

Consolidated Financial Statements of

**Freeport Concrete Company Limited**

Year ended August 31, 2004

# Freeport Concrete Company Limited

## Consolidated Financial Statements

Year ended August 31, 2004

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## **AUDITORS' REPORT TO THE SHAREHOLDERS**

We have audited the consolidated balance sheet of Freeport Concrete Company Limited as of August 31, 2004 and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing promulgated by the International Federation of Accountants. Those Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of August 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

Chartered Accountants

Freeport, Bahamas  
December 30, 2004

# Freeport Concrete Company Limited

## Consolidated Balance Sheet

August 31, 2004

	Note	2004	2003
<b>Assets</b>			
Current assets:			
Cash		B\$ 58,895	103,303
Time deposits	3	79,740	50,869
Accounts receivable, net	4	1,718,031	668,853
Inventories	5	3,431,533	3,626,079
Inventory of spare parts and supplies		93,246	88,569
Deposits and prepaid expenses		94,980	84,578
		5,476,425	4,622,251
Due from shareholder	6	–	170,871
Goodwill, net	7	–	65,816
Property, plant and equipment	8	3,197,387	3,015,893
		B\$ 8,673,812	7,874,831

## Liabilities and Shareholders' Equity

Current liabilities:			
Bank overdraft	9	B\$ 750,341	783,512
Accounts payable and accrued expenses		3,050,784	2,419,875
Warranty provision		35,267	90,645
Due to shareholder	6	440,272	537,218
Current portion of long term debt	6	39,810	–
		4,316,474	3,831,250
Long-term debt	6	196,412	–
Shareholders' equity:			
Share capital	11	47,083	47,083
Contributed surplus		5,774,868	5,774,868
Appraisal excess	8	1,433,867	1,433,867
Accumulated deficit		(3,094,892)	(3,212,237)
		4,160,926	4,043,581
Commitments and contingencies	5 & 10		
		B\$ 8,673,812	7,874,831

See accompanying notes to consolidated financial statements.

These consolidated financial statements were approved on behalf of the Board of Directors on December 30, 2004 by the following:

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

# Freeport Concrete Company Limited

## Consolidated Statement of Operations

Year ended August 31, 2004

	2004	2003
Sales, net of discounts	B\$ 22,083,350	16,686,612
Cost of sales (note 5)	16,330,084	12,404,851
Gross profit	5,753,266	4,281,761
Operating expenses/(income):		
Payroll related costs, including employee benefits and commissions (note 6)	2,979,462	2,675,483
Rent (notes 6 and 10)	484,592	502,317
Advertising	340,291	355,355
Depreciation and amortisation	324,156	385,055
Utilities, postage and delivery	311,077	314,380
Bank charges and exchange	207,802	165,866
Vehicle, maintenance and repairs	154,970	110,423
Bad debt expense	139,896	109,395
Licence fees and permits	118,608	104,506
Computer and office supplies	115,400	100,134
Legal and professional	102,382	142,274
Other operating costs (note 6)	102,192	172,935
Travel, trade shows and entertainment	55,668	59,207
Business insurance	53,317	70,676
Donations	25,777	42,637
Security	15,906	37,003
Loss/(gain) on disposal of fixed assets	15,004	(3,020)
Other income	(12,004)	(16,995)
	5,534,496	5,327,631
Net income/(loss) from operations	218,770	(1,045,870)
Net financing expense (note 12)	(101,425)	(121,780)
Net income/(loss)	B\$ 117,345	(1,167,650)
Earnings/(loss) per share (note 13)		
Basic earnings/(loss) per share	B\$ 0.025	(0.248)
Diluted earnings/(loss) per share	B\$ 0.025	(0.248)

See accompanying notes to consolidated financial statements.

