



GRACEKENNEDY LIMITED

(Formerly Grace, Kennedy & Company Limited)

Financial Statements

31 December 2005

GraceKennedy Limited

(formerly Grace, Kennedy & Company Limited)

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31 December 2005

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16 March 2006

To the Members of
GraceKennedy Limited
(formerly Grace, Kennedy & Company Limited)

Auditors' Report

We have audited the financial statements set out on pages 1 to 78, and have received all the information and explanations which we considered necessary. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain wholly-owned subsidiaries, which statements reflect revenues outside the group of \$4,106,409,000 and \$3,503,397,000 for the years ended 31 December 2005 and 2004, respectively. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those subsidiaries, is based solely on the reports of the other auditors.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the auditors of those subsidiaries not audited by us provides a reasonable basis for our opinion.

In our opinion, based on our examination and on the reports of the auditors of those subsidiaries not audited by us, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of affairs of the Group and the company as at 31 December 2005 and of the results of operations and cash flows of the Group, and changes in equity of the Group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.



Chartered Accountants
Kingston, Jamaica

GraceKennedy Limited

(formerly Grace, Kennedy & Company Limited)

Consolidated Balance Sheet

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 \$'000	Restated 2004 \$'000
Non-Current Assets			
Fixed assets	5	2,308,182	2,103,089
Intangible assets	6	1,035,914	385,309
Investments in associates	7	475,205	414,516
Investments	8	3,068,676	2,947,076
Long term receivables	9	2,518,114	1,746,285
Deferred tax assets	10	599,159	601,249
Pension plan asset	11	5,064,748	4,409,317
		15,069,998	12,606,841
Current Assets			
Inventories	12	3,885,246	3,329,331
Receivables	13	5,644,739	4,664,738
Long term receivables - current portion	9	944,362	869,884
Taxation recoverable		538,178	531,965
Cash and short term investments	14	35,018,313	30,901,835
		46,030,838	40,297,753
Current Liabilities			
Payables	15	8,128,709	6,638,634
Provisions	16	3,064	8,979
Taxation		456,754	512,650
Bank and short term loans	17	3,130,632	2,066,712
Long term liabilities - current portion	22	484,286	197,396
Deposits		8,957,153	4,274,436
Securities sold under agreements to repurchase		18,985,588	20,845,990
		40,146,186	34,544,797
Net Current Assets		5,884,652	5,752,956
		20,954,650	18,359,797

GraceKennedy Limited

(formerly Grace, Kennedy & Company Limited)


Consolidated Balance Sheet

31 December 2005


(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 \$'000	Restated 2004 \$'000
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	325,744	324,359
Capital and fair value reserves	19	3,150,866	3,095,761
Retained earnings		9,536,534	7,944,154
Reserve funds	20	736,651	696,529
Other reserves		1,490,795	1,291,170
		15,240,590	13,351,973
Minority interest	21	744,234	507,527
Total equity		15,984,824	13,859,500
Non-Current Liabilities			
Provisions	16	6,221	6,516
Long term liabilities	22	1,571,365	1,474,367
Deferred tax liabilities	10	2,382,807	2,171,958
Other post-retirement obligations	11	1,009,433	847,456
		4,969,826	4,500,297
		20,954,650	18,359,797

Approved for issue by the Board of Directors on 16 March 2006 and signed on its behalf by:



 D R Orane Chairman



 D G Wehby Chief Financial Officer

GraceKennedy Limited

(formerly Grace, Kennedy & Company Limited)

Consolidated Profit and Loss Account

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 \$'000	Restated 2004 \$'000
Revenues	24	33,031,615	30,703,792
Expenses	25	30,791,524	28,342,426
		2,240,091	2,361,366
Other income		655,314	570,328
Profit from Operations		2,895,405	2,931,694
Interest income – non-financial services		443,243	419,975
Interest expense – non-financial services		(347,610)	(255,492)
Share of results of associated companies	7	64,209	55,660
Profit before Taxation		3,055,247	3,151,837
Taxation	28	(933,553)	(878,757)
Net Profit		2,121,694	2,273,080
Attributable to:			
Stockholders of GraceKennedy Limited	29	2,074,936	2,171,368
Minority interest	21	46,758	101,712
		2,121,694	2,273,080
Earnings per Stock Unit for profit attributable to the equity holders of the Company during the year -	31		
Basic		\$6.38	\$6.73
Diluted		\$6.26	\$6.58

GraceKennedy Limited

(formerly Grace, Kennedy & Company Limited)

Consolidated Statement of Changes in Equity

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Attributable to equity holders of the Company					Minority Interest	Total Equity	
		Number of Shares '000	Share Capital \$'000	Capital and Fair Value Reserves \$'000	Retained Earnings \$'000	Reserve Fund \$'000			Other Reserves \$'000
Balance at 1 January 2004, as restated	37	320,673	320,673	2,759,730	5,989,205	643,207	1,163,801	460,032	11,336,648
Foreign currency translation adjustments		-	-	-	-	-	73,470	574	74,044
Revaluation loss	7	-	-	(658,513)	-	-	-	-	(658,513)
Fair value gains		-	-	1,088,066	-	-	-	-	1,088,066
Other		-	-	(43,938)	-	-	-	(15,178)	(59,116)
Net income recognised directly in equity		-	-	385,615	-	-	73,470	(14,604)	444,481
Net profit		-	-	-	2,171,368	-	-	101,712	2,273,080
Total recognised income for 2004		-	-	385,615	2,171,368	-	73,470	87,108	2,717,561
Issue of shares at a premium	18(a)	2,351	2,351	71,541	-	-	-	-	73,892
Issue of treasury shares	18	1,335	1,335	67,499	-	-	-	-	68,834
Employee share option scheme:	18 (g)								
Value of services received		-	-	-	-	-	53,899	-	53,899
Transfers between reserves:									
To reserve funds		-	-	-	(53,322)	53,322	-	-	-
From capital reserves		-	-	(188,624)	188,624	-	-	-	-
Dividends paid	30	-	-	-	(291,918)	-	-	-	(291,918)
Dividends paid by subsidiary to minority interest	21	-	-	-	-	-	-	(39,613)	(39,613)
Other		-	-	-	(59,803)	-	-	-	(59,803)
Balance at 31 December 2004, as restated		324,359	324,359	3,095,761	7,944,154	696,529	1,291,170	507,527	13,859,500

GraceKennedy Limited

(formerly Grace, Kennedy & Company Limited)

Consolidated Statement of Changes in Equity

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Attributable to equity holders of the Company					Minority Interest	Total Equity	
		Number of Shares '000	Share Capital \$'000	Capital and Fair Value Reserves \$'000	Retained Earnings \$'000	Reserve Fund \$'000	Other Reserves \$'000	\$'000	\$'000
Balance at 1 January 2005, as restated		324,359	324,359	3,095,761	7,944,154	696,529	1,291,170	507,527	13,859,500
Foreign currency translation adjustments		-	-	-	-	-	124,401	1,507	125,908
Revaluation surplus		-	-	12,533	-	-	-	-	12,533
Fair value gains		-	-	15,079	-	-	-	-	15,079
Other		-	-	146	-	-	-	-	146
Net income recognised directly in equity		-	-	27,758	-	-	124,401	1,507	153,666
Net profit		-	-	-	2,074,936	-	-	46,758	2,121,694
Total recognised income for 2005		-	-	27,758	2,074,936	-	124,401	48,265	2,275,360
Issue of shares at a premium	18 (a)	1,578	1,578	55,708	-	-	-	-	57,286
Purchase of treasury shares		(193)	(193)	(18,919)	-	-	-	-	(19,112)
Employee share option scheme:	18 (g)								
Value of services received		-	-	-	-	-	75,224	-	75,224
Transfers between reserves:									
To reserve funds		-	-	-	(40,122)	40,122	-	-	-
From capital reserves		-	-	(9,442)	9,442	-	-	-	-
Increase in minority interest arising from dilution of interest in subsidiary		-	-	-	-	-	-	229,126	229,126
Dividends paid	30	-	-	-	(326,961)	-	-	-	(326,961)
Dividends paid by subsidiary to minority interest		-	-	-	-	-	-	(40,684)	(40,684)
Other		-	-	-	(124,915)	-	-	-	(124,915)
Balance at 31 December 2005		325,744	325,744	3,150,866	9,536,534	736,651	1,490,795	744,234	15,984,824

GraceKennedy Limited

(formerly Grace, Kennedy & Company Limited)

Company Balance Sheet

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	2005 \$'000	2004 \$'000
SOURCES/(USES) OF CASH:		
Operating Activities (Note 32)	1,862,782	1,807,180
Financing Activities		
Long term receivables, net	(857,128)	(1,158,542)
Long term loans received	621,394	779,008
Long term loans repaid	(269,274)	(755,060)
Short term loans, net	193,070	215,429
Deposits	4,482,214	799,958
Minority interest	(39,177)	(39,614)
Cash inflow from minority interest on dilution of interest in subsidiary	229,126	-
Purchase of treasury shares	(19,112)	-
Issue of shares at a premium	57,286	141,391
Interest paid	(522,921)	(222,628)
Dividends	(326,961)	(291,918)
	3,548,517	(531,976)
Investing Activities		
Securities sold under agreements to repurchase	(1,982,342)	2,548,418
Additions to fixed assets	(590,254)	(393,433)
Proceeds from disposal of fixed assets	28,486	138,743
Additions to investments	(1,746,395)	(3,484,659)
Proceeds from sale of investments	262,206	1,242,908
Additions to intangibles	(760,822)	(170,364)
Interest received	459,884	339,276
	(4,329,237)	220,889
Increase in cash and cash equivalents	1,082,062	1,496,093
Cash and cash equivalents at beginning of year	3,775,530	2,269,184
Exchange and translation gains on net foreign cash balances	52,354	10,253
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 14)	4,909,946	3,775,530

The principal non-cash transaction was the acquisition of fixed assets under finance lease of \$20,610,000 (2004 - \$72,871,000).

GraceKennedy Limited

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Company Balance Sheet

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 \$'000	Restated 2004 \$'000
Non-Current Assets			
Fixed assets	5	131,956	125,255
Intangible assets	6	55,063	2,219
Investments in associates	7	154,168	95,573
Investments	8	1,439,191	1,573,088
Long term receivables	9	49,299	161,535
Deferred tax assets	10	164,676	137,093
Pension plan asset	11	4,124,005	3,422,451
		6,118,358	5,517,214
Current Assets			
Inventories	12	976,685	511,704
Receivables	13	751,461	650,203
Long term receivables - current portion	9	98,044	1,774
Taxation recoverable		141,562	82,806
Cash and short term investments	14	4,090,715	3,534,315
		6,058,467	4,780,802
Current Liabilities			
Payables	15	975,661	861,823
Subsidiaries		1,202,797	955,195
Bank and short term loans	17	1,846,066	1,440,876
Long term liabilities - current portion	22	344,355	145,277
		4,368,879	3,403,171
Net Current Assets		1,689,588	1,377,631
		7,807,946	6,894,845

GraceKennedy Limited

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Company Balance Sheet

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 \$'000	Restated 2004 \$'000
Equity			
Capital and reserves attributable to the Company's equity holders			
Share capital	18	325,744	324,359
Capital and fair value reserves	19	316,166	250,063
Translation gains and other reserves		149,029	73,805
Retained earnings		3,507,040	3,093,144
Total equity		4,297,979	3,741,371
Non-Current Liabilities			
Provisions	16	6,221	6,221
Long term liabilities	22	1,572,621	1,583,195
Deferred tax liabilities	10	1,462,018	1,216,824
Other post-retirement obligations	11	469,107	347,234
		3,509,967	3,153,474
		7,807,946	6,894,845

Approved for issue by the Board of Directors on 16 March 2006 and signed on its behalf by:



 D R Orane Chairman



 D G Wehby Chief Financial Officer

GraceKennedy Limited

(formerly Grace, Kennedy & Company Limited)

Company Statement of Changes in Equity

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Number of Stock units '000	Share Capital \$'000	Capital and Fair Value Reserves \$'000	Other Reserves \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 January 2004, as restated	37	320,673	320,673	37,303	19,906	2,460,100	2,837,982
Revaluation surplus		-	-	550	-	-	550
Fair value gains		-	-	73,170	-	-	73,170
Net income recognised directly in equity		-	-	73,720	-	-	73,720
Net profit		-	-	-	-	924,962	924,962
Total recognised income for 2004		-	-	73,720	-	924,962	998,682
Issue of shares at a premium	18 (a)	2,351	2,351	71,541	-	-	73,892
Issue of treasury shares	18	1,335	1,335	67,499	-	-	68,834
Employee share option scheme:	18 (g)						
Value of services received		-	-	-	53,899	-	53,899
Dividends paid	30	-	-	-	-	(291,918)	(291,918)
Balance at 31 December 2004, as restated		324,359	324,359	250,063	73,805	3,093,144	3,741,371
Balance at 1 January 2005, as restated		324,359	324,359	250,063	73,805	3,093,144	3,741,371
Fair value gains		-	-	21,079	-	-	21,079
Net income recognised directly in equity		-	-	21,079	-	-	21,079
Net profit		-	-	-	-	749,092	749,092
Total recognised income for 2005		-	-	21,079	-	749,092	770,171
Transfer between reserves		-	-	8,235	-	(8,235)	-
Issue of shares at a premium	18 (a)	1,578	1,578	55,708	-	-	57,286
Purchase of treasury shares	18 (b)	(193)	(193)	(18,919)	-	-	(19,112)
Employee share option scheme:	18 (g)						
Value of services received		-	-	-	75,224	-	75,224
Dividends paid	30	-	-	-	-	(326,961)	(326,961)
Balance at 31 December 2005		325,744	325,744	316,166	149,029	3,507,040	4,297,979

GraceKennedy Limited

(formerly Grace, Kennedy & Company Limited)

Notes to the Financial Statements

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification

GraceKennedy Limited (the company) is a company limited by shares, incorporated and domiciled in Jamaica. The registered office of the company is 73 Harbour Street, Kingston, Jamaica.

