,023,843	-	4,023,843
December 31, 2011	$23,521,094	8,049,216	435,634	32,005,944

Freehold land and buildings include land at a cost of $Nil (2011: $16,640,000) for the company and the group.

12. Share capital and reserves

	2012	2011
(a) Share capital:		
(i) Authorised:		
52,500,000 ordinary shares at no par value		
5,000 6% cumulative non-redeemable preference shares at no par value		
(ii) Stated capital:		
Issued and fully paid:		
6,161,510 ordinary stock units	1,232,302	1,232,302
5,000 6% cumulative non-redeemable preference shares	10,000	10,000
	$1,242,302	1,242,302

12. Share capital and reserves (cont'd)

(b) Reserves comprise:

	Company		Group	
	2012	2011	2012	2011
Capital:				
Share premium	19,229,822	19,229,822	19,229,822	19,229,822
Realised gains on disposal of property, plant and equipment	3,200,099	3,188,783	3,200,099	3,188,783
Revenue:				
Retained earnings	15,543,720	19,635,033	88,323,658	88,780,287
	$37,973,641	42,053,638	110,753,579	111,198,892

Retained earnings include unrealised revaluation surplus of $42,084,748 (2011 $42,084,748) for the company and $77,205,612 (2011: $77,205,612) for the group, in respect of investment properties which were deemed to be cost in accordance with first-time adoption of IFRS.

13. Deferred tax liability

Deferred tax liability is attributable to the following:

Group

	2010	Recognised in income [note 15(a)]	2011	Recognised in income [note 15(a)]	2012
Property, plant and equipment	(14,967)	23,111	8,144	31,902	40,046
Investment properties	1,224,807	(312,476)	912,331	(743,599)	168,732
Accounts receivable	26,327	(3,711)	22,616	362	22,978
Effect of change in deferred tax rate	-	-	-	(57,940)	(57,940)
	$1,236,167	(293,076)	943,091	(769,275)	173,816

Effective January 1, 2013, the corporate income tax rate for unregulated companies was reduced from 33⅓% to 25%. This change was enacted at the reporting date, therefore, the new tax rate has been applied, in determining the deferred tax liability for the group as at December 31, 2012.

14. Gross operating revenue

Gross operating revenue represents income from the rental of properties and cold storage facilities.

15. Finance income and costs

(a) Finance income

	Company		Group	
	2012	2011	2012	2011
Interest income	1,176,817	1,286,703	1,936,614	2,069,710
Foreign exchange gains	1,689,731	306,580	4,341,743	816,367
	$2,866,548	1,593,283	6,278,357	2,886,077

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

15. Finance income and costs (cont'd)

(b) Finance costs

	Company		Group	
	2012	2011	2012	2011
Overdraft interest	$4,624	4,367	4,624	4,367

16. Loss for the year before taxation

The following are among the items charged in arriving at the loss for the year before taxation:

	Company		Group	
	2012	2011	2012	2011
	$	$	$	$
Depreciation	689,549	763,801	2,784,504	3,126,445
Gain on disposal of property, plant and and equipment	11,316	80,092	26,316	150,092
Staff costs (note 18)	2,788,763	4,461,428	5,545,962	6,144,388
Directors' emoluments:				
Fees	55,250	71,500	55,250	71,500
Management remuneration (note 22)	-	924,000	1,848,000	1,848,000
Auditors' remuneration	1,150,000	1,300,000	2,150,000	2,050,000

17. Taxation

	Company		Group	
	2012	2011	2012	2011
(a) Income tax expense:				
Current tax @ 33⅓%	-	-	2,572,282	2,456,035
Deferred taxation:				
Origination and reversal of temporary differences (note 13)	-	-	(769,275)	(293,076)
Taxation expense recognised in profit or loss	$ -	-	1,803,007	2,162,959

MONTEGO BAY ICE COMPANY LIMITED

Notes to the Financial Statements (Continued)
December 31, 2012

17. Taxation (cont'd)

(b) Reconciliation of effective tax rate:

	Company		Group	
	2012	2011	2012	2011
(Loss)/profit for the year before taxation	$(4,079,997)	(9,092,720)	3,175,036	(3,331,537)
Computed "expected" tax (credit)/charge	(1,359,999)	(3,030,907)	1,058,345	(1,110,512)
Tax effect of differences between treatment for financial statement and taxation purposes:				
Depreciation and capital allowances	36,211	74,773	341,107	473,040
Disallowable expenses	3,629	39,672	12,847	38,672
Exchange gains	(495,495)	(76,077)	(1,367,006)	(230,780)
Effect of change in deferred tax rate	-	-	(57,940)	-
Unutilised tax losses	1,815,654	2,992,539	1,815,654	2,992,539
Actual taxation charge recognised in profit or loss	$ -	-	1,803,007	2,162,959

(c) At December 31, 2012, taxation losses, subject to agreement by the Commissioner, Tax Administration Jamaica, available for relief against future taxable profits, amounted to approximately $60 million (2011: 54 million) for the company and group. If unutilised, these can be carried forward indefinitely.

(d) A deferred tax asset of $11,644,724 (2011: $17,828,555) for the company and group, relating to available tax losses and timing differences, has not been recognised, as the directors and management consider that the financial and operational strategies initiated to utilise the benefits of the tax losses are still in progress.

18. Staff costs

	Company		Group	
	2012	2011	2012	2011
Laundry	36,100	8,575	36,100	8,575
Staff welfare	64,119	104,510	64,119	104,510
Staff training	10,484	11,208	10,484	11,208
Salaries and wages	2,327,568	3,882,618	4,845,549	5,426,618
Health insurance	156,928	150,396	156,928	150,396
Employers' contributions	193,564	304,121	432,782	443,081
	$2,788,763	4,461,428	5,545,962	6,144,388

19. Discontinued operation

In July 2012 and November 2012 the company discontinued the sale of ice and bottled spring water. The comparative statement of comprehensive income statement has been re-presented to show the discontinued operation separately from continuing operations.

Loss from discontinued operation:

	Company and Group	
	2012	2011
Gross operating revenue	8,229,396	16,871,756
Cost of operating revenue	(8,104,272)	(17,703,264)
Other income	11,316	80,092
Administrative expenses	(4,520,628)	(10,114,712)
Loss from discontinued operation	$(4,384,188)	(10,866,128)
Loss per ordinary stock unit	$(0.71)	(1.76)

(b) Cash flows used in discontinued operations:

	2012	2011
Cash flow from operating activities		
Loss from discontinued operations	(4,384,188)	(10,866,128)
Gain on disposal of plant and machinery	(11,316)	(80,092)
Net cash flows for the year	$(4,395,504)	(10,946,220)

(c) The discontinued operations had no effect on the financial position of the company and group.

20. Loss per ordinary stock unit

The loss per ordinary stock unit is calculated by dividing the loss for the year attributable to owners of $4,079,997 (2011: $9,092,720) for the company and $445,313 (2011: $6,693,904) for the group by the 6,161,510 (2011: 6,161,510) ordinary stock units in issue during the year.

21. Dividends

Preference dividends in arrears at December 31, 2012 $Nil (2011: $Nil).

22. Related party transactions

During the year, the company and the group had the following transactions at arm's length in the ordinary course of business with related parties:

	Company		Group	
	2012	2011	2012	2011
	$	$	$	$
Companies under common control:				
Rental income	-	-	(4,951,147)	(4,479,389)
Sales	(247,500)	(1,202,809)	(247,500)	(1,202,809)
Purchases	4,910	14,157	4,910	14,157
Short term compensation of key management personnel included in staff costs	-	924,000	1,848,000	1,848,000

23. Segment results

The company had discontinued its ice and other combined reportable segments during the year. Those segments which do not qualify as reportable segments are combined and disclosed as other segments. Segment information is presented in respect of the group's strategic business segments.

The identification of business segments is based on the group's management and internal reporting structure. 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 information below represents the total for the group.