# Freeport Concrete Company Limited

## Consolidated Statement of Changes in Shareholders' Equity

Year ended August 31, 2004

	Number of shares issued	Common share capital	Contributed surplus	Appraisal excess	Accumulated deficit	Total
Balance at August 31, 2002	4,708,334	47,083	5,774,868	1,433,867	(2,044,587)	5,211,231
Net loss	–	–	–	–	(1,167,650)	(1,167,650)
Balance at August 31, 2003	4,708,334	47,083	5,774,868	1,433,867	(3,212,237)	4,043,581
Net income	–	–	–	–	117,345	117,345
Balance at August 31, 2004	4,708,334	47,083	5,774,868	1,433,867	(3,094,892)	4,160,926

See accompanying notes to consolidated financial statements.

# Freeport Concrete Company Limited

## Consolidated Statement of Cash Flows

Year ended August 31, 2004

	2004	2003
Cash flows from operating activities:		
Net income/(loss)	B\$ 117,345	(1,167,650)
Adjustment for:		
Minority interest	-	(361)
Depreciation and amortisation	539,405	595,417
Net financing expense	101,425	121,780
Bad debt expense	139,896	109,395
Provision for slow moving inventory	178,833	(5,339)
Product warranty	(55,378)	85,792
Loss/(gain) on disposal of fixed assets	15,004	(3,020)
Operating cash flow before changes in working capital	1,036,530	(263,986)
Changes in working capital items:		
Accounts receivable	(1,189,074)	(494,397)
Inventories	15,713	(48,323)
Inventory of spare parts and supplies	(4,677)	84,911
Deposits and prepaid expenses	(10,402)	23,046
Accounts payable and accrued expenses	630,909	875,324
Time deposits	(25,000)	-
Cash generated from operations	453,999	176,575
Net interest paid	(101,425)	(88,362)
Cash provided by operating activities	352,574	88,213
Cash flows from investing activities:		
Due from shareholder	170,871	(8,577)
Additions to property, plant and equipment	(670,087)	(370,673)
Proceeds from disposal of property, plant and equipment	-	3,020
Cash used by investing activities	(499,216)	(376,230)
Cash flows from financing activities:		
Repayment of shareholder loan	(96,946)	-
Proceeds from long term debt	238,675	-
Repayment of long term debt	(2,453)	-
Acquisition payable	-	(206,250)
Loan from shareholder	-	100,000
Cash provided/(used) by financing activities	139,276	(106,250)
Net decrease in cash and cash equivalents	(7,366)	(394,267)
Cash and cash equivalents at beginning of year	(679,340)	(285,073)
Cash and cash equivalents at end of year	B\$ (686,706)	(679,340)

See accompanying notes to consolidated financial statements.

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements

Year ended August 31, 2004

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## 1. General information

Freeport Concrete Company Limited ("the Company") is incorporated under the laws of the Commonwealth of The Bahamas and its shares are publicly held. The registered office of the Company is at The First Commercial Centre, 3<sup>rd</sup> Floor, Suite 9, East Mall Drive, Freeport, Grand Bahama, Bahamas. The principal activities of the Company consist of the production and sale of aggregate and ready-mixed concrete, the retail sale of hardware, appliances and other consumer products. As of August 31, 2004 the Company had 131 (2003: 117) employees.

The Company operates a retail store under the trade name, The Home Centre, in Freeport, Grand Bahama.

The Company owns 90% of the outstanding shares of Robin Hood Enterprises Limited ("RH"), a company operating in New Providence, Bahamas. RH is in the business of purchasing and selling new and refurbished equipment and appliances.

## 2. Significant accounting policies

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations adopted by the International Accounting Standards Board, and the significant accounting policies are as follows.

### (a) *Basis of preparation*

The consolidated financial statements are presented in Bahamian dollars (B\$) which is the measurement currency of the Company. The Bahamian dollar is the currency of the country where the Company is domiciled and is the prime operating currency. The financial statements are prepared on the historical cost basis, except for land which is stated at an appraised value as explained in note 8.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

### (b) *Basis of consolidation*

The consolidated financial statements include the accounts of the Company and its subsidiary, RH, which is controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. The operating results of the subsidiary have been included from the date of acquisition, being the date control commences. All significant intercompany balances and transactions have been eliminated in preparing the consolidated financial statements.