The company is a publicly listed company having its primary listing on the Jamaica Stock Exchange, with further listings on the Barbados, Trinidad and Tobago and Eastern Caribbean Stock Exchanges.

The principal activities of the company, its subsidiaries and its associated companies (the Group) are as follows:

Food Trading -

Merchandising of general goods and food products, both locally and internationally; processing and distribution of dairy and meat products.

Retail and Trading -

Merchandising of agricultural and pharmaceutical supplies, stationery, hardware and lumber; institutional and airline catering; operation of a chain of supermarkets.

Financial Services -

General insurance and insurance brokerage; commercial banking; investment management; lease and trade financing; stock brokerage; pension management; property rental; mutual fund management.

Information -

Operation of money transfer services; bill payment services and international telecommunications services.

GraceKennedy Limited
 (formerly Grace, Kennedy & Company Limited)
 Notes to the Financial Statements
 31 December 2005
 (expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain fixed and financial assets.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on managements' best knowledge of current events and action, actual results could differ from those estimates.

Standards, interpretations and amendments to published standards effective in 2005

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRS, which are relevant to its operations. The 2004 comparative figures have been amended as required, in accordance with the relevant requirements. The effects of adopting the revised and new standards on equity previously reported for the Group are detailed in Note 37.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 2 (revised 2003)	Inventories
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 28 (revised 2003)	Investment in Associates
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003)	Earnings per Share
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2003)	Intangible Assets
IAS 39 (revised 2003)	Financial Instruments: Recognition and Measurement
IFRS 2 (issued 2004)	Share-based Payments
IFRS 3 (issued 2004)	Business Combinations
IFRS 4 (issued 2004)	Insurance Contracts
IFRS 5 (issued 2004)	Non-current Assets Held for Sale and Discontinued Operations
IFRIC Amendment to SIC 12 (issued 2004)	Scope of SIC 12 Consolidation – Special Purpose Entities

GraceKennedy Limited

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Notes to the Financial Statements

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

The adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 28, 32, and 33 (all revised 2003) did not result in substantial changes to the Group's accounting policies. In summary:

- (i) IAS 1 (revised 2003) has affected the presentation of minority interest and other disclosures.
- (ii) IAS 2, 8, 10, 16, 17, 28, 32 and 33 had no material effect on the Group's policies.
- (iii) IAS 21 (revised 2003) had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All the Group entities have the same functional currency as their measurement currency.
- (iv) IAS 24 (revised 2003) has affected the identification of related parties and some other related-party disclosures.

IAS 39 (revised 2004) has resulted in the fair value re-measurement of investment securities previously classified as originated loans (Note 37).

The adoption of IFRS 2 has resulted in a change in the accounting policy for share-based payments. Until 31 December 2004, the provision of share options to employees did not result in a charge in the profit and loss account. Subsequent to that date, the Group charges the cost of share options to the profit and loss account (Note 2 (m)).

The adoption of IFRIC Amendment to SIC 12 has resulted in a change in the accounting policy for the employee investment trust. Until 31 December 2004, the employee investment trust was treated as a stand alone entity. Subsequent to that date, the Group has accounted for the employee investment trust as a part of the results and financial position. This has resulted in the Group recognising shares held by the trust as treasury shares.

The adoption of IFRS 3, IAS 36 and IAS 38 (revised 2004) resulted in a change in accounting policy for goodwill. Until 31 December 2004, goodwill was amortised on a straight line basis over a period of five years.

In accordance with the provisions of IFRS 3 (Note 2(f)):

- The Group ceased amortisation of goodwill from 1 January 2005;
- Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill;
- From the year ended 31 December 2004 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The Group has reassessed the useful lives of its intangible assets in accordance with the provisions of IAS 38. No adjustment resulted from this assessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than IFRS 3 - prospectively after 31 March 2004.

GraceKennedy Limited

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Notes to the Financial Statements

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

The impact on the opening retained earnings and prior period financial statements at 1 January 2004 from the adoption of certain of the above-mentioned standards is detailed in Note 37.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at the balance sheet date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- **IAS 19 (Amendment), Employee Benefits** (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Group will apply this amendment from annual periods beginning 1 January 2006.
- **IAS 39 (Amendment), The Fair Value Option** (effective from 1 January 2006). This amendment changes the definition of financial instruments classified at fair value through profit or loss and restricts the ability to designate financial instruments as part of this category. The Group believes that this amendment should not have a significant impact on the classification of financial instruments, as the Group should be able to comply with the amended criteria for the designation of financial instruments at fair value through profit and loss. The Group will apply this amendment from annual periods beginning 1 January 2006.
- **IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures** (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.
- **IFRIC 4, Determining whether an Arrangement contains a Lease** (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

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Notes to the Financial Statements

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

- **IFRIC 4, Determining whether an Arrangement contains a Lease (Continued)** The Group assessed the impact of IFRIC 4 and concluded that there are no transactions to which this applies. The Group will apply IFRIC 4 from annual periods beginning 1 January 2006.
- **IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions** (effective from 1 January 2006). The amendment allows the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in the consolidated financial statements, provided that: (a) the transaction is denominated in a currency other than the functional currency of the entity entering into the transaction; and (b) the foreign currency risk will affect the consolidated profit or loss. This amendment is not relevant to the Group's operations, as the Group does not have any intragroup transactions that would qualify as a hedged item in the consolidated financial statements as of 31 December 2005 and 2004.
- **IFRIC 8, Scope of IFRS 2** (effective from 1 May 2006)
The amendment makes it neither necessary nor appropriate to measure the fair value of goods or services as well as the fair value of the share-based payment for every transaction in which the entity receives goods or non-employee services. However, when the identifiable consideration received appears to be less than the fair value of the share-based payment, measurement of either the goods or services received and the share-based payment may be necessary in order to measure the value of the unidentifiable goods or services received. The Group will apply IFRIC 8, Scope of IFRS 2 for annual periods beginning 1 January 2007.

(b) Basis of consolidation

Subsidiaries and special purpose entities, which are those entities in which the Group has an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies, are consolidated.

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus cost directly attributable to the acquisition. The excess of the cost over the fair value of net assets acquired is recorded as goodwill.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

All subsidiaries are wholly-owned unless otherwise indicated. The subsidiaries consolidated are as follows:

Incorporated and Resident in Jamaica:

Allied Insurance Brokers Limited

First Global Bank Limited

First Global Financial Services Limited

First Global Insurance Consultants Limited

First Global Leasing Limited (formerly Global Capital Services Limited)

Grace Food Processors Limited

GraceKennedy Limited

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Incorporated and Resident in Jamaica: (continued)

Grace Food Processors (Canning) Limited
 GraceKennedy Shipping Limited (formerly Grace, Kennedy & Company (Shipping) Limited)
 Grace, Kennedy Currency Trading Services Limited
 Grace Foods International Limited
 Grace, Kennedy Payment Services Limited
 GraceKennedy Remittance Services Limited (formerly Grace, Kennedy Remittance Services Limited)
 Horizon Shipping Limited
 Hardware and Lumber Limited (58.1%) and its subsidiaries –
 Agro-Grace Limited
 H&L True Value Limited
 H&L Agri and Marine Company Limited
 Hole in the Wall Limited
 Office Services Limited
 Rapid & Sheffield Company Limited
 Wherry Wharf Sales Company Limited
 Hi-Lo Food Stores (Jamaica) Limited
 H. Macaulay Orrett Limited
 International Communications Limited
 Jamaica International Insurance Company Limited
 Medi-Grace Limited
 National Processors Limited
 Port Services Limited (97.2%)
 Versair In-Flite Services Limited (51 %) and its subsidiary -
 Industrial Catering Services Limited (51%)
 World Brands Services Limited

Incorporated and Resident outside of Jamaica:

First Global Insurance Agency Limited, Turks and Caicos Islands
 Grace Foods Limited, Bermuda
 Grace Foods (USA) Inc., U.S.A.
 Grace, Kennedy (Belize) Limited, Belize (66.6%)
 GraceKennedy (Ontario) Inc. (formerly Grace, Kennedy (Ontario) Inc.), Canada and its subsidiary –
 Grace, Kennedy (Caribbean) Limited, Turks and Caicos Islands
 Grace, Kennedy (Guyana) Inc., Guyana
 Grace, Kennedy Remittance Services (Guyana) Limited, Guyana
 GraceKennedy Remittance Services (Turks and Caicos) Limited (formerly Grace, Kennedy Remittance Services (Turks and Caicos) Limited), Turks and Caicos Islands
 Grace, Kennedy Remittance Services (USA) Inc., U.S.A.
 GraceKennedy Financial Services (USA) Inc. (formerly Grace, Kennedy Financial Services (USA) Inc.), U.S.A.
 Grace, Kennedy (St. Lucia) Limited, St. Lucia
 Grace, Kennedy (Trinidad & Tobago) Limited, Trinidad and Tobago and its subsidiary –
 Grace, Kennedy Remittance Services
 (Trinidad & Tobago) Limited, Trinidad and Tobago
 GraceKennedy (U.K.) Limited (formerly Grace, Kennedy (U.K.) Limited), United Kingdom

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2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (continued)

Incorporated and Resident outside of Jamaica (Continued):

Grace, Kennedy (U.S.A.) Inc., U.S.A.

GraceKennedy Securities (USA) Inc., (formerly Grace, Kennedy Securities (USA) Inc.), U.S.A.

Grace, Kennedy Trade Finance Limited, Belize

Graken Holdings Limited, Turks and Caicos Islands and its subsidiaries –

 First Global (Cayman) Limited, Cayman Islands

 GK Fund Management (Cayman) Limited, Cayman Islands

Knutsford Re, Turks and Caicos Islands

The special purpose entity consolidated is the company's employee investment trust.

(c) Associates

Investments in associates are accounted for by the equity method of accounting. Under this method the Group's share of the post-acquisition profits or losses of associates is recognised in the profit and loss account and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are entities over which the Group generally has between 20% and 50% of the voting rights, or over which the Group has significant influence, but which it does not control. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group has incurred obligations or made payments on behalf of the associate. In the company balance sheet, investment in associates is shown at cost.

The Group's associated companies are as follows:

	Group's percentage interest	
	2005	2004
Acra Financial Services Inc.	30.0	30.0
Carib Star Shipping Limited	-	30.0
Challenge Enterprises Limited	50.0	50.0
CSGK Finance Holdings Limited	40.0	40.0
Dairy Industries (Jamaica) Limited	50.0	50.0
EC Global Insurance Company Limited	30.0	30.0
Fidelity Motors Limited	30.0	30.0
Fish Importers Limited	32.7	32.7
Medecus Health Insurance Agency Limited	50.0	-
Telecommunications Alliance Limited	49.0	49.0

Effective 1 June 2005, the Group acquired a 50% shareholding in Medecus Health Insurance Agency Limited.

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2. Significant Accounting Policies (Continued)

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Jamaican dollars, which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities of foreign subsidiaries are translated into Jamaican dollars at year end rates and items affecting the profit and loss account are translated at average rates.
- The resultant gains, as well as those arising from translating the net equity interest in foreign associated companies, are reflected in stockholders' equity as translation gains.

(e) Fixed assets

All fixed assets are initially recorded at cost. Freehold land and buildings are subsequently shown at market valuation based on biennial valuations by external independent valuers, less subsequent depreciation of buildings. All other fixed assets are carried at cost less accumulated depreciation.

Increases in carrying amounts arising on revaluation are credited to the capital reserve in stockholders' equity. Decreases that offset previous increases of the same asset are charged against the capital reserve; all other decreases are charged to the profit and loss account.

Depreciation is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The expected useful lives are as follows:

Freehold buildings and leasehold buildings and improvements	10-60 years
Plant, machinery, equipment, furniture and fixtures	3-10 years
Vehicles	3-5 years

Land is not depreciated.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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2. Significant Accounting Policies (Continued)

(e) Fixed assets (continued)

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of fixed assets are determined by reference to their carrying amount and are taken into account in determining profit. When revalued assets are sold, the amounts included in capital and fair value reserves are transferred to retained earnings.

