

Consolidated Financial Statements of

Freeport Concrete Company Limited

Year ended August 31, 2005

Freeport Concrete Company Limited

Consolidated Financial Statements

Year ended August 31, 2005

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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, 2005 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, 2005 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 28, 2005

Freeport Concrete Company Limited

Consolidated Balance Sheet

August 31, 2005, with corresponding figures for 2004
(Expressed in Bahamian dollars)

	Note	2005	2004
Assets			
Current assets:			
Cash		B\$ 107,747	58,895
Time deposits	3	61,626	79,740
Accounts receivable, net	4	1,309,237	1,718,031
Due from former subsidiary	10	578,500	–
Due from former subsidiary's shareholders	10	571,500	–
Inventories	5	1,861,349	3,431,533
Inventory of spare parts and supplies		92,143	93,246
Deposits and prepaid expenses		113,376	94,980
		4,695,478	5,476,425
Property, plant and equipment	7	2,997,002	3,197,387
		B\$ 7,692,480	8,673,812

Liabilities and Shareholders' Equity

Current liabilities:			
Bank overdraft	8	B\$ 320,532	750,341
Accounts payable and accrued expenses		2,791,916	3,050,784
Warranty provision		15,809	35,267
Due to shareholder	6	–	440,272
Current portion of long-term debt	6 & 9	177,788	39,810
		3,306,045	4,316,474
Long-term debt	6 & 9	516,223	196,412
Shareholders' equity:			
Share capital	13	47,083	47,083
Contributed surplus		5,774,868	5,774,868
Appraisal excess	7	1,433,867	1,433,867
Accumulated deficit		(3,385,606)	(3,094,892)
		3,870,212	4,160,926
Commitments and contingencies	12		
		B\$ 7,692,480	8,673,812

See accompanying notes to consolidated financial statements.

These consolidated financial statements were approved for issue on behalf of the Board of Directors on December 28, 2005 by the following:

Peter Andrews Director
 Felix Stubbs Director

Freeport Concrete Company Limited

Consolidated Statement of Operations

Year ended August 31, 2005, with corresponding figures for 2004
(Expressed in Bahamian dollars)

	Note	2005	2004
Sales, net of discounts	B\$	22,625,063	22,083,350
Cost of sales	5	17,028,578	16,330,084
Gross profit		5,596,485	5,753,266
Other income:			
Insurance proceeds	11	1,476,737	–
Net gain on sale of subsidiary	10	620,179	–
Other income	4	349,504	12,004
Finance charges on trade receivables		52,160	27,641
Interest income on time deposits		2,623	1,376
		2,501,203	41,021
		8,097,688	5,794,287
Operating expenses:			
Payroll related costs, including employee benefits and commissions	6	3,249,728	2,979,462
Inventory damaged by hurricane	11	1,263,610	–
Rent	6 & 12	506,206	484,592
Bad debt expense	4	482,921	139,896
Impairment of property, plant and equipment	7 & 11	475,595	–
Other operating costs	6	300,597	102,192
Utilities, postage and delivery		296,570	311,077
Bank charges and exchange		294,218	207,802
Depreciation and amortisation	7	284,165	324,156
Vehicle, maintenance and repairs		249,479	154,970
Advertising		232,297	340,291
Legal and professional		170,064	102,382
Computer and office supplies		140,535	115,400
Licence fees and permits		138,577	118,608
Business insurance		74,448	53,317
Interest expense on bank overdraft		56,207	77,301
Interest on long-term debt and due to shareholder	6 & 9	53,603	53,141
Travel, trade shows and entertainment		49,291	55,668
Donations		33,091	25,777
Security		33,074	15,906
Loss on disposal of property, plant and equipment		4,126	15,004
		8,388,402	5,676,942
Net (loss)/income	B\$	(290,714)	117,345
Basic (loss)/earnings per share	14 B\$	(0.062)	0.025

See accompanying notes to consolidated financial statements.

Freeport Concrete Company Limited

Consolidated Statement of Changes in Shareholders' Equity

Year ended August 31, 2005, with corresponding figures for 2004

(Expressed in Bahamian dollars)

	Number of shares issued	Common share capital	Contributed surplus	Appraisal excess	Accumulated deficit	Total
Balance at August 31, 2003	4,708,334	B\$ 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	B\$ 47,083	5,774,868	1,433,867	(3,094,892)	4,160,926
Net loss	–	–	–	–	(290,714)	(290,714)
Balance at August 31, 2005	4,708,334	B\$ 47,083	5,774,868	1,433,867	(3,385,606)	3,870,212

See accompanying notes to consolidated financial statements.