### (c) *Cash and cash equivalents*

The Company considers all cash on hand, demand deposits with financial institutions and fixed deposits excluding the customs bond of B\$75,000 (2003: B\$50,000), less bank overdraft, as cash and cash equivalents.

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

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## 2. Significant accounting policies, continued

### (d) *Accounts receivable, net*

Accounts receivable are stated at historical cost less an allowance for doubtful accounts determined based on the policy for impairment in note 2(h).

### (e) *Inventories*

#### (i) *Cement*

Cement inventory is stated at the lower of cost and net realisable value. Cost is determined using the first-in first-out method.

#### (ii) *Aggregate*

Aggregate represents "pea rock" and "67 rock" which are materials produced by the Company and used in the production of ready mixed concrete. Aggregate is stated at the lower of cost and net realisable value. Cost is determined based on direct production costs and an appropriate share of overheads based on normal operating capacity. Net realisable value is determined after considering the net sales price of the finished product which is ready mixed concrete. A write-down below cost is not made when the ready mixed concrete is expected to be sold above cost.

#### (iii) *Retail hardware and consumer products*

Retail hardware and consumer products are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Inventory provisions are made when in management's opinion, inventory items will have to be sold at amounts less than cost. Inventory provisions are calculated as the difference between net realisable value, as estimated by management, and cost.

### (f) *Goodwill*

Goodwill arising on acquisition represents the excess of the cost of the acquisition over the fair value of the net identifiable assets acquired. Goodwill is stated at cost less accumulated amortisation and impairment losses (refer to policy h). Amortisation of goodwill is charged to income on a straight-line basis over its estimated useful life of two and one half years. Goodwill is amortised from the date of initial recognition.

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

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## 2. Significant accounting policies, continued

### (g) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation, except for land which is stated at directors' valuation and is not depreciated. Depreciation is calculated on the straight-line basis over the estimated useful lives as follows:

Plant	10 years
Heavy equipment	5 years
Automobiles	3 – 5 years
Trailers and security booth	5 – 7 years
Store furniture and equipment	7 – 10 years
Office furniture and equipment	4 – 7 years
Leasehold improvements	the lesser of 10 years or the term of lease

Expenditures for maintenance and repairs are charged against income. Cost of renewals and improvements are added to property, plant and equipment. At the time of disposal or retirement of assets, the cost and related accumulated depreciation are eliminated, and any resulting profit or loss is reflected in the consolidated statement of operations for the year.

### (h) *Impairment*

The carrying amount of the Company's assets other than inventories {refer to policy (e)} are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of operations.

### (i) *Accounts Payable*

Accounts payable are stated at cost.

### (j) *Warranties*

The provision for warranties relates mainly to goods sold during the year ended August 31, 2004. The provision is based on estimates made by management from historical warranty data.

### (k) *Minority interest*

There is a minority shareholder in the net business assets of RH, the Company's subsidiary. RH has a net deficit position. In the absence of a binding obligation for the minority shareholder to make good the losses, the Company is charged for all losses of the subsidiary.

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

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## 2. Significant accounting policies, continued

### *(l) Revenue recognition*

Revenue from the sale of inventory, aggregate and ready mix concrete is recognised at the point of sale.

### *(m) Operating lease payments*

Payments made under operating leases are recognised as an expense on a straight-line basis over the term of the lease.

### *(n) Net financing (expense)/income*

Net financing (expense)/income comprise interest incurred on bank overdraft and borrowings net of interest earned on time deposits and finance charges on trade receivables.

Interest income and expense are accounted for on the accrual basis.

### *(o) Segment reporting*

A segment is a distinguishable component of the Company that is engaged in providing products (business segment), which is subject to risks and rewards that are different from other segments.