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

(f) Intangible assets

Goodwill

Goodwill is recorded at cost and represents the excess of the value of consideration paid over the fair value of the net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licences are capitalised on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Distribution channel agreements

Distribution channel agreements are recorded at cost and represent the value of the consideration paid to acquire rights to distribute beverages in specified routes. These costs are amortised over their estimated useful life which is 10 years.

Policy contracts

Policy contracts are assessed annually for impairment and are carried at cost less any accumulated impairment losses. The cost of policy contracts comprise its purchase price, any directly attributable cost of preparing the asset for its intended use and professional fees directly attributed to acquiring the asset.

(g) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The Group's financial assets comprise investment securities, loans and receivables, cash and bank balances, trade and interest receivables and securities purchased under agreements to resell. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. The determination of the fair values of the Group's financial instruments is discussed in Note 3(b).

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2. Significant Accounting Policies (Continued)

(g) Financial instruments (continued)

Financial liabilities

The Group's financial liabilities comprise trade and interest payables, bank and short term loans, securities sold under agreements to repurchase, deposits and long term liabilities. They are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method.

(h) Investment securities

The Group classifies its investment securities as available-for-sale. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of monetary securities classified as available-for-sale and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as other income. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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 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 acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment provisioning of trade receivables is described in Note 2(o).

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2. Significant Accounting Policies (Continued)

(i) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

(j) Impairment of long lived assets

Fixed assets and other non-current assets, including goodwill, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

(k) Loans receivable

Loans receivable are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised when cash is advanced to borrowers. They are initially recorded at cost, which is the cash given to originate the loan including any transaction costs and subsequently measured at amortised cost using the effective yield method. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans receivables are classified as 'long term receivables' in the balance sheet (Note 9).

A provision for credit losses is established if there is objective evidence that a loan is impaired. A loan is considered impaired when management determines that it is probable that all amounts due according to the original contractual terms will not be collected. When a loan has been identified as impaired, the carrying amount of the loan is reduced by recording specific provisions for credit losses to its estimated recoverable amount, which is the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the loan.

The provision for credit losses also covers situations where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. These have been estimated based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

For non-performing and impaired loans the accrual of interest income based on the original terms of the loan is discontinued. The Bank of Jamaica regulations require that interest on non-performing loans be taken into account on the cash basis. IFRS requires the increase in the present value of impaired loans due to the passage of time to be reported as interest income. The difference between the Jamaican regulatory basis and IFRS was assessed to be immaterial.

Write-offs are made when all or part of a loan is deemed uncollectible or in the case of debt forgiveness. Write-offs are charged against previously established provisions for credit losses and reduce the principal amount of a loan. Recoveries in part or in full of amounts previously written-off are credited to credit loss expense in the profit and loss account.

Statutory and other regulatory loan loss reserve requirements that exceed these amounts are dealt with in a non-distributable loan loss reserve as an appropriation of retained earnings.

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2. Significant Accounting Policies (Continued)

(l) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates that have been enacted at balance sheet date.

Deferred tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

(m) Employee benefits

Pension plan assets

The Group operates a defined benefit plan. The scheme is generally funded through payments to a trustee-administered fund as determined by periodic actuarial calculations. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The asset or liability in respect of defined benefit pension plans is the difference between the present value of the defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for actuarial gains/losses and past service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by the estimated future cash outflows using interest rates of Government securities which have terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arising from experience adjustments, changes in actuarial assumptions and amendments to pension plans are charged or credited to income over the average remaining service lives of the related employees.

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2. Significant Accounting Policies (Continued)

(m) Employee benefits (Continued)

Other post-retirement obligations

Some Group companies provide post-retirement health care benefits, group life, gratuity and supplementary plans to their retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

Equity compensation benefits

The Group operates an equity-settled, share-based compensation plan. Share options are granted to management and key employees. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of non-market vesting conditions. Options are granted at the market price of the shares on the date of the grant and are exercisable at that price. Options are exercisable beginning one year from the date of grant and have a contractual option term of six years. When the options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

Incentive plans

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the company's equity holders after certain adjustments. The Group recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

(n) Inventories

Inventories are stated at the lower of average cost and net realisable value. In the case of the company, cost represents invoiced cost plus direct inventory-related expenses. For the subsidiaries, costs are determined by methods and bases appropriate to their operations. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and selling expenses.

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2. Significant Accounting Policies (Continued)

(o) Trade and insurance receivables

Trade and insurance receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of these receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(p) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within bank and short term loans in current liabilities on the balance sheet.

(q) Payables

Payables are recorded at cost.

(r) Insurance business provisions

Claims outstanding

Provision is made to cover the estimated cost of settling claims arising out of events which have occurred by the balance sheet date, including claims incurred but not reported, less amounts already paid in respect of these claims. Provision for reported claims is based on individual case estimates.

Insurance reserves

Provision is made for that proportion of premiums written in respect of risks to be borne subsequent to the year end, under contracts of insurance entered into on or before the balance sheet date. Provision is also made to cover the estimated amounts in excess of unearned premiums required to meet future claims and expenses on business in force.

(s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(t) Deposits

Deposits are recognised initially at the nominal amount when funds are received. Deposits are subsequently stated at amortised cost using the effective yield method.

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2. Significant Accounting Policies (Continued)

(u) Securities purchased/sold under resale/ repurchase agreements

The purchase and sale of securities under resale and repurchase agreements are treated as collateralised lending and borrowing transactions. The related interest income and expense are recorded on the accrual basis.

(v) Borrowings

Bank loans and overdrafts are recorded at proceeds received. Finance charges, including direct issue costs are accounted for on an accrual basis in the profit and loss account using the effective yield method and are added to the carrying amount of the loan to the extent that they are not settled in the period in which they arise.

(w) Leases

(i) As lessee

Leases of fixed assets where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are capitalised at the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in finance lease obligations. The interest element of the finance charge is charged to the profit and loss account over the lease period. The fixed asset acquired under finance leasing contracts is depreciated over the useful life of the asset.

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

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) As lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as deferred profit. Lease income is recognised over the term of the lease so as to reflect a constant periodic rate of return.

(x) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts and after eliminating transactions within the Group.

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2. Significant Accounting Policies (Continued)

(x) Revenue recognition (Continued)

Sales are recognised upon delivery of products and customer acceptance or performance of services.

Sales of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

In the case of the general insurance subsidiary, Jamaica International Insurance Company Limited, revenues represent gross premiums billed. That portion of premiums written in the current year, which relates to coverage in subsequent years, is deferred. Premium income is recognised over the life of policies written.

For those subsidiaries whose activity is the provision of financial services, revenues represent commissions earned and charges for services rendered.

Interest income and expense are recorded on the accrual basis. Where collection of interest income is considered doubtful or payment is outstanding for more than 90 days, the banking regulations stipulate that interest should be taken into account on the cash basis. IFRS requires that when loans become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount. However such amounts under IFRS are considered to be immaterial.

Fees and commissions are recognised on an accrual basis, on completion of the underlying service or transaction.

Gains and losses arising from dealing in foreign currencies are recognised when realised and are shown net in the profit and loss account.

Dividend income is recognised when the right to receive payment is established.

(y) Dividends

Dividends are recorded as a deduction from stockholders' equity in the period in which they are approved.

(z) Segment reporting

Business segments provide products or services that are subject to risks and returns that are different from those of other business segments, and comprise the Group's four operating divisions. Geographical segments provide products or services within a particular economic environment that are subject to risks and returns that are different from those of components operating in other economic environments.

(aa) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of new IFRS, as well as, amendments to and interpretations of existing IFRS (Note 37).

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3. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury function which identifies, evaluates and manages financial risks in close co-operation with the Group's operating business units. The Board of Directors sets guidelines for overall risk management including specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investing excess liquidity.

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Pound sterling and the Canadian dollar. Foreign exchange risk arises from transactions for purchases, recognised assets and liabilities and net investments in foreign operations.

Net foreign currency assets/ (liabilities) of the Group were as follows:

	2005	2004
	\$'000	\$'000
United States dollar	(21,506)	(11,950)
Pound Sterling	759	530
Canadian dollar	(887)	(279)
Cayman dollar	-	20
Euro	437	132

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

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3. Financial Risk Management

(a) Financial risk factors (continued)

(i) Market risk (continued)

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss. The Group is not exposed to commodity price risk. The Group manages its price risk by trading these instruments when appropriate to reduce the impact of any adverse price fluctuations.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentrations of credit risk as the Group has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities. The Group has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Sales to retail customers are made in cash or via major credit cards. Cash transactions are limited to high credit quality financial institutions. The Group manages its credit risk by screening its customers, establishing credit limits, obtaining bankers' guarantees or collateral for loans where applicable, and the rigorous follow-up of receivables; and ensuring investments are low-risk or, are held with sound financial institutions.

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities are fundamental to the management of the banking subsidiaries. It is unusual for banks ever to be completely matched since business transacted is often of uncertain term and different types. An unmatched position potentially enhances profitability, but can also increase the risk of loss.

The following tables summarise the liquidity risk of the Group and the company by analysing the assets and liabilities into relevant maturity groupings, based on the remaining period at balance sheet date to the contractual maturity date:

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3. Financial Risk Management

(a) Financial risk factors (continued)

(iii) Liquidity risk (continued)

	Group					Total
	2005					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific maturity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	-	-	1,213,791	1,830,960	23,925	3,068,676
Long term receivables including current portion	490,830	453,532	2,265,810	252,304	-	3,462,476
Cash and short term investments	6,507,725	28,510,588	-	-	-	35,018,313
Other non-current assets	-	-	-	-	9,483,208	9,483,208
Other current assets	10,068,163	-	-	-	-	10,068,163
Total assets	17,066,718	28,964,120	3,479,601	2,083,264	9,507,133	61,100,836
Bank and short term loans	1,743,012	1,387,620	-	-	-	3,130,632
Deposits	6,139,840	2,817,313	-	-	-	8,957,153
Long term liabilities including current portion	195,724	288,562	1,395,793	175,572	-	2,055,651
Securities sold under repurchase agreements	12,724,941	6,260,647	-	-	-	18,985,588
Other non-current liabilities	-	-	-	-	3,398,461	3,398,461
Other current liabilities	8,588,527	-	-	-	-	8,588,527
Total liabilities	29,392,044	10,754,142	1,395,793	175,572	3,398,461	45,116,012
Total liquidity gap	(12,325,326)	18,209,978	2,083,808	1,907,692	6,108,672	15,984,824
Cumulative gap	(12,325,326)	5,884,652	7,968,460	9,876,152	15,984,824	-
	2004					
Total liquidity gap	(18,057,450)	23,810,406	2,436,446	726,056	4,944,042	13,859,500
Cumulative gap	(18,057,450)	5,752,956	8,189,402	8,915,458	13,859,500	-

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3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk (Continued)

	Company					Total
	2005					
	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	No Specific maturity	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	-	-	-	-	1,439,191	1,439,191
Long term receivables including current portion	-	98,044	49,299	-	-	147,343
Cash and short term investments	1,465,008	2,625,707	-	-	-	4,090,715
Other non-current assets	-	-	-	-	4,629,868	4,629,868
Other current assets	1,869,708	-	-	-	-	1,869,708
Total assets	3,334,716	2,723,751	49,299	-	6,069,059	12,176,825
Bank and short term loans	1,539,240	306,826	-	-	-	1,846,066
Long term liabilities including current portion	17,028	327,327	1,343,201	229,420	-	1,916,976
Other non-current liabilities	-	-	-	-	1,937,346	1,937,346
Other current liabilities	2,178,458	-	-	-	-	2,178,458
Total liabilities	3,734,726	634,153	1,343,201	229,420	1,937,346	7,878,846
Total liquidity gap	(400,010)	2,089,598	(1,293,902)	(229,420)	4,131,713	4,297,979
Cumulative gap	(400,010)	1,689,588	395,686	166,266	4,297,979	-
	2004					
Total liquidity gap	(334,030)	1,711,661	(897,431)	(308,005)	3,569,176	3,741,371
Cumulative gap	(334,030)	1,377,631	480,200	172,195	3,741,371	-

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3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk (Continued)

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. The banking and securities trading subsidiaries' Asset and Liability Committees set limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group also manages its cash flow interest rate risk by adjusting the duration of financial instruments and switching between floating and fixed interest rate instruments when appropriate.

The Group's interest bearing financial instruments include other investments, leases and loans receivable, short term investments, bank and short term loans, deposits payable and long term liabilities. The effective rates of interest impacting these instruments are disclosed in the individual notes to the financial statements associated with each item.

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3. Financial Risk Management

(a) Financial risk factors (Continued)

(iv) Cash flow and fair value interest rate risk (Continued)

The following tables summarise carrying amounts of balance sheet assets, liabilities and equity, in order to arrive at the Group's and company's interest rate gap based on earlier of contractual repricing or maturity dates.