Freeport Concrete Company Limited

Consolidated Statement of Cash Flows

Year ended August 31, 2005, with corresponding figures for 2004
(Expressed in Bahamian dollars)

	2005	2004
Cash flows from operating activities:		
Net (loss)/income	B\$ (290,714)	117,345
Adjustment for:		
Depreciation and amortisation	514,538	539,405
Bad debt expense	482,921	139,896
Provision for slow moving inventory	(201,495)	178,833
Net gain on sale of subsidiary	(620,179)	-
Inventory damaged by hurricane	1,263,610	-
Impairment of property, plant and equipment	475,595	-
Product warranty	-	(55,378)
Loss on disposal of property, plant and equipment	4,126	15,004
Operating cash flow before changes in working capital	1,628,402	935,105
Changes in working capital items:		
Accounts receivable	(524,037)	(1,189,074)
Due from former subsidiary	(578,500)	-
Inventories	(814,344)	15,713
Inventory of spare parts and supplies	(22,476)	(4,677)
Deposits and prepaid expenses	(35,728)	(10,402)
Accounts payable and accrued expenses	1,895,881	630,909
Time deposits	5,000	(25,000)
Cash provided by operations	1,554,198	352,574
Cash flows from investing activities:		
Due from shareholder	-	170,871
Cash disposed of on sale of subsidiary	(16,158)	-
Additions to property, plant and equipment	(1,076,010)	(670,087)
Proceeds from disposal of property, plant and equipment	6,000	-
Cash used by investing activities	(1,086,168)	(499,216)
Cash flows from financing activities:		
Repayment of shareholder loan	(440,272)	(96,946)
Proceeds from long-term debt	530,000	238,675
Repayment of long-term debt	(72,211)	(2,453)
Cash provided by financing activities	17,517	139,276
Net increase/(decrease) in cash and cash equivalents	485,547	(7,366)
Cash and cash equivalents at beginning of year	(686,706)	(679,340)
Cash and cash equivalents at end of year	B\$ (201,159)	(686,706)
Cash and cash equivalents comprise the following:		
Cash	B\$ 107,747	58,895
Time deposits, less those pledged as security	11,626	4,740
Bank overdraft	(320,532)	(750,341)
	B\$ (201,159)	(686,706)

See accompanying notes to consolidated financial statements.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements

Year ended August 31, 2005
(Expressed in Bahamian dollars)

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, 3rd 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. The Company operates two retail stores under the trade name, The Home Centre, in Freeport, Grand Bahama. As of August 31, 2005 the Company had 98 (2004: 131) employees.

Up to August 31, 2005, the Company owned 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. Effective August 31, 2005, the Company sold its entire investment in RH.

Even though RH is no longer a subsidiary as of August 31, 2005, and its balance sheet has not been consolidated as of that date, the Company's financial statements continue to be referred to as "Consolidated" because the operating results of RH have been included for the year August 31, 2005.

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. 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 consolidated financial statements are prepared on the historical cost basis, except for land which is stated at an appraised value as explained in note 7.

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 up to August 31, 2005, which was controlled by the Company up to that date. 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 are included from the date of acquisition, being the date control commences up to the date of sale. All significant intercompany balances and transactions have been eliminated in preparing the consolidated financial statements.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

2. Significant accounting policies, continued

(c) Cash and cash equivalents

The Company considers all cash on hand, demand deposits with financial institutions and fixed deposits excluding those pledged as security for the customs bond of B\$50,000 (2004: B\$75,000), less bank overdraft, as cash and cash equivalents.

(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(g).

(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 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) Blocks

Blocks are carried 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.

(iv) 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.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

2. Significant accounting policies, continued

(f) *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (refer to accounting policy 2(g)), except for land which is stated at appraised value based on 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 after considering renewal options

Expenditures for maintenance and repairs are recognised in the consolidated statements of operations as incurred. 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.

(g) *Impairment*

The carrying amount of the Company's assets other than inventories {refer to accounting policy (e)} are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is determined based on the higher of the asset's value in use (present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life) or net selling price (arm's length sales price between willing parties less costs of disposal). Impairment losses are recognised in the consolidated statement of operations.

(h) *Accounts Payable*

Accounts payable are stated at cost.

(i) *Warranties*

The provision for warranties relates mainly to goods sold during the year ended August 31, 2005. The provision is based on estimates made by management from historical warranty data.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

2. Significant accounting policies, continued

(j) Minority interest

There was a minority shareholder in the net business assets of RH, the Company's former subsidiary. RH had 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 former subsidiary, up to the date of sale of the subsidiary.