### *(p) Fair value disclosure of financial instruments*

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates do not reflect any premium or discount that could result from attempting to realise, at one time, the Company's entire holdings of a particular financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and, therefore, cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The carrying amount of the Company's significant financial assets and liabilities approximate fair value because of one or both of the following reasons:

- (i) Immediate or short-term maturity,
- (ii) Carrying value approximates market value,
- (iii) Interest rates which approximate market rates.

### *(q) Use of estimates*

The preparation of consolidated financial statements in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

## 3. Time deposits

As of August 31, 2004, time deposits earned interest at 3.5% (2003: 3.5%) per annum. Time deposits include B\$75,000 (2003: B\$50,000) which is being held by the Company's bankers as security for letters of credit and a customs bond mentioned in note 10(b). All time deposits mature within 3 months of the balance sheet date. All time deposits are held with banks located in the Bahamas and are denominated in Bahamian dollars.

## 4. Accounts receivable, net

	2004	2003
Trade accounts	B\$ 1,829,537	962,126
Trade accounts – related party	8,502	20,968
Employee receivable and advances	67,703	40,332
	1,905,742	1,023,426
Less: allowance for doubtful accounts	(187,711)	(354,573)
	B\$ 1,718,031	668,853

The movement in the allowance for doubtful accounts is as follows:

	2004	2003
Balance at the beginning of the year	B\$ 354,573	247,629
Increase in provision for bad debts	139,896	109,395
Write-offs	(306,758)	(2,451)
Balance at the end of the year	B\$ 187,711	354,573

## 5. Inventories

	2004	2003
Hardware and consumer products	B\$ 3,889,187	3,872,266
Aggregate	84,578	277,591
Cement	17,196	7,875
	3,990,961	4,157,732
Less provision for slow moving inventory	(559,428)	(531,653)
	B\$ 3,431,533	3,626,079

The movement in the provision for slow moving inventory is shown below and is included in cost of sales:

	2004	2003
Opening provision for slow moving and obsolete inventory	B\$ 531,653	624,000
Increase/(decrease) in provision	178,833	(5,339)
Write-offs	(151,058)	(87,008)
	B\$ 559,428	531,653

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

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## 5. Inventories, continued

As of August 31, 2004, aggregate comprises 13,432 tons (2003: 45,474 tons, restated) of "pea rock" and "67 rock". When the aggregate is used in production or is sold, the Company has an obligation to pay the landlord B\$2.25 per cubic yard, in accordance with the agreement described in note 10. This future obligation has not been included in inventories and accounts payable.

## 6. Related party transactions

The balance due from shareholder (founding shareholder) was repaid in full during the current year.

The amount due to shareholder incurs interest at 9% per annum and is being repaid in monthly instalments of B\$3,750 plus interest.

During 2004, a director and a company related to this director granted two loans to the Company totalling \$238,675. The loans incur interest at 9% and are repayable in 5 years with monthly instalments of B\$4,955 and are included in the balance sheet as long-term debt.

Directors of the Company and their immediate relatives control approximately 43% (2003: 43%) of the voting shares of the Company.

The Company rents office space from a related party for an annual rent of B\$28,980 per annum on normal commercial terms. The related party is a company in which the founding shareholder has an equity interest.

The Company used the services of H&F Babak Construction Company to complete certain leasehold improvements and to construct certain structures on the premises occupied by the Company. These leasehold improvements and structures are included in property, plant and equipment in note 8. This company is owned by the founding shareholder. Payments for such services amounted to B\$58,124 (2003: B\$98,581) and in the absence of a formal contract, the directors believe the business relationship to be on normal commercial terms.

Total executive remuneration included in "payroll related costs" including employee benefits and commissions is B\$565,369 (2003: B\$538,794).

An executive officer is paid a commission of 1½% - 3% (2003: 1½ - 3%) of sales made by RH which amounted to B\$231,489 (2003: B\$199,650) and is included in the executive officers' remuneration shown above.