	Group						Total
	2005						
	Immediately rate sensitive	Within 3 months	3 to 12 Months	1 to 5 Years	Over 5 Years	Non rate sensitive	
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Investments	-	-	1,244,107	1,207,245	493,063	124,261	3,068,676
Long term receivables including current portion	470,170	271,111	346,346	2,021,183	184,021	169,645	3,462,476
Cash and short term investments	1,477,434	16,134,124	15,105,269	-	-	2,301,486	35,018,313
Other non-current assets	-	-	-	-	-	9,483,208	9,483,208
Other current assets	-	-	-	-	-	10,068,163	10,068,163
Total assets	1,947,604	16,405,235	16,695,722	3,228,428	677,084	22,146,763	61,100,836
Bank and short term loans	1,179,489	1,030,364	917,307	3,472	-	-	3,130,632
Deposits	1,486,236	4,560,838	2,902,838	7,241	-	-	8,957,153
Long term liabilities including current portion	-	37,987	1,694,107	305,945	3,378	14,234	2,055,651
Securities sold under agreements to repurchase	-	16,039,133	2,945,400	1,055	-	-	18,985,588
Other non-current liabilities	-	-	-	-	-	3,398,461	3,398,461
Other current liabilities	-	-	-	-	-	8,588,527	8,588,527
Total liabilities	2,665,725	21,668,322	8,459,652	317,713	3,378	12,001,222	45,116,012
Total interest rate sensitivity gap	(718,121)	(5,263,087)	8,236,070	2,910,715	673,706	10,145,541	15,984,824
Cumulative gap	(718,121)	(5,981,208)	2,254,862	5,165,577	5,839,283	15,984,824	-
Total interest rate sensitivity gap	(590,895)	(12,533,977)	13,774,371	2,979,380	1,069,604	9,161,017	13,859,500
Cumulative gap	(590,895)	(13,124,872)	649,499	3,628,879	4,698,483	13,859,500	-

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3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk (continued)

	Company						
	2005						
	Immediately rate sensitive	Within 3 months	3 to12 Months	1 to 5 Years	Over 5 Years	Non rate sensitive	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Investments	-	-	-	-	-	1,439,191	1,439,191
Long term receivables including current portion	-	-	97,645	-	-	49,698	147,343
Cash and short term investments	-	1,381,511	2,625,707	-	-	83,497	4,090,715
Other non-current assets	-	-	-	-	-	4,629,868	4,629,868
Other current assets	-	-	-	-	-	1,869,708	1,869,708
Total assets	-	1,381,511	2,723,352	-	-	8,071,962	12,176,825
Bank and short term loans	1,085,937	453,303	306,826	-	-	-	1,846,066
Long term liabilities including current portion	-	-	1,902,742	-	-	14,234	1,916,976
Other non-current liabilities	-	-	-	-	-	1,937,346	1,937,346
Other current liabilities	-	-	-	-	-	2,178,458	2,178,458
Total liabilities	1,085,937	453,303	2,209,568	-	-	4,130,038	7,878,846
Total interest rate sensitivity gap	(1,085,937)	928,208	513,784	-	-	3,941,924	4,297,979
Cumulative gap	(1,085,937)	(157,729)	356,055	356,055	356,055	4,297,979	-
	2004						
Total interest rate sensitivity gap	(348,725)	489,702	183,886	216,224	-	3,200,284	3,741,371
Cumulative gap	(348,725)	140,977	324,863	541,087	541,087	3,741,371	-

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3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk (continued)

	Group					
	2005					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Investments	-	-	13.03	12.43	11.77	12.57
Long term receivables	22.56	17.68	14.67	15.09	11.27	16.12
Cash and short term investments	2.51	11.59	14.15	-	-	12.32
Bank and short term loans	13.31	9.55	9.49	7.00	-	10.96
Deposits	3.27	7.57	7.42	7.90	-	6.80
Long term liabilities	-	12.30	7.79	9.31	12.19	8.11
Securities sold under repurchase agreements	-	10.41	11.46	12.76	-	10.57
	Group					
	2004					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Investments	-	14.98	17.43	13.18	12.10	12.96
Long term receivables	18.25	25.96	15.07	15.10	-	16.95
Cash and short term investments	-	14.72	13.76	-	-	14.49
Bank and short term loans	21.50	5.48	5.89	-	-	8.79
Deposits	-	5.29	8.42	-	-	5.50
Long term liabilities	-	23.92	7.01	4.96	-	6.91
Securities sold under repurchase agreements	-	13.16	12.87	-	-	13.13

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3. Financial Risk Management (continued)

(a) Financial risk factors (continued)

(iv) Cash flow and fair value interest rate risk (continued)

	Company					
	2005					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Investments	-	-	-	-	-	-
Long term receivables	-	-	-	-	-	-
Cash and short term investments	-	4.70	14.61	-	-	10.98
Bank and short term loans	13.13	6.18	7.05	-	-	10.49
Long term liabilities	-	-	7.35	-	-	7.35

	Company					
	2004					
	Immediately rate sensitive	Within 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	%	%	%	%	%	%
Investments	-	-	-	11.45	-	11.45
Long term receivables	-	-	-	10.00	-	10.00
Cash and short term investments	-	7.86	14.82	-	-	12.53
Bank and short term loans	20.25	4.85	5.50	-	-	8.79
Long term liabilities	-	-	7.04	-	-	7.04

(b) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less impairment provision of trade receivables and payables is assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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3. Financial Risk Management (continued)

(b) Fair value estimation (continued)

The amounts included in the financial statements for cash and cash equivalents, short term investments, receivables, payables, bank, short term loans, securities sold under agreements to repurchase and deposits reflect their approximate fair value because of the short term maturity of these instruments.

The estimated fair values of the Group's other financial instruments are as follows:

	2005		2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	\$'000	\$'000	\$'000	\$'000
Financial assets				
Long term receivables	3,462,476	3,459,996	2,616,169	2,614,691
Financial liabilities				
Long term liabilities (including current portion)	2,055,651	1,986,351	1,671,763	1,628,291

The estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, the estimates presented above are not necessarily indicative of the amounts that the Group would realise in a current market exchange.

Fair values were estimated as follows:

Investments

Fair value of debt instruments is based upon projected cash flows discounted at an estimated current market rate of interest. Fair value of equity instruments is determined based on quoted market prices for these instruments. When quoted market prices are not available, an approximation of fair value is based on the net underlying assets of the investee. Fair values for unlisted equity securities are estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the issuer.

Long term receivables

The carrying value of leases approximates fair value because these leases are contracted at market rates. Fair value of loans receivable is based upon projected cash flows discounted at an estimated current market rate of interest.

Long term liabilities

Long term liabilities reflect the Group's contractual obligations and are carried at amortised cost, which is deemed to approximate the fair value of these liabilities because these liabilities are subject to such terms and conditions as are available in the market for similar transactions.

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4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(f).

(ii) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Pension plan assets and post employment obligations

The cost of these benefits and the present value of the pension and the other post-retirement liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and post-retirement benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and post-retirement benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economies. Past experience has shown that the actual medical costs have increased on average by one time the rate of inflation. Other key assumptions for the pension and post retirement benefits cost and credits are based in part on current market conditions.

(iv) Share based payments

The Group operates a share based equity plan which is subject to valuation utilising several assumptions as discussed in Note 2 (m). Should any of the variables used in the computation be changed this would result in either an increase or decrease in the amount of expense recognised in relation to the share based equity plan.

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5. Fixed Assets

	Freehold Land and Buildings \$'000	Leasehold Buildings and Improvements \$'000	Plant, Equipment, Fixtures & Vehicles \$'000	Capital Work in Progress \$'000	Total \$'000
Group					
Cost or Valuation					
At 1 January 2004	621,424	497,319	2,320,955	127,349	3,567,047
Additions	94,169	31,411	279,390	61,334	466,304
Revaluation surplus	36,158	-	-	-	36,158
Transfer from CWIP	6,566	-	96,885	(103,451)	-
Disposals	(20,128)	(18,273)	(307,360)	-	(345,761)
At 31 December 2004	738,189	510,457	2,389,870	85,232	3,723,748
Additions	29,492	75,490	247,132	258,750	610,864
Revaluation surplus	18,800	-	-	-	18,800
Transfers	592	31,209	103,886	(135,687)	-
Disposals	(25)	(4,062)	(89,628)	(14,141)	(107,856)
At 31 December 2005	787,048	613,094	2,651,260	194,154	4,245,556
Accumulated Depreciation					
At 1 January 2004	11,776	234,810	1,260,685	-	1,507,271
Charge for the year	15,034	58,839	294,446	-	368,319
Revaluation adjustment	(15,443)	-	-	-	(15,443)
On disposals	(1,480)	(16,794)	(221,214)	-	(239,488)
At 31 December 2004	9,887	276,855	1,333,917	-	1,620,659
Charge for the year	2,874	81,179	293,584	-	377,637
Transfers	592	-	(592)	-	-
On disposals	-	(2,393)	(58,529)	-	(60,922)
At 31 December 2005	13,353	355,641	1,568,380	-	1,937,374
Net Book Value					
31 December 2005	773,695	257,453	1,082,880	194,154	2,308,182
31 December 2004	728,302	233,602	1,055,953	85,232	2,103,089

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5. Fixed Assets (Continued)

	Freehold Land and Buildings \$'000	Leasehold Buildings and Improvements \$'000	Plant, Equipment, Fixtures & Vehicles \$'000	Capital Work in Progress \$'000	Total \$'000
Company					
Cost or Valuation					
At 1 January 2004	15,000	78,369	283,695	14,141	391,205
Additions	-	9,219	12,553	-	21,772
Disposals	-	-	(3,096)	-	(3,096)
At 31 December 2004	15,000	87,588	293,152	14,141	409,881
Additions	-	5,893	61,160	-	67,053
Disposals	-	-	(4,432)	(14,141)	(18,573)
At 31 December 2005	15,000	93,481	349,880	-	458,361
Accumulated Depreciation					
At 1 January 2004	550	40,641	203,654	-	244,845
Charge for the year	275	7,150	35,468	-	42,893
Revaluation adjustment	(825)	-	-	-	(825)
On disposals	-	-	(2,287)	-	(2,287)
At 31 December 2004	-	47,791	236,835	-	284,626
Charge for the year	275	7,739	36,533	-	44,547
On disposals	-	-	(2,768)	-	(2,768)
At 31 December 2005	275	55,530	270,600	-	326,405
Net Book Value					
31 December 2005	14,725	37,951	79,280	-	131,956
31 December 2004	15,000	39,797	56,317	14,141	125,255

- (a) The tables above include carrying values of \$66,677,000 (2004 - \$99,627,000) and \$14,885,000 (2004 - \$17,341,000) in respect of the Group and the company, respectively, representing assets being acquired under finance leases.

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5. Fixed Assets (Continued)

(b) If land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cost	403,953	382,766	8,879	8,879
Accumulated depreciation	53,969	47,728	2,823	2,606
Net Book Value	349,984	335,038	6,056	6,273

(c) The Group's land and buildings were last revalued during 2004 by independent valuers. The valuations were done on the basis of open market value. The revaluation surpluses, net of applicable deferred income taxes, were credited to the capital and fair value reserves in stockholders' equity (Note 19).

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6. Intangible Assets

	Distribution Channel Agreements \$'000	Goodwill \$'000	Computer Software \$'000	Policy Contracts \$'000	Total \$'000
Group					
Cost					
At 1 January 2004	-	282,005	376,845	-	658,850
Arising from business acquisitions	119,433	12,124	-	-	131,557
Additions	-	-	38,807	-	38,807
Reduction in goodwill arising from acquisition of a subsidiary	-	(13,256)	-	-	(13,256)
At 31 December 2004	119,433	280,873	415,652	-	815,958
Arising from business acquisitions	-	25,000	-	-	25,000
Additions	-	-	146,734	589,088	735,822
At 31 December 2005	119,433	305,873	562,386	589,088	1,576,780
Accumulated Amortisation					
At 1 January 2004	-	23,152	270,428	-	293,580
Amortisation charge for the year	10,296	54,107	72,666	-	137,069
At 31 December 2004	10,296	77,259	343,094	-	430,649
Amortisation charge for the year	12,981	-	86,770	-	99,751
Impairment charge	-	10,466	-	-	10,466
At 31 December 2005	23,277	87,725	429,864	-	540,866
Net Book Amount					
31 December 2005	96,156	218,148	132,522	589,088	1,035,914
31 December 2004	109,137	203,614	72,558	-	385,309

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6. Intangible Assets (Continued)

	Computer Software \$'000
	Company
Cost	
At 1 January 2004	65,447
Additions	3,546
At 31 December 2004	68,993
Additions	79,188
At 31 December 2005	148,181
Accumulated Amortisation	
At 1 January 2004	61,348
Amortisation charge for the year	5,426
At 31 December 2004	66,774
Amortisation charge for the year	26,344
At 31 December 2005	93,118
Net Book Amount	
31 December 2005	55,063
31 December 2004	2,219

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7. Investments in Associates

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At beginning of year	414,516	1,614,553	95,573	133,558
Share of results before tax	100,589	83,065	-	-
Share of tax	(36,380)	(27,405)	-	-
Share of results after tax	64,209	55,660	-	-
Additions	46,029	69,573	59,857	34,777
Write-off	(1,250)	-	(1,250)	-
Impairment adjustment	-	(702,675)	-	-
Disposals	(14,099)	(608,745)	(12)	(72,762)
Movement in other reserves	(34,200)	(13,850)	-	-
At end of year	475,205	414,516	154,168	95,573

The assets, liabilities, revenue and net profit of the associates are as follows:

	Group	
	2005 \$'000	2004 \$'000
Assets	3,621,079	2,850,519
Liabilities	2,274,235	1,930,360
Revenue	2,916,726	2,572,376
Net Profit	149,568	137,133

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8. Investments

Investments comprise:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Available-for-sale –				
Quoted equities	53,384	35,986	129	129
Government of Jamaica securities	2,985,895	2,890,584	-	216,224
Other	29,397	20,506	1,382	917
	3,068,676	2,947,076	1,511	217,270
Subsidiaries	-	-	1,437,680	1,355,818
Total	3,068,676	2,947,076	1,439,191	1,573,088

9. Long Term Receivables

(a) Long term receivables comprise:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Finance leases, less deferred profit	237,648	184,586	-	-
Loans and receivables –				
Loans to subsidiaries	-	-	131,444	147,410
Loans to associated companies	24,264	19,428	15,500	15,500
Loans to others	3,144,505	2,387,460	-	-
Other non-current receivables	56,059	24,695	399	399
	3,462,476	2,616,169	147,343	163,309
Less: Due within 12 months	(944,362)	(869,884)	(98,044)	(1,774)
	2,518,114	1,746,285	49,299	161,535

All non-current receivables are due within 5 years from the balance sheet date.