(k) Revenue recognition

Revenue from the sale of retail hardware and consumer products, aggregate, blocks and ready mix concrete is recognised at the point of sale.

Net gain on sale of subsidiary is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

(l) Operating lease payments

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

(m) Interest income and expense

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

(n) Foreign exchange

The Company's measurement and reporting currency is the Bahamian dollar. Transactions in foreign currencies are translated to Bahamian dollars at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in currencies other than the Bahamian dollar are translated at the market exchange rates at the close of each business day. Exchange differences arising on translation are included in the consolidated statement of operations.

(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.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

2. Significant accounting policies, continued

(q) Fair value disclosure of financial instruments, continued

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.

(r) Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

3. Time deposits

As of August 31, 2005, time deposits earned interest at 3% (2004: 3.5%) per annum. Time deposits include B\$50,000 (2004: B\$75,000) which is being held by the Company's bankers as security for letters of credit and a customs bond referred to in note 12(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.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

4. Accounts receivable, net

	2005	2004
Trade accounts – third parties	B\$ 1,086,067	1,829,537
Trade accounts – related parties	58,759	–
Trade accounts – employees	61,889	8,502
Other	300,000	–
Other employee receivables and advances	12,020	67,703
	1,518,735	1,905,742
Less: allowance for doubtful accounts	(209,498)	(187,711)
	B\$ 1,309,237	1,718,031

Interest is charged on the trade accounts receivable greater than 30 days past due at a rate of 1.5% per month.

Other receivable represents an amount due from the Company's landlord in connection with the settlement related to the leasehold improvements at the Peel Street location. This amount has also been reflected in other income in the consolidated statement of operations. It is to be repaid on or before July 31, 2006.

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

	2005	2004
Balance at the beginning of the year	B\$ 187,711	354,573
Increase in provision for bad debts	482,921	139,896
Write-offs	(285,601)	(306,758)
Decrease resulting from sale of RH	(175,533)	–
Balance at the end of the year	B\$ 209,498	187,711

5. Inventories

	2005	2004
Hardware and consumer products	B\$ 1,984,624	3,889,187
Aggregate	6,671	84,578
Cement	20,384	17,196
Blocks	8,544	–
	2,020,223	3,990,961
Less: provision for slow moving inventory	(158,874)	(559,428)
	B\$ 1,861,349	3,431,533

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

5. Inventories, continued

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

	2005	2004
Opening provision for slow moving and obsolete inventory	B\$ 559,428	531,653
(Decrease)/increase in provision	(201,495)	178,833
Decrease resulting from sale of RH	(199,059)	-
Write-offs	-	(151,058)
	B\$ 158,874	559,428

6. Related party transactions

The balance of B\$440,272 due to shareholder in the prior year which had an interest rate of 9% was repaid in full during the current year.

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

Directors of the Company and their immediate relatives control approximately 43% (2004: 43%) of the voting shares of the Company.

The Company rents office space from a related party on a month to month basis at B\$2,968 per month. The related party is a company in which the founding shareholder has an equity interest.

As more fully described in note 12, the Company entered into a lease in July 2005 with a company related to the founding shareholder, in respect of the premises to where the Company will relocate its retail operations in 2006.

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 7. This company is owned by the founding shareholder. Payments for such services amounted to B\$74,595 (2004: B\$58,124) and in the absence of a formal contract, the directors believe the business relationship to be on normal commercial terms.

Total executive remuneration including employee benefits and commissions amounted to B\$602,194 (2004: B\$565,369) and is included in the consolidated statement of operations in payroll related costs.

An executive officer of RH was paid a commission of 3% of sales made by RH which amounted to B\$245,085 (2004: B\$231,489) and is included in the executive remuneration shown above.

Directors and non-executive officers fees included in other operating costs in the consolidated statement of operations amounted to B\$35,000 (2004: B\$35,000).