Directors fees are included in other operating costs in the statement of operations and amounted to B\$35,000 (2003: B\$55,000).

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

## 7. Goodwill, net

		2004	2003
Balance at the beginning of the year	B\$	65,816	200,375
Amortisation charge for the year		(65,816)	(134,559)
Balance at the end of the year	B\$	–	65,816

The amortisation charge is included in “depreciation and amortisation” in the consolidated statement of operations.

## 8. Property, plant and equipment

Cost/valuation:

	2003	Additions	Disposals	2004
Land				
(at directors' valuation) B\$	1,521,000	–	–	1,521,000
Plant	772,704	18,465	–	791,169
Heavy equipment	1,403,033	259,111	(814,820)	847,324
Automobiles	236,929	58,263	(16,790)	278,402
Trailers and security booth	25,238	41,599	(2,442)	64,395
Store furniture and equipment	349,114	68,245	–	417,359
Office furniture and equipment	274,512	40,000	(34,352)	280,160
Leasehold improvements	610,459	184,404	–	794,863
	B\$ 5,192,989	670,087	(868,404)	4,994,672

Accumulated depreciation:

	2003	Charge	Disposals	2004
Plant	B\$ 592,510	61,469	–	653,979
Heavy equipment	1,058,800	127,295	(813,440)	372,655
Automobiles	105,860	48,314	(7,966)	146,208
Trailers and security booth	18,255	13,438	(2,442)	29,251
Store furniture and equipment	166,870	94,895	–	261,765
Office furniture and equipment	152,421	61,044	(29,552)	183,913
Leasehold improvements	82,380	67,134	–	149,514
	B\$ 2,177,096	473,589	(853,400)	1,797,285

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

## 8. Property, plant and equipment, continued

Net book value:

	2004	2003
Land	B\$ 1,521,000	1,521,000
Plant	137,190	180,194
Heavy equipment	474,669	344,233
Automobiles	132,194	131,069
Trailers	35,144	6,983
Store furniture and equipment	155,594	182,244
Office furniture and equipment	96,247	122,091
Leasehold improvements	645,349	528,079
	B\$ 3,197,387	3,015,893

The director's valuation of land is based on an appraisal as of August 31, 2000 by Mr. Bert E. Lightbourne, Member of the Bahamas Real Estate Association and the American Society of Professional Real Estate Appraisers, of Freeport, Grand Bahama, of the market value of the land. The excess of this valuation over the cost of the land is reflected as "appraisal excess" in the consolidated balance sheet. The land comprises 126.75 acres located in the East Airport Zone of Freeport, Grand Bahama, and is intended to be used by the Company for future quarrying operations.

During 2002, the Company acquired a used portable concrete batch plant from the founding shareholder. The plant was not in use during the year and has a carrying value of B\$98,000 as of August 31, 2004.

Depreciation expense on certain plant assets and equipment amounting to B\$212,616 (2003: B\$210,362) has been included in cost of sales.

## 9. Bank overdraft

The bank overdraft bears interest at 9% per annum and is secured by a first floating charge debenture stamped for B\$1,040,000 over the Company's land and all of its business assets. The overdraft facility limit is B\$1,300,000.

## 10. Commitments and contingencies

### (a) Leases

#### Ready-mixed concrete operations

The Company was party to an agreement to lease approximately 25 acres of land in the Heavy Industrial Area of Freeport for a 7½ year period. Certain limestone rock dredged from the Freeport Harbour has been deposited on this land. The lease agreement expired on December 31, 2001. No new written agreement has been executed between the Company and the landlord.

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

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## 10. Commitments and contingencies, continued

### (a) Leases, continued

#### Ready-mixed concrete operations, continued

The Company has received verbal assurance that they can continue to occupy the land under similar terms of the old lease agreement. In the event that a satisfactory lease is not negotiated, the Company may be required to move its aggregate inventory and relocate its concrete operation. In doing this, the Company will incur relocation and business interruption costs.