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9. Long Term Receivables (Continued)

(b) Finance lease receivables

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Gross receivables from finance leases:				
Not later than 1 year	129,286	105,427	-	-
Later than 1 year and not later than 5 years	162,553	119,641	-	-
	291,839	225,068	-	-
Unearned future finance income on finance leases	(54,191)	(40,482)	-	-
Net investment in finance leases	237,648	184,586	-	-
The net investment in finance leases is analysed as follows:				
Not later than 1 year	97,417	83,501	-	-
Later than 1 year and not later than 5 years	140,231	101,085	-	-
Total	237,648	184,586	-	-

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10. Deferred Income Taxes

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 1/3 %.

The movement on the deferred income tax account is as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At beginning of year	(1,570,709)	(999,301)	(1,079,731)	(936,853)
Profit and loss account charge (Note 28)	(206,633)	(92,399)	(207,071)	(105,986)
Tax charged to equity	(6,306)	(479,009)	(10,540)	(36,892)
At end of year	(1,783,648)	(1,570,709)	(1,297,342)	(1,079,731)

The deferred tax charged to equity during the year is as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Fair value reserves in stockholders' equity –				
Land and buildings	6,267	8,909	-	275
Available-for-sale investments	39	470,100	10,540	36,617
	6,306	479,009	10,540	36,892

Deferred income tax assets are recognised for tax loss carry forwards to the extent that realisation of the related tax benefit through future taxable profits is probable. Subject to agreement with the Taxpayer Audit and Assessment Department, the Group has recognised tax losses of \$208,374,000 (2004 - \$197,880,000) to carry forward indefinitely against future taxable income. The Group also has unrecognised tax losses of \$282,982,000 (2004 - \$140,199,000) in respect of a subsidiary.

Deferred income tax liabilities of \$420,545,000 (2004 - \$396,915,000) have not been established for the withholding and other taxes that would be payable on the unremitted earnings of certain subsidiaries, as such amounts are permanently reinvested; such unremitted earnings totalled \$1,261,635,000 (2004 - \$1,190,745,000).

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10. Deferred Income Taxes (Continued)

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

	Group					
	Fixed Assets \$'000	Fair Value Gains \$'000	Unrealised Foreign Exchange Gains \$'000	Pension Plan Assets \$'000	Other \$'000	Total \$'000
Deferred tax liabilities						
At 1 January 2004	278,972	(278,294)	85,404	1,299,014	204,905	1,590,001
(Credited)/charged to net profit	(36,672)	28,134	(61,888)	170,758	17,837	118,169
Charged to equity	8,909	454,862	17	-	-	463,788
At 31 December 2004	251,209	204,702	23,533	1,469,772	222,742	2,171,958
(Credited)/charged to net profit	(53,144)	(11)	5,270	218,477	33,951	204,543
Charged to equity	6,267	39	-	-	-	6,306
At 31 December 2005	204,332	204,730	28,803	1,688,249	256,693	2,382,807
Deferred tax assets						
At 1 January 2004	63,007	91,486	7,664	279,697	138,846	580,700
Credited/(charged) to net profit	18,900	(25,526)	(6,518)	2,789	36,125	25,770
Charged to equity	-	-	-	-	(5,221)	(5,221)
At 31 December 2004	81,907	65,960	1,146	282,486	169,750	601,249
(Charged)/credited to net profit	(33,854)	3,498	(207)	53,991	(25,518)	(2,090)
At 31 December 2005	48,053	69,458	939	336,477	144,232	599,159

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10. Deferred Income Taxes (Continued)

	Company				
	Fixed Assets \$'000	Fair Value Gains \$'000	Pension Plan Asset \$'000	Other \$'000	Total \$'000
Deferred tax liabilities					
At 1 January 2004	11,699	(721)	990,783	67,348	1,069,109
(Credited)/ charged to net profit	(3,495)	-	150,034	(30,495)	116,044
Charged to equity	275	31,396	-	-	31,671
At 31 December 2004	8,479	30,675	1,140,817	36,853	1,216,824
(Credited)/ charged to net profit	(6,026)	-	233,851	6,828	234,653
Charged to equity	-	10,541	-	-	10,541
At 31 December 2005	2,453	41,216	1,374,668	43,681	1,462,018
		Employee Benefit Obligations \$'000	Fair Value Gains \$'000	Other \$'000	Total \$'000
Deferred tax assets	Fixed Assets \$'000				
At 1 January 2004	2,637	114,355	5,221	10,043	132,256
Credited to net profit	7,431	1,260	-	1,367	10,058
Charged to equity	-	-	(5,221)	-	(5,221)
At 31 December 2004	10,068	115,615	-	11,410	137,093
(Charged)/credited to net profit	(10,068)	40,754	-	(3,103)	27,583
At 31 December 2005	-	156,369	-	8,307	164,676

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated balance sheet:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Deferred tax assets	599,159	601,249	164,676	137,093
Deferred tax liabilities	(2,382,807)	(2,171,958)	(1,462,018)	(1,216,824)
	(1,783,648)	(1,570,709)	(1,297,342)	(1,079,731)
The amounts shown in the balance sheet include the following:				
Deferred tax assets to be recovered after more than 12 months	405,935	430,353	156,369	125,683
Deferred tax liabilities to be settled after more than 12 months	(1,892,581)	(1,857,147)	(1,374,668)	(1,167,363)

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11. Pensions and Other Post-Retirement Obligations

The Group's pension scheme, which commenced on 1 January 1975, is funded by employee contributions at 5% of salary with the option to contribute an additional 5% and employer contributions at 0.5%, as recommended by independent actuaries. Pension at normal retirement age is based on 2% of final 3-year average salary per year of pensionable service, plus any declared bonus pensions.

Pension benefits

The amounts recognised in the balance sheet are determined as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Present value of funded obligations	2,512,668	1,949,894	1,033,342	764,439
Fair value of plan assets	(10,771,720)	(10,198,659)	(4,392,071)	(7,720,936)
	(8,259,052)	(8,248,765)	(3,358,729)	(6,956,497)
Unrecognised actuarial gains/(losses)	2,061,206	3,140,000	(1,485,254)	3,166,314
Limitation on asset due to uncertainty of obtaining economic benefit	1,133,098	699,448	719,978	367,732
Asset in the balance sheet	(5,064,748)	(4,409,317)	(4,124,005)	(3,422,451)

The pension plan assets include the company's ordinary stock units with a fair value of \$1,203,676,000 (2004 - \$1,624,171,000), buildings occupied by Group companies with fair values of \$637,000,000 (2004 - \$631,044,000) and finance lease receivables from Group companies of \$31,404,000 (2004 - \$20,718,000).

The amounts recognised in the profit and loss account are as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current service cost	19,463	20,144	8,046	13,256
Interest cost	254,827	231,438	98,880	88,922
Expected return on plan assets	(1,208,082)	(899,033)	(926,257)	(631,593)
Net actuarial gains recognised in year	(132,386)	(47,402)	(231,140)	(58,299)
	(1,066,178)	(694,853)	(1,050,471)	(587,714)
Reduction in income due to limitation on asset	433,650	194,006	352,244	140,075
Total, included in staff costs (Note 27)	(632,528)	(500,847)	(698,227)	(447,639)

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11. Pensions and Other Post-Retirement Obligations (Continued)

Pension benefits (continued)

The actual return on plan assets was \$559,935,000 (2004 - \$2,469,201,000) for the Group.

Movement in the asset recognised in the balance sheet:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At beginning of year	(4,409,317)	(3,897,041)	(3,422,451)	(2,972,349)
Total expense – as shown above	(1,066,178)	(694,853)	(1,050,471)	(587,714)
Contributions paid	(22,903)	(21,129)	(3,327)	(2,463)
	(5,498,398)	(4,613,023)	(4,476,249)	(3,562,526)
Liquidation of Hardware & Lumber Scheme	-	9,700	-	-
Reduction in income due to limitation on asset	433,650	194,006	352,244	140,075
At end of year	(5,064,748)	(4,409,317)	(4,124,005)	(3,422,451)

The principal actuarial assumptions used were as follows:

	2005	2004
Discount rate	12.50%	12.50%
Long term inflation rate	8.50%	8.25%
Expected return on plan assets	12%	12%
Future salary increases	9.50%	9.50%
Future pension increases	3.50%	3.50%

Other post-retirement obligations

The Group operates a number of post-employment benefit schemes, principally in Jamaica. The benefits covered under the schemes include group life, insured and self-insured health care, gratuity and other supplementary plans. Funds are not built up to cover the obligations under these retirement benefit schemes. The method of accounting and the frequency of valuations are similar to those used for defined benefit pension schemes.

In addition to the assumptions used for the pension schemes, the main actuarial assumption is a long term increase in health costs of 10% per year (2004 - 10% per year).

The amounts recognised in the balance sheet were determined as follows:

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11. Pensions and Other Post-Retirement Obligations (Continued)

Other post-retirement obligations (continued)

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Present value of unfunded obligations	1,211,070	1,074,656	573,828	468,244
Unrecognised actuarial losses	(201,637)	(227,200)	(104,721)	(121,010)
Liability in the balance sheet	1,009,433	847,456	469,107	347,234

The amounts recognised in the profit and loss account were as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Current service cost	70,994	42,173	21,429	13,819
Interest cost	139,554	112,871	58,810	50,678
Net actuarial losses/(gains) recognised in year	9,272	(40,243)	80,028	4,057
Total, included in staff costs (Note 27)	219,820	114,801	160,267	68,554

Movement in the liability recognised in the balance sheet:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
At beginning of year	847,456	839,091	347,234	343,066
Total expense – as shown above	219,820	114,801	160,267	68,554
Benefits paid	(57,843)	(94,639)	(38,394)	(64,386)
Liquidation of Hardware & Lumber Scheme	-	(11,797)	-	-
At end of year	1,009,433	847,456	469,107	347,234

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12. Inventories

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Raw materials and spares	302,961	205,216	-	-
Work in process	2,160	4,272	-	-
Finished goods	204,005	271,966	-	-
Merchandise	2,788,822	2,054,125	583,450	297,645
Goods in transit	587,298	793,752	393,235	214,059
	3,885,246	3,329,331	976,685	511,704

13. Receivables

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade receivables, less provision for doubtful debts	2,505,450	2,157,764	615,289	520,405
Insurance receivables, less provision for doubtful debts	2,217,631	1,411,365	-	-
Receivable from associates	15,495	17,691	5,103	5,660
Prepayments	145,436	171,396	52,537	24,373
Other receivables	760,727	906,522	78,532	99,765
	5,644,739	4,664,738	751,461	650,203

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14. Cash and Short Term Investments

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Cash at bank and in hand	3,798,366	2,774,295	115,220	117,969
Short term deposits	2,709,359	1,719,514	1,349,788	1,134,267
	6,507,725	4,493,809	1,465,008	1,252,236
Short term investments	28,510,588	26,408,026	2,625,707	2,282,079
	35,018,313	30,901,835	4,090,715	3,534,315

Included in short term deposits is interest receivable of \$104,091,000 (2004 - \$71,666,000) and \$30,924,000 (2004 - \$30,363,000) for the Group and company respectively. Included in short term investments is interest receivable of \$829,086,000 (2004 - \$834,906,000) and \$50,015,000 (2004 - \$60,073,000) for the Group and the company respectively. The weighted average effective interest rate on short term deposits was 11.60% (2004 - 15.01%) and these deposits have an average maturity of under 90 days. Short term investments which mature between 90 days and 360 days or which the Group intends to realise within 12 months have an effective interest rate of 14.1 % (2004 - 13.8%).