	2012		
	Discontinued operations $	Rental $	Total $
Gross revenue from external customers	8,229,396	16,072,079	24,301,475
Finance income	-	6,278,357	6,278,357
Interest expense	-	(4,624)	(4,367)
Segment (loss)/profit after tax	(4,384,188)	5,756,217	1,372,029
Non-controlling interest			(1,817,342)
Loss attributable to owners of the company			(445,313)
Reportable segment assets	-	154,074,438	154,074,438
Reportable segment liabilities	-	5,668,673	5,668,673
Depreciation and impairment	-	2,784,503	2,784,503

	2011		
	Discontinued operations $	Rental $	Total $
Gross revenue from external customers	16,871,756	14,979,114	31,850,870
Finance income	-	2,886,077	2,886,077
Interest expense	-	(4,367)	(4,367)
Segment (loss)/profit after tax	(10,866,128)	5,371,632	(5,494,496)
Non-controlling interest			(1,199,408)
Loss attributable to owners of the company			(6,693,904)
Reportable segment assets	53,385,991	100,860,016	154,246,007
Reportable segment liabilities	5,176,497	2,234,339	7,212,271
Depreciation and impairment	627,048	2,380,400	3,126,445

24. Financial risk management

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

- credit risk;
- liquidity risk; and
- market risk

This note presents information about the group's exposure to each of the above risks, the group's objectives, policies and processes for measuring and managing risk, and the group's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the group's risk management framework.

(a) Credit risk:

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. This arises principally from amounts accounts receivable, investments and cash and cash equivalents.

Accounts receivable:

The group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. Trade receivables consist of a small number of customers, spread across diverse industries and geographical areas. The demographics of the customer base, including the default risk of the industry in which customers operate, has less of an influence on credit risk. The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. Geographically and by customer base, there is no significant concentration of credit risk.

Investment securities and cash and cash equivalents:

The group limits its exposure to credit risk by only investing, where possible, with financial institutions that are appropriately licensed and regulated and by obtaining sufficient collateral as a means of mitigating the risk of financial loss from defaults. There is a 100% concentration of credit risk in investment securities and a significant concentration in cash and cash equivalents.

(b) Liquidity risk:

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

24. Financial risk management (cont'd)

(c) Liquidity risk:

The group generally ensures availability of sufficient cash on demand to meet operational expenses. The contractual outflow for bank overdraft and accounts payable is mainly represented by the carrying amounts and requires settlement within 12 months of the reporting date.

There were no changes to the group's approach to managing liquidity risk during the year.

(d) Market risk:

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

There were no changes to the group's approach to managing market risk during the year.

(i) Foreign currency risk:

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

The group is exposed to currency risk on transactions that are denominated in a currency other than its functional currencies, primarily the United States dollar (US$).

At December 31, 2012, foreign currency assets aggregated US$238,436 (2011: $264,186) for the company and US$668,895 (2011: US$668,218) for the group.

Exchange rates for the Jamaica dollars in terms of US$, were:

December 31, 2012	$92.15
December 31, 2011	$86.14

Sensitivity analysis

A 4% (2011:1%) strengthening of the US$ against the Jamaica dollar at December 31, 2012, would have decreased loss for the year by $878,875 for the company and $2,463,052 for the group (2011:$227,570 for the company and $575,603 for the group).

A 4% (2011:1%) weakening of the US$ against the Jamaica dollar would have the same but opposite effect on loss for the year. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

24. Financial risk management (cont'd)

(b) Market risk (cont'd):

(ii) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The group limits its exposure to changes in interest rates by investing in securities at fixed interest rates for the duration of the term which is generally 90 days or less.

At December 31, 2012, financial assets subject to fixed interest rates aggregated $22,290,053 (2011: $23,069,409) for the company and $62,100,974 (2011: $57,944,501) for the group.

At December 31, 2012, financial liabilities subject to fixed interest rates aggregated $95,654 (2011: $Nil) for the company and the group.

Sensitivity analysis

At the reporting date, the group only had fixed rate financial assets and liabilities carried at amortised cost. Therefore, changes in market interest rates will neither affect the cash flows nor the carrying amount of the instruments.

(d) Capital management:

It is the Board's policy to maintain a strong capital base so as to sustain future development of the business. The Board of Directors monitors the return on capital, which the company defines as total equity, comprising share capital, capital reserves and retained earnings. Neither the company nor its subsidiary, is subject to externally imposed capital requirements.

25. Fair values of financial instruments

The fair values of cash and cash equivalents, investments, accounts receivable, accounts payable, and bank overdraft are assumed to approximate to their carrying value, due to their short-term nature.