This limestone rock is used by the Company to produce sand and aggregate which it uses to produce ready-mixed concrete. The rent payable is B\$0.25 per cubic yard of limestone rock utilised by the Company but in no event shall the quarterly rent be less than B\$2,000. Under the agreement referred to in the preceding paragraphs, the Company is also required to pay B\$2.25 per cubic yard of limestone rock utilised with a minimum of B\$18,000 per quarter.

Commencing January 1, 2003, the Company shut down the aggregate production facility used to produce aggregate and sand for use in the ready mix production process.

#### Hardware and consumer products operations

As part of the acquisition of the business assets of BD in August 2001, the Company entered into a lease agreement whereby it agreed to lease the premises previously occupied by BD for a period of 10 years with an option to renew for another 10 years. The Company was granted the option to purchase the premises. The option is exercisable on August 15, 2004 and the end of every twelve month period thereafter during the continuation of the lease. The purchase price is to be B\$3.5 million less 2% per annum starting from June 1, 1998. The Company has assigned this option to a shareholder.

The leased premises referred to in the previous paragraph are occupied by the Company's retail merchandising operations in Freeport, which operates under the trade name, The Home Centre. The lease calls for monthly lease payments with adjustments thereof annually to reflect the increase and decrease in the annual average of the United States Consumer Price Index All Urban Consumers, US City Average for the preceding twelve months but in no event to be less than B\$306,000 per annum. The annual rent is to be paid monthly in advance. Rent expense incurred during the current year amount to B\$326,001 (2003: B\$314,921).

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

## 10. Commitments and contingencies, continued

### (a) Leases, continued

#### Hardware and consumer products operations, continued

The Company's subsidiary, RH, is party to an agreement for lease of premises on Harold Road in Nassau from which it operates. RH's Soldier Road store closed in September 2003. The Soldier Road store's lease term ended in November 2003 and lease payments were \$2,000 per month. RH's Harold Road store and facilities were expanded from 14,625 sq.ft. to 32,000 sq.ft. during the year. As a result, monthly lease payments increased in July 2004 to B\$16,267 from B\$7,538. RH also pays common area maintenance of B\$1,600 per month. The new lease entered into during the year expires on April 30, 2009 and has an option to renew for an additional five years. Rent expense incurred during the current year for Soldier Road and Harold Road locations amount to B\$4,000 (2003: B\$24,000) and B\$125,616 (2003: B\$134,416), respectively.

#### Administrative offices

The Company leases administrative office space from a related party for an annual rent of B\$28,980 per annum. The lease expires on December 31, 2004.

The approximate future minimum annual lease payments under non-cancellable leases are as follows:

2005	B\$	510,860
2006		514,000
2007		526,800
2008		544,700
2009		498,600
Thereafter		586,500
	B\$	3,181,460

### (b) Credit facilities

The Company is contingently liable under stand-by letters of credit amounting to B\$50,000, a customs bond guarantee of B\$75,000 (2003: B\$50,000) and corporate visa of B\$20,000. These credit facilities are collateralized by fixed deposits and a fixed and floating charge over the Company's land and all of its business assets stamped for B\$1,040,000. The maximum amount of the letter of credit facility is B\$50,000. The Company has available a B\$1,300,000 (2003: B\$1,300,000) overdraft facility of which B\$750,341 (2003: B\$783,512) has been used.

### (c) Litigation

The Company is involved in various legal proceedings, claims and investigations related to products sold by the Company and employee matters. Based on information provided by the Company's legal counsel, in management's opinion, the ultimate disposition of these matters will not have a material effect on the Company's financial condition, in excess of the provisions that have already been recognised.

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

## 10. Commitments and contingencies, continued

### (d) Other contingencies

As mentioned above, in the event that a satisfactory lease for the Company's ready-mixed concrete operations is not negotiated, the Company may be required to move its aggregate inventory and relocate its concrete operation. In doing this, the Company will incur relocation and business interruption costs.