Included in short term investments is \$824,714,000 (2004: \$318,300,000) with the Bank of Jamaica under Section 14(1) of the Banking Act, 1992, representing the required ratio of 9% (2004: 9%) of the Bank's prescribed liabilities. It is not available for investment, lending or other use by the Group or the Bank.

Effective 15 January 2003, the Bank is required by the Bank of Jamaica (BOJ) under Section 28A of the Bank of Jamaica Act, to maintain with the BOJ, a special deposit wholly in the form of cash, representing 1% (2004 - 5%) of the prescribed liabilities. At the end of the year this deposit was \$25,602,000 (2004 - \$48,840,000) and is included in short term investments.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	2005 \$'000	2004 \$'000
Cash at bank and in hand	3,798,366	2,774,295
Short term deposits	2,709,359	1,719,514
	6,507,725	4,493,809
Bank overdrafts (Note 17)	(1,597,779)	(718,279)
	4,909,946	3,775,530

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15. Payables

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Trade payables	3,238,895	2,918,067	268,955	175,324
Payable to associates	115,695	97,931	84,860	82,516
Accruals	931,849	873,540	199,986	319,563
Claims outstanding	1,177,569	1,041,923	-	-
Insurance reserves	1,552,317	810,682	-	-
Other payables	1,112,384	896,491	421,860	284,420
	8,128,709	6,638,634	975,661	861,823

16. Provisions

The provisions are broken down as follows:

	Group				
	Warranties	Restructuring	Legal Claims	Total	Total
At beginning of year	6,221	7,699	1,575	15,495	82,459
Additional provisions	3,064	-	-	3,064	45,155
Unused amounts reversed	-	-	(1,575)	(1,575)	(3,579)
Charged to profit and loss account	3,064	-	(1,575)	1,489	41,576
Utilised during year	-	(7,699)	-	(7,699)	(108,540)
At end of year	9,285	-	-	9,285	15,495

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Analysis of total provisions:				
Non-current (warranty provision)	6,221	6,516	6,221	6,221
Current	3,064	8,979	-	-
	9,285	15,495	6,221	6,221

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16. Provisions (Continued)

Warranties

This relates to warranties given on roofing, which was undertaken by one of the subsidiary companies. The Group is no longer in this line of business and the warranties expire fully in 2036.

Restructuring

This related to restructuring costs due to the reorganisation of the Financial Services Division.

Legal Claims

This was in respect of certain legal claims brought by an insurance broker. The case was dismissed in the Courts and the provision written back.

17. Bank and Short Term Loans

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Secured on assets	45,354	326,427	-	-
Unsecured	3,085,278	1,740,285	1,846,066	1,440,876
	3,130,632	2,066,712	1,846,066	1,440,876

(a) Unsecured loans of subsidiaries are supported by promissory notes or letters of comfort from the parent company. Interest rates on these loans range between 4.61% - 19.75% (2004 - 2% - 22.75%).

(b) Bank and short term loans are broken down as follows:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Bank overdrafts	1,597,779	718,279	1,085,937	384,940
Short term loans	1,532,853	1,348,433	760,129	1,055,936
	3,130,632	2,066,712	1,846,066	1,440,876

(c) Included in short term loans is interest payable of \$6,055,000 (2004 - \$14,705,000) and \$3,839,000 (2004 - \$8,280,000) for the Group and the company respectively.

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18. Share Capital

	2005	2004
	\$'000	\$'000
Authorised -		
Ordinary shares of \$1 each	400,000	400,000
Issued and fully paid -		
Ordinary stock units of \$1 each	327,395	325,817
Treasury shares	(1,651)	(1,458)
Issued and outstanding	325,744	324,359

- (a) During the year, the company issued 1,578,000 (2004 – 2,351,000) shares to its employees for cash at a premium of \$55,708,000 (2004 - \$71,541,000). The shares were issued under the Directors and Senior Managers Stock Option Plans.
- (b) During the year, the company purchased 193,000 of its own shares at a fair value of \$18,919,000. The total number of treasury shares held by the company at the end of the year is 1,651,000 at a cost of \$147,254,000, (2004 – 1,458,000 shares at a cost of \$127,244,000).
- (c) At the Annual General Meeting held on 25 June 2002, the stockholders passed a resolution for 7,000,000 of the authorised but unissued shares of \$1.00 each to be set aside for allocation and sale to the directors of the company. The allocation and sale of these shares are governed by the provisions of the 2002 Stock Option Plan for the Directors of GraceKennedy Limited.

On 1 July 2002, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Executive directors	5,973,160
Non-executive-directors	600,000

The options were granted at a subscription price of \$32.81, being the mid-market price of the company's shares on the Jamaica Stock Exchange at the grant date, and are exercisable over a period of ten years, at the end of which time unexercised options will expire. One-fifth of the total of the grant to each director will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

As a result of the issue of bonus shares on 18 December 2002, the amount of shares allocated was increased and the option price per share reduced. The new option price has been set at \$27.34, with adjusted allocations as follows:

	No. of Shares
Executive directors	7,167,792
Non-executive-directors	720,000

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18. Share Capital (Continued)

(c) (continued)

During the year, several Directors exercised a portion of their options resulting in a reduction in the number of shares allocated to executive directors at the year-end to 5,040,980 (2004 – 5,622,693) and 480,000 (2004 – 576,000) being allocated to non-executive directors. During the year, a non-executive director did not exercise his options resulting in 72,000 shares being forfeited.

(d) At the Annual General Meeting held on 29 May 2003, the stockholders passed a resolution for 10,000,000 of the authorised but unissued shares of \$1.00 each to be set aside for allocation and sale to the managers of the company. The allocation and sale of these shares will be governed by the provisions of the 2003 Stock Option Plan for the Managers of GraceKennedy Limited.

On 28 August 2003, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	5,999,931

The options were granted at a subscription price of \$41.92, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire. One-third of the total of the grant to each senior manager will vest on each anniversary of the grant. The plan provides for equitable adjustment of the allocated number of shares by reason of stock splits, combinations or exchanges of shares, stock dividends, bonus issue, and reclassifications or similar corporate changes.

During the year, several senior managers exercised a portion of their options resulting in a reduction in the number of shares allocated to senior managers at the year-end to 3,848,957. During the year, several senior managers did not exercise their options resulting in 518,000 shares being forfeited under the plan.

(e) During the prior year, a second grant from the Senior Managers 2003 Stock Option Plan was allocated. The allocation and sale of these shares will be governed by the provisions of the 2003 Stock Option Plan for the Managers of GraceKennedy Limited.

On 25 November 2004, under the rules of the Stock Option Plan, the following allocation was made:

	No. of Shares
Senior managers	1,967,291

The options were granted at a subscription price of \$115.97, being the weighted average price of the company's shares on the Jamaica Stock Exchange for the previous ten days prior to the grant date, and are exercisable over a period of six years, at the end of which time unexercised options will expire.

During the year, none of the options were exercised under this plan, however, several of the senior managers did not exercise their options resulting in 98,000 shares being forfeited resulting in 1,870,000 shares remaining under this plan.

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18. Share Capital (Continued)

(f) Movements in the number of share options outstanding and their related weighted average exercise price are as follows:

	2005		2004	
	Average exercise price in \$ per share	Options (thousands)	Average exercise price in \$ per share	Options (thousands)
At 1 January	46.02	13,504	33.67	13,828
Granted	-	-	115.97	1,967
Forfeited	50.90	(687)	-	-
Exercised	36.32	(1,577)	31.55	(2,291)
At 31 December	47.08	11,240	46.02	13,504

Shares totalling 5,307,000 (2004 – 2,804,000) are exercisable at the end of the year.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	2005		2004
	Exercise price in \$ per share	Options (thousands)	Options (thousands)
2006	-	-	-
2007	-	-	-
2008	-	-	-
2009	41.92	3,849	5,338
2010	115.97	1,870	1,967
2011	-	-	-
2012	27.34	5,521	6,199
		11,240	13,504

(g) The fair value of options granted determined using the Binomial valuation model was \$213,468,000. The significant inputs into the model were the share price of \$42 and \$118 at the grant dates, exercise price of \$41.92 and \$115.97, standard deviation of expected share price returns of 33.85% and 27.39%, dividend yield of 1.28% and 0.85%, option life of six years and annual risk-free interest rate of 14%. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of weekly share prices over the term of the options.

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18. Share Capital (Continued)

(g) (continued)

The breakdown of the fair value of the options granted is as follows:

	\$'000
Fair value of options granted	213,468
Expensed in 2003	(19,906)
Expensed in 2004	(53,899)
Expensed in 2005	(75,224)
Amount to be expensed in future periods	64,439

19. Capital and Fair Value Reserves

	Group							
	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total	Capital Reserve	Loan Loss Reserve	Fair Value Reserves	Total
	2005	2005	2005	2005	2004	2004	2004	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Share premium	113,296	-	-	113,296	77,405	-	-	77,405
Realised gains on disposal of assets	93,262	-	-	93,262	101,214	-	-	101,214
Capital distributions received	46,750	-	-	46,750	38,515	-	-	38,515
Realised gain on sale of shares	129,782	-	-	129,782	128,884	-	-	128,884
Profits capitalised by Group companies	1,981,660	-	-	1,981,660	1,995,360	-	-	1,995,360
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	-	289,781	289,781	-	-	277,248	277,248
Fair value gains, net of deferred taxes	-	-	425,695	425,695	-	-	410,616	410,616
Loan loss reserve	-	28,886	-	28,886	-	22,597	-	22,597
Other	41,754	-	-	41,754	43,922	-	-	43,922
	2,406,504	28,886	715,476	3,150,866	2,385,300	22,597	687,864	3,095,761

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19. Capital and Fair Value Reserves (Continued)

	Company					
	Capital Reserve	Fair Value Reserves	Total	Capital Reserve	Fair Value Reserves	Total
	2005			2004		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Share premium	113,296	-	113,296	77,405	-	77,405
Capital distributions received	24,507	-	24,507	16,272	-	16,272
Bonus shares issued	(41,803)	-	(41,803)	(41,803)	-	(41,803)
Unrealised surplus on the revaluation of fixed assets, net of deferred taxes	-	7,954	7,954	-	7,954	7,954
Fair value gains, net of deferred taxes	-	212,212	212,212	-	190,235	190,235
	96,000	220,166	316,166	51,874	198,189	250,063

The share premium has been adjusted by \$19,817,000 (2004 - \$125,786,000) in relation to the purchase of treasury shares.

20. Reserve Funds

Reserve funds represent those statutory reserves required to be maintained by the banking subsidiary, First Global Bank Limited, in compliance with the Banking Act of Jamaica.

21. Minority Interest

	2005 \$'000	2004 \$'000
At beginning of year	507,527	460,032
Share of net profit of subsidiaries	46,758	101,712
Dividends paid	(40,684)	(39,614)
Reduction of interest in subsidiary	-	(13,256)
Rights issue increase in Hardware & Lumber Limited	229,126	-
Other	1,507	(1,347)
At end of year	744,234	507,527

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22. Long Term Liabilities

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Bank borrowings	1,546,404	1,376,474	1,181,970	1,046,154
Finance leases	30,359	26,001	-	4,565
Customer deposits	191,092	176,835	-	-
Other loans	287,796	92,453	735,006	677,753
Total borrowings	2,055,651	1,671,763	1,916,976	1,728,472
Less: Current portion	(484,286)	(197,396)	(344,355)	(145,277)
	1,571,365	1,474,367	1,572,621	1,583,195

Finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default. All other borrowings are unsecured.

Included in bank borrowings is interest payable of \$2,290,000 (2004 - \$19,720,000) and \$1,982,000 (2004 - \$18,009,000) for the Group and the company, respectively.

Included in customer deposits is interest payable of \$433,000 (2004 - \$616,000) for the Group.

(a) Finance lease liabilities – minimum lease payments:

	Group		Company	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Not later than 1 year	10,592	13,788	-	2,585
Later than 1 year and not later than 5 years	19,788	17,143	-	3,270
	30,380	30,931	-	5,855
Future finance charges on finance leases	(21)	(4,930)	-	(1,290)
Present value of finance lease liabilities	30,359	26,001	-	4,565
Less: Current portion	(12,990)	(12,555)	-	(2,585)
	17,369	13,446	-	1,980

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22. Long Term Liabilities (Continued)

(a) (continued)

The present value of finance lease liabilities is as follows:

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Between 1 and 2 years	18,095	20,795	-	4,565
Between 2 and 5 years	12,264	5,206	-	-
	30,359	26,001	-	4,565

(b) Borrowing facilities

The Group and the company have the following undrawn committed borrowing facilities:

	Group		Company	
	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000
Floating rate –				
Expiring within one year	2,768,945	2,421,748	1,445,260	1,484,123
Expiring beyond one year	581,220	350,367	387,480	266,795
Fixed rate –				
Expiring within one year	38,000	107,350	-	-
Expiring beyond one year	124,580	100,000	-	-

The facilities expiring within one year are annual facilities subject to review at various dates during the subsequent year. The other facilities have been arranged to help finance the Group's activities.

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23. Segment Information

Primary reporting format – business segments

	2005						Group \$'000
	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Elimination \$'000	
REVENUE							
External sales	13,112,987	10,132,413	6,927,329	-	2,858,886	-	33,031,615
Inter-segment sales	589,717	4,097	341,380	-	-	(935,194)	-
Total Revenue	13,702,704	10,136,510	7,268,709	-	2,858,886	(935,194)	33,031,615
Segment result	235,654	229,686	1,420,195	-	562,713	28,927	2,477,175
Unallocated income						418,230	418,230
Profit from operations							2,895,405
Finance income	506,710	34,904	26,889	-	43,818	(169,078)	443,243
Finance expense	(335,920)	(137,144)	(10,035)	-	(4,662)	140,151	(347,610)
Share of results of associates	72,284	15,331	(20,251)	-	(3,155)	-	64,209
Profit before tax	478,728	142,777	1,416,798	-	598,714	418,230	3,055,247
Income tax expense							(933,553)
Net profit							2,121,694
Segment assets	4,654,636	3,885,018	39,149,418	-	880,769		48,569,841
Investment in associates	292,274	26,777	87,947	-	68,207		475,205
Unallocated assets							12,055,790
Total Assets							61,100,836
Segment liabilities	2,349,252	1,174,565	32,326,199	-	564,657		36,414,673
Unallocated liabilities							8,701,339
							45,116,012
Other segment items							
Capital expenditure	197,904	384,634	102,620	-	72,440		757,598
Depreciation	107,645	140,311	66,937	-	62,744		377,637
Amortisation	39,325	21,156	-	-	39,270		99,751
Impairment	-	-	-	-	10,466		10,466

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23. Segment Information (Continued)

	2004						Group \$'000
	Food Trading \$'000	Retail & Trading \$'000	Financial Services \$'000	Maritime \$'000	Information \$'000	Elimination \$'000	
REVENUE							
External sales	11,414,118	10,467,354	6,021,565	256,889	2,543,866	-	30,703,792
Inter-segment sales	440,875	2,814	130,088	29,297	-	(603,074)	-
Total Revenue	11,854,993	10,470,168	6,151,653	286,186	2,543,866	(603,074)	30,703,792
Segment result	144,220	411,191	1,322,904	(24,720)	607,615	20,575	2,481,785
Unallocated income						449,909	449,909
Profit from operations							2,931,694
Finance income – net	519,782	23,596	26,755	13,055	67,117	(230,330)	419,975
Finance cost	(275,098)	(131,890)	(39,590)	(3,022)	(15,647)	209,755	(255,492)
Share of results of associates	34,087	10,190	(12,598)	1,373	22,608	-	55,660
Profit before tax	422,991	313,087	1,297,471	(13,314)	681,693	449,909	3,151,837
Income tax expense							(878,757)
Net profit							2,273,080
Segment assets	3,601,727	3,730,825	33,071,677	141,325	670,781	-	41,216,335
Investment in associates	249,990	22,047	42,429	8,949	91,101	-	414,516
Unallocated assets							11,273,743
Total Assets							52,904,594
Segment liabilities	1,883,449	1,577,638	28,232,687	166,743	461,023	-	32,321,540
Unallocated liabilities							6,723,554
							39,045,094
Other segment items							
Capital expenditure	116,224	188,932	113,499	3,979	82,477	-	505,111
Depreciation	107,820	103,594	53,976	7,961	94,968	-	368,319
Amortisation	54,121	8,051	-	-	74,897	-	137,069
Restructuring costs	-	(2,499)	42,500	-	-	-	40,001

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23. Segment Information (Continued)

Secondary reporting format – geographical segments

The Group is organised on a global basis into three main geographical areas.

- (a) Jamaica is the home country of the parent company, which is also the main operating company. All principal activities operate in this area.
 (b) The Caribbean – mainly food trading, insurance services and money transfer.
 (c) Other Countries – mainly food trading.

	Sales		Total assets		Capital expenditure	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Jamaica	27,015,950	25,346,690	47,250,472	40,087,822	737,917	433,274
The Caribbean	2,028,448	1,679,939	644,875	566,580	15,517	52,996
Other Countries	3,987,217	3,677,163	674,494	561,933	4,164	18,841
	<u>33,031,615</u>	<u>30,703,792</u>	48,569,841	41,216,335	<u>757,598</u>	<u>505,111</u>
Associates			475,205	414,516		
Unallocated assets			12,055,790	11,273,743		
Total assets			61,100,836	52,904,594		

24. Revenues

	2005 \$'000	2004 \$'000
Sales of products and services	26,104,286	24,682,226
Interest and other financial services income	6,927,329	6,021,566
	<u>33,031,615</u>	<u>30,703,792</u>

25. Expenses

	2005 \$'000	2004 \$'000
Cost of products and services sold	17,759,845	17,495,656
Interest expense and other financial services expenses	4,581,596	3,860,242
Selling, general and administration expenses	8,450,083	6,986,528
	<u>30,791,524</u>	<u>28,342,426</u>

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26. Expenses by Nature

	2005	2004
	\$'000	\$'000
Auditors' remuneration	50,194	43,228
Advertising and marketing	724,398	722,159
Amortisation of intangibles	99,751	137,069
Cost of inventory recognised as expense	15,744,090	14,218,007
Depreciation	377,637	368,319
Insurance	233,827	202,517
Interest expense and other financial services expenses	4,581,596	3,860,242
Legal and professional fees	262,809	291,201
Occupancy costs - Lease rental charges	228,851	109,765
Repairs and maintenance expenditure	209,417	239,108
Staff costs (Note 27)	3,345,285	2,907,068
Transportation	278,814	285,078
Other expenses	4,654,855	4,958,665
	30,791,524	28,342,426

27. Staff Costs

	2005	2004
	\$'000	\$'000
Wages and salaries	2,916,201	2,707,111
Pension	(632,528)	(500,847)
Other post-retirement benefits	219,820	114,801
Share options granted to employees	75,224	53,899
Other	766,568	532,104
	3,345,285	2,907,068

The Group employed the following number of staff:

	2005	2004
	No.	No.
Full time	1,846	1,881
Part time and contract workers	2,026	2,066
	3,872	3,947

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28. Taxation

Taxation is based on the profit for the year adjusted for taxation purposes:

	2005 \$'000	2004 \$'000
Current tax	726,920	786,358
Deferred tax (Note 10)	206,633	92,399
	933,553	878,757

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the company as follows:

	2005 \$'000	2004 \$'000
Profit before tax	3,055,247	3,151,837
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	1,018,416	1,050,612
Adjusted for the effects of:		
Different tax rates in other countries	(35,985)	(9,710)
Income not subject to tax	(159,217)	(229,391)
Expenses not deductible for tax purposes	153,033	72,491
Adjustment to prior year provision	(1,866)	39,873
Share of profits of associates included net of tax	(21,403)	(18,553)
Utilisation of previously unrecognised tax losses	(13,790)	(38,098)
Other	(5,635)	11,533
Tax expense	933,553	878,757

29. Net Profit Attributable to the Stockholders of GraceKennedy Limited

Dealt with as follows in the financial statements of:

	2005 \$'000	2004 \$'000
The company	749,092	924,962
The subsidiaries	1,261,635	1,190,746
The associates	64,209	55,660
	2,074,936	2,171,368

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30. Dividends

	2005	2004
	\$'000	\$'000
Paid,		
Interim – 45 cents per stock unit (2004 – 40 cents)	146,987	129,519
Final – 55 cents per stock unit (2004 – 50 cents)	179,974	162,399
	<u>326,961</u>	<u>291,918</u>

31. Earnings Per Stock Unit

Basic earnings per share is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units outstanding during the year.

	2005	2004
Net profit attributable to stockholders (\$'000)	2,074,936	2,171,368
Weighted average number of stock units outstanding ('000)	325,004	322,474
Basic earnings per stock unit (\$)	6.38	6.73

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary stock units outstanding to assume conversion of all dilutive potential ordinary stock units.

- (a) 5,520,980 ordinary stock units for the full year in respect of the Stock Option Plan for directors (Note 18),
- (b) 3,848,957 ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18) and
- (c) 1,869,767 ordinary stock units for the full year in respect of the Stock Option Plan for managers (Note 18).

	2005	2004
Net profit attributable to stockholders (\$'000)	2,074,936	2,171,368
Weighted average number of stock units outstanding ('000)	325,004	322,474
Adjustment for share options ('000)	6,488	7,334
	<u>331,492</u>	<u>329,808</u>
Diluted earnings per stock unit (\$)	6.26	6.58

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32. Operating Activities

Reconciliation of net profit to cash generated from operating activities:

	2005 \$'000	2004 \$'000
Net profit	2,121,694	2,273,080
Items not affecting cash:		
Depreciation	377,637	368,319
Amortisation	99,751	137,069
Impairment charge	10,466	-
Investment write-off	1,938	-
Loss/(gain) on disposal of fixed assets	18,448	(32,470)
Share options – value of employee services expensed	75,224	53,899
Profit on disposal of investments	(127,901)	(147,708)
Exchange gain on foreign balances	(187,483)	(51,018)
Interest income	(443,243)	(419,975)
Interest expense	347,610	255,492
Taxation expense	933,553	878,757
Unremitted equity income in associates	(30,009)	(13,256)
Pension plan surplus	(655,431)	(512,276)
Other post-retirement obligations	161,977	8,365
	2,704,231	2,798,278
Changes in non-cash working capital components:		
Inventories	(555,915)	(733,306)
Receivables	(980,001)	(863,423)
Payables	1,490,221	1,313,294
Provisions	(6,210)	(66,964)
	2,652,326	2,447,879
Translation gains	124,401	76,019
Taxation paid	(913,945)	(716,718)
Cash provided by operating activities	1,862,782	1,807,180

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33. Commitments

(a) Future lease payments under operating leases at 31 December 2005 were as follows:

		\$'000
In financial year	2006	222,494
	2007	235,164
	2008	202,514
	2009 and beyond	130,611

(b) At 31 December 2005, the Group had nil (2004 – \$214,300,000) in authorised capital expenditure for which it had established contracts.

34. Summary of Banking Subsidiary

	2005 \$'000	2004 \$'000
Assets		
Cash resources	1,355,309	637,626
Investments and loans	14,760,758	13,433,400
Acceptances, guarantees, indemnities and credits	340,546	303,261
Securities purchased under agreements to resell	465,581	619,798
Cheques in the course of collection	182,951	225,305
Other assets	743,764	752,623
Liabilities		
Deposits	9,621,955	4,575,491
Securities sold under agreements to repurchase	4,917,384	8,471,553
Liability on acceptances, guarantees, indemnities and credits	340,546	303,261
Other liabilities	656,099	751,227
Equity	2,312,925	1,870,481

The banking subsidiary is potentially liable under acceptances in respect of guarantees, commitments and letters of credit, which are reported as liabilities in its balance sheet. The subsidiary has equal and offsetting claims against customers in the event of a call on these commitments, which are reported as assets. These amounts are not included in the consolidated balance sheet.

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35. Contingent Liabilities

Various companies in the Group are involved in certain legal proceedings incidental to the normal conduct of business. The management of these companies believes that none of these proceedings, individually or in aggregate, will have a material effect on the Group.

36. Related Party Transactions and Balances

The following transactions were carried out with associates:

(a) Sales of goods and services	2005	2004
	\$'000	\$'000
Sales of goods	121	783
Sales of services	22,247	23,217
(b) Purchases of goods and services	2005	2004
	\$'000	\$'000
Purchases of goods	1,199,514	1,004,795
Purchases of services	3,249	12,603

The following transactions were carried out with other related companies:

(c) Purchase of goods and services		
Purchases of services	-	565
(d) Key management compensation	2005	2004
	\$'000	\$'000
Salaries and other short-term employee benefits	139,453	116,429
Statutory contributions	12,601	10,529
Termination benefits	-	-
Post-employment benefits	18,521	6,436
Share-based payments	6,503	4,385
	177,078	137,779
Included in the above figures are the following amounts in respect of Directors' emoluments –		
Fees	10,170	7,730
Management remuneration (included in staff costs)	97,545	85,756
Pensions	7,230	9,025
	114,945	102,511

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36. Related Party Transactions and Balances (Continued)

	2005 \$'000	2004 \$'000
(e) Year-end balances arising from sales/purchases of goods and services		
Receivable from associates	17,220	17,691
Payable to associates	152,296	97,931
(f) Loans from related parties		
Loan from associates:		
At beginning of year	14,234	31,888
Repayment	-	(17,654)
At end of year	14,234	14,234
Loan from Grace, Kennedy & Company Limited Pension Scheme:		
At beginning of year	1,218	-
Addition	220,195	1,218
Repayment	(1,218)	-
At end of year	220,195	1,218
Leases from Grace, Kennedy & Company Limited Pension Scheme:		
At beginning of year	20,718	23,623
Addition	19,871	14,036
Repayment	(9,185)	(16,941)
At end of year	31,404	20,718

The loan from associates is interest free, and has no specified repayment date. The loan from Grace, Kennedy & Company Limited Pension Scheme attracts interest at 13.75% for the first six months and thereafter at the Treasury bill rate plus 1.75%. The loan is repayable in 2008. The leases attract interest at 20 - 25% (2004 - 21.20%) and are repayable in the years 2006 - 2008.