## 11. Share capital

The Company has an authorised share capital of 20,000,000 shares with par value B\$0.01 per common share.

## 12. Net financing expense

Net financing expense consists of the following:

		2004	2003
Interest expense on bank overdraft	B\$	77,301	81,071
Interest expense on long-term debt and due to shareholder		53,141	43,750
Interest income on time deposits		(1,376)	(3,041)
Finance charges on trade receivables		(27,641)	–
		101,425	121,780

## 13. Earnings/(loss) per share

Earnings/loss per share is calculated by dividing net earnings/(loss) for the year by the weighted average number of shares issued and outstanding and the diluted effect of share options outstanding during the respective years.

		2004	2003
Net income/(loss) applicable to ordinary shares	B\$	117,345	(1,167,650)
Weighted average number of ordinary shares outstanding		4,708,334	4,708,334
Weighted average number of ordinary shares outstanding, assuming full dilution for options		4,708,334	4,708,334

## 14. Segment reporting

Segment reporting is presented in respect of the Company's business segments. The primary format is based on the Company's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The Company operates in the Bahamas only, in two business segments comprising aggregate and ready-mixed concrete, and hardware and consumer products. Unallocated assets comprise "due from shareholder". Unallocated liabilities comprise "due to shareholder" and "long term debt".

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

## 14. Segment reporting, continued

The table below summarises business segment information expressed in B\$000's.

	Aggregate and ready-mixed concrete		Hardware and consumer products		Total 2004	Total 2003
	2004	2003	2004	2003		
Revenue	B\$ 3,013	2,803	19,070	13,884	22,083	16,687
Direct costs						
Materials used/ merchandise sold	(1,576)	(1,284)	(13,588)	(10,018)	(15,164)	(11,302)
Payroll related	(517)	(512)	–	–	(517)	(512)
Equipment	(93)	(114)	–	–	(93)	(114)
Depreciation	(215)	(210)	–	–	(215)	(210)
Utilities	(164)	(186)	–	–	(164)	(186)
	(2,565)	(2,306)	(13,588)	(10,018)	(16,153)	(12,324)
Movement in provision for slow moving inventory	–	–	(179)	5	(179)	5
Gross profit	448	497	5,303	3,871	5,751	4,368
Net operating expense	B\$ (600)	(690)	(4,933)	(4,723)	(5,533)	(5,413)
Segment result	(152)	(193)	370	(852)	218	(1,045)
Net financing income/(expense)	(10)	6	(91)	(128)	(101)	(122)
Net (loss)/income	B\$ (162)	(187)	279	(980)	117	(1,167)
<i>Other information:</i>						
Segment assets	B\$ 3,052	2,856	5,622	4,848	8,674	7,704
Unallocated assets	–	–	–	–	–	171
Total assets	B\$ 3,052	2,856	5,622	4,848	8,674	7,875
Segment liabilities	B\$ 663	421	3,409	2,873	4,072	3,294
Unallocated liabilities	–	–	–	–	440	537
Total liabilities	B\$ 663	421	3,409	2,873	4,512	3,831

## 15. Subsequent events

After the fiscal year ended August 31, 2004, the Bahamas experienced the onslaught of two hurricanes, namely Hurricane Frances and Jeanne. These hurricanes caused significant damage to Grand Bahama and specifically the facilities at the Home Centre with minimal damage to our concrete operations as well as the Robin Hood division in Nassau. To date we have settled with our insurance company and are in the process of replacing the lost inventory, office equipment, furniture and fixtures. In the interim, The Home Centre continues to operate out of a portion of the current building and is also in the process of opening a satellite facility primarily to augment the Robin Hood sales. The concrete facility in Freeport and Robin Hood in Nassau have resumed full operations. We also anticipate resuming full operations at our current location or a new location within the next six months.

# Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2004

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## **16. Corresponding figures**

Certain corresponding figures for 2003 have been reclassified to conform with the presentation adopted in 2004.