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36. Related Party Transactions and Balances (Continued)

(g) Loans to associates

	Interest free	Other	Total	Interest free	Other	Total
	2005 \$'000	2005 \$'000	2005 \$'000	2004 \$'000	2004 \$'000	2004 \$'000
At beginning of year	15,500	3,928	19,428	15,500	3,040	18,540
Loans advanced during year	-	24,643	24,643	-	3,928	3,928
Loan repayments received	-	(19,807)	(19,807)	-	(3,040)	(3,040)
At end of year (Note 9)	15,500	8,764	24,264	15,500	3,928	19,428

The related interest income was \$292,000 (2004 - \$946,000). The other loans are due in 2006 and carry interest at 11% (2004 -11%). No provision was required in 2005 and 2004 for loans made to associates undertakings.

(h) Loans to directors and key management

	2005 \$'000	2004 \$'000
Beginning of the year	22,755	13,300
Loans advanced during year	3,670	10,679
Loan repayments received	(5,702)	(1,224)
Interest charged	2,852	2,759
Interest received	(2,852)	(2,759)
End of the year	20,723	22,755

These loans attract interest between 11 - 16% (2004 – 11-16%) and are repayable in the years 2006 – 2018. These loans are secured and are made on terms similar to those offered to other employees.

No provision has been required in 2005 and 2004 for the loans made to directors and senior managers.

(i) Share options granted to directors

The outstanding number of share options granted to the directors of the company at the end of the year was 5,520,980 (2004 - 6,198,693).

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37. Effects of the Adoption of Revised and New IFRS

Reconciliation of Equity at 1 January 2004

	Note	Group			Company		
		Previously reported \$'000	Effect of adoption of the revised and new IFRS \$'000	Restated \$'000	Previously reported \$'000	Effect of adoption of the revised and new IFRS \$'000	Restated \$'000
Fixed assets	(d)	2,166,193	(106,417)	2,059,776	145,033	(4,099)	140,934
Intangible assets	(d)	258,853	106,417	365,270	-	4,099	4,099
Investments in associates		1,614,553	-	1,614,553	133,558	-	133,558
Investments		2,861,197	-	2,861,197	1,517,383	-	1,517,383
Long term receivables		537,077	-	537,077	156,677	-	156,677
Deferred tax assets		580,700	-	580,700	132,256	-	132,256
Pension plan surplus		3,897,041	-	3,897,041	2,972,349	-	2,972,349
Total Non-current Assets		11,915,614	-	11,915,614	5,057,256	-	5,057,256
Current Assets							
Inventories		2,596,025	-	2,596,025	474,367	-	474,367
Receivables	(b), (e)	4,792,884	(1,263,655)	3,529,229	646,961	(114,660)	532,301
Long term receivables – Current portion	(e)	840,090	74,818	914,908	81,211	-	81,211
Taxation recoverable	(b)	394,907	-	394,907	201,939	(7,220)	194,719
Cash and short-term investments	(a),(e)	24,805,847	216,444	25,022,291	2,396,374	64,632	2,461,006
		33,429,753	(972,393)	32,457,360	3,800,852	(57,248)	3,743,604
Current Liabilities							
Payables	(b), (e)	5,916,603	(804,557)	5,112,046	817,002	8,461	825,463
Provisions		76,238	-	76,238	-	-	-
Bank and short term loans	(e)	1,773,247	3,108	1,776,355	1,389,266	1,981	1,391,247
Long term liabilities – Current portion	(e)	100,198	1,826	102,024	67,199	1,669	68,868
Deposits	(e)	3,344,997	204,730	3,549,727	-	-	-
Securities sold under agreements to repurchase	(e)	17,729,384	607,004	18,336,388	-	-	-
Taxation payable	(b)	211,524	7,220	218,744	-	-	-
Subsidiaries		-	-	-	875,114	-	875,114
		29,152,191	19,331	29,171,522	3,148,581	12,111	3,160,692
Net Current Assets		4,277,562	(991,724)	3,285,838	652,271	(69,359)	582,912
		16,193,176	(991,724)	15,201,452	5,709,527	(69,359)	5,640,168

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37. Effects of the Adoption of Revised and New IFRS (Continued)

Reconciliation of equity at 1 January 2004 (continued)

	Note	Group			Company		
		Previously reported	Effect of adoption of the revised	Restated	Previously reported	Effect of adoption of the revised	Restated
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
FINANCED BY							
Share Capital	(b)	323,466	(2,793)	320,673	323,466	(2,793)	320,673
Capital Reserve	(a),(b)	3,448,660	(688,930)	2,759,730	103,148	(65,845)	37,303
Reserve Fund		643,207	-	643,207	-	-	-
Retained Earnings	(c)	6,009,111	(19,906)	5,989,205	2,480,006	(19,906)	2,460,100
Translation Gains and Other Reserves	(c)	1,143,895	19,906	1,163,801	-	19,906	19,906
		11,568,339	(691,723)	10,876,616	2,906,620	(68,638)	2,837,982
Minority interest		460,032	-	460,032	-	-	-
Total equity		12,028,371	(691,723)	11,336,648	2,906,620	(68,638)	2,837,982
Non-current liabilities							
Provisions		6,221	-	6,221	6,221	-	6,221
Long term liabilities		1,429,491	-	1,429,491	1,383,790	-	1,383,790
Deferred tax liabilities	(a)	1,890,002	(300,001)	1,590,001	1,069,830	(721)	1,069,109
Other post-retirement obligations		839,091	-	839,091	343,066	-	343,066
		4,164,805	(300,001)	3,864,804	2,802,907	(721)	2,802,186
		16,193,176	(991,724)	15,201,452	5,709,527	(69,359)	5,640,168

Reconciliation of equity at 31 December 2004

	Note	Group			Company		
		Previously reported	Effect of adoption of the revised and new IFRS	Restated	Previously reported	Effect of adoption of the revised and new IFRS	Restated
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Fixed assets	(d)	2,175,647	(72,558)	2,103,089	127,474	(2,219)	125,255
Intangible assets	(d)	312,751	72,558	385,309	-	2,219	2,219
Investments in associates		414,516	-	414,516	95,573	-	95,573
Investments		2,947,076	-	2,947,076	1,573,088	-	1,573,088
Long term receivables		1,746,285	-	1,746,285	161,535	-	161,535
Deferred tax assets		601,249	-	601,249	137,093	-	137,093
Pension plan surplus		4,409,317	-	4,409,317	3,422,451	-	3,422,451
Total Non-current Assets		12,606,841	-	12,606,841	5,517,214	-	5,517,214

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37. Effects of the Adoption of Revised and New IFRS (Continued)

Reconciliation of equity at 31 December 2004 (continued)

	Note	Group			Company		
		Previously reported \$'000	Effect of adoption of the revised and new IFRS \$'000	Restated \$'000	Previously reported \$'000	Effect of adoption of the revised and new IFRS \$'000	Restated \$'000
Current Assets							
Inventories		3,329,331	-	3,329,331	511,704	-	511,704
Receivables	(b), (e)	5,636,348	(971,610)	4,664,738	725,217	(75,014)	650,203
Long term receivables – Current portion	(e)	789,424	80,460	869,884	1,774	-	1,774
Taxation recoverable	(b)	531,965	-	531,965	127,540	(44,734)	82,806
Cash and short-term investments	(a),(e)	29,789,656	1,112,179	30,901,835	3,406,053	128,262	3,534,315
		40,076,724	221,029	40,297,753	4,772,288	8,514	4,780,802
Current Liabilities							
Payables	(b), (e)	7,304,489	(665,855)	6,638,634	919,063	(57,240)	861,823
Provisions		8,979	-	8,979	-	-	-
Bank and short term loans	(e)	2,052,007	14,705	2,066,712	1,432,596	8,280	1,440,876
Long term liabilities – Current portion	(e)	177,060	20,336	197,396	127,268	18,009	145,277
Deposits	(e)	4,185,409	89,027	4,274,436	-	-	-
Securities sold under agreements to repurchase	(e)	20,335,155	510,835	20,845,990	-	-	-
Taxation payable	(b)	467,916	44,734	512,650	-	-	-
Subsidiaries		-	-	-	955,195	-	955,195
		34,531,015	13,782	34,544,797	3,434,122	(30,951)	3,403,171
Net Current Assets		5,545,709	207,247	5,752,956	1,338,166	39,465	1,377,631
		18,152,550	207,247	18,359,797	6,855,380	39,465	6,894,845

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37. Effects of the Adoption of Revised and New IFRS (Continued)

Reconciliation of equity at 31 December 2004 (continued)

	Group			Company			
	Note	Previously reported \$'000	Effect of adoption of the revised and new IFRS \$'000	Restated \$'000	Previously reported \$'000	Effect of adoption of the revised and new IFRS \$'000	Restated \$'000
FINANCED BY							
Share Capital	(b)	325,817	(1,458)	324,359	325,817	(1,458)	324,359
Capital Reserve	(a), (b)	2,955,592	140,169	3,095,761	221,748	28,315	250,063
Reserve Fund		696,529	-	696,529	-	-	-
Retained Earnings	(c)	8,017,959	(73,805)	7,944,154	3,166,949	(73,805)	3,093,144
Translation Gains and Other Reserves	(c)	1,217,365	73,805	1,291,170	-	73,805	73,805
		13,213,262	138,711	13,351,973	3,714,514	26,857	3,741,371
Minority interest		507,527	-	507,527	-	-	-
Total equity		13,720,789	138,711	13,859,500	3,714,514	26,857	3,741,371
Non-current liabilities							
Provisions		6,516	-	6,516	6,221	-	6,221
Long term liabilities		1,474,367	-	1,474,367	1,583,195	-	1,583,195
Deferred tax liabilities	(a)	2,103,422	68,536	2,171,958	1,204,216	12,608	1,216,824
Other post-retirement obligations		847,456	-	847,456	347,234	-	347,234
		4,431,761	68,536	4,500,297	3,140,866	12,608	3,153,474
		18,152,550	207,247	18,359,797	6,855,380	39,465	6,894,845

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37. Effects of the Adoption of Revised and New IFRS (Continued)

Reconciliation of profit for the year ended 31 December 2004

	Note	Group			Company		
		Previously reported \$'000	Effect of adoption of the revised and new IFRS \$'000	Restated \$'000	Previously reported \$'000	Effect of adoption of the revised and new IFRS \$'000	Restated \$'000
Revenue		30,703,792	-	30,703,792	6,253,047	-	6,253,047
Expenses	(c)	28,288,527	53,899	28,342,426	6,323,258	53,899	6,377,157
Operating Income/(Expense)		2,415,265	(53,899)	2,361,366	(70,211)	(53,899)	(124,110)
Other income		421,034	149,294	570,328	1,044,584	-	1,044,584
Profit from Operations		2,836,299	95,395	2,931,694	974,373	(53,899)	920,474
Share of results of associated companies		83,065	(27,405)	55,660	-	-	-
Finance income	(f)	313,777	106,198	419,975	195,862	273,300	469,162
Finance costs	(f)	-	(255,492)	(255,492)	-	(273,300)	(273,300)
Profit before Taxation		3,233,141	(81,304)	3,151,837	1,170,235	(53,899)	1,116,336
Taxation		(906,162)	27,405	(878,757)	(191,374)	-	(191,374)
Profit after taxation		2,326,979	(53,899)	2,273,080	978,861	(53,899)	924,962
Attributable to:							
Equity holders of the Company		2,225,267	(53,899)	2,171,368	978,861	(53,899)	924,962
Minority interest		101,712	-	101,712	-	-	-
		2,326,979	(53,899)	2,273,080	978,861	(53,899)	924,962

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37. Effects of the Adoption of Revised and New IFRS (Continued)

Group and Company

Standards, interpretations and amendments to published standards effective in 2005

- (a) In accordance with IAS 39 revised, certain financial assets previously categorised as originated loans in the two preceding years are now categorised as available-for-sale. Consequently these assets are now carried at fair value and the fair value adjustment has been recognised in the fair value reserves included in capital reserves, net of deferred taxation.
- (b) The Employee Investment Trust is now consolidated as required by the IFRIC Amendment to SIC 12.
- (c) The fair value of the services received from employees in relation to share based payments which were previously not accounted for is now accounted for under IFRS 2.

Reclassifications

- (d) Acquired computer software previously classified as fixed assets has been now classified as intangible assets and their related accumulated depreciation shown as accumulated amortisation.
- (e) Interest receivable and payable previously included in receivables and payables are now included as part of the financial instruments to which they relate.
- (f) Finance income and expense are shown separately as netting off is prohibited under IFRS.