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

7. Property, plant and equipment

Cost/valuation:

	2004	Additions	Disposals	Sale of		2005
				RH	Impairment	
Land (at directors' valuation) B\$	1,521,000	–	–	–	–	1,521,000
Plant	791,169	122,398	–	–	(178,688)	734,879
Heavy equipment	847,324	171,852	(893)	–	(17,916)	1,000,367
Automobiles	278,402	135,551	(25,489)	(62,140)	–	326,324
Trailers and security booth	64,395	37,137	–	–	(24,231)	77,301
Store furniture and equipment	417,359	152,921	(29,787)	(125,356)	(53,417)	361,720
Office furniture and equipment	280,160	111,967	(6,316)	(114,081)	(112,063)	159,667
Leasehold improvements	794,863	344,184	–	(209,091)	(566,173)	363,783
	B\$ 4,994,672	1,076,010	(62,485)	(510,668)	(952,488)	4,545,041

Accumulated depreciation:

	2004	Depreciation charge	Disposals	Sale of		2005
				RH	Impairment	
Plant B\$	653,979	35,489	–	–	(178,688)	510,780
Heavy equipment	372,655	160,542	(893)	–	(17,916)	514,388
Automobiles	146,208	58,703	(19,214)	(41,596)	–	144,101
Trailers and security booth	29,251	14,418	–	–	(20,305)	23,364
Store furniture and equipment	261,765	83,764	(25,936)	(69,628)	(37,832)	212,133
Office furniture and equipment	183,913	68,030	(6,316)	(83,809)	(65,737)	96,081
Leasehold improvements	149,514	93,592	–	(39,499)	(156,415)	47,192
	B\$ 1,797,285	514,538	(52,359)	(234,532)	(476,893)	1,548,039

Net book value:

	2005	2004
Land	B\$ 1,521,000	1,521,000
Plant	224,099	137,190
Heavy equipment	485,979	474,669
Automobiles	182,223	132,194
Trailers and security boots	53,937	35,144
Store furniture and equipment	149,587	155,594
Office furniture and equipment	63,586	96,247
Leasehold improvements	316,591	645,349
	B\$ 2,997,002	3,197,387

The directors' valuation of land is based on an appraisal as of March 29, 2005 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. The carrying value of land had it not been appraised would be B\$87,133.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

7. Property, plant and equipment, continued

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\$22,019 (2004: B\$98,000) as of August 31, 2005.

Depreciation expense on certain plant assets and equipment amounting to B\$230,373 (2004: B\$215,249) has been included in cost of sales.

As described in note 11, during the current year, certain of the Company's property, plant and equipment with a net book value of B\$475,595 were damaged by hurricanes and fire and have been recognised as an impairment loss in the consolidated statement of operations.

8. Bank overdraft

The bank overdraft bears interest at 8.25% (2004: 9%) per annum and is secured by a first floating charge debenture stamped for B\$1,940,000 over the Company's land and all of its business assets. The overdraft facility limit is B\$1,000,000 (2004: B\$1,300,000).

9. Long term debt

	2005	2004
Bank loan	B\$ 497,598	-
Loan from related party	196,413	236,222
	694,011	236,222
Less: current portion	(177,788)	(39,810)
Balance at the end of the year	B\$ 516,223	196,412

The bank loan bears interest at B\$ prime rate plus 2.75% and is repayable by June 2012 with monthly instalments of B\$14,140 including interest. This loan is a part of an approved B\$900,000 demand instalment loan, of which B\$530,000 had been received prior to August 31, 2005. The bank loan is secured by a first floating charge debenture stamped for B\$1,940,000 over the Company's land and all of its business assets. The bank loan and overdraft facility are with the same bank.

The loan from related party as more fully described in note 6, bears interest at 9% per annum, is unsecured and is repayable in 5 years with monthly instalments of B\$4,955 including interest.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

10. Sale of investment in RH

On August 16, 2005, the Company entered into an agreement to sell its 90% shareholding interest in RH. The effective date for the sale was August 31, 2005.

The sales price for the shares was B\$571,500, and 70% of the shares in RH were sold to an executive and employee of RH.

As part of the transaction to sell the RH shares, the Company agreed to forgive repayment of B\$836,221 of the B\$1,414,721 debt due by RH to the Company as of August 31, 2005. Accordingly, the balance due to the Company by RH at August 31, 2005 is \$578,500.

The net effect of these transactions is as follows:

		2005
Sales price of RH shares	B\$	571,500
Carrying value of investment in RH at August 31, 2005 (net shareholders deficit) before forgiveness of debt of B\$836,221 due to the Company by RH		884,900
		1,456,400
Receivable due to the Company by RH forgiven at August 31, 2005		(836,221)
Net gain on sale of RH	B\$	620,179

The net carrying value of RH's assets and liabilities at August 31, 2005 (net shareholders deficit of RH) after forgiveness of debt of B\$836,221 due to the Company by RH is as follows:

		2005
Cash	B\$	16,158
Time deposit		20,000
Accounts receivable, net		449,910
Inventories		1,322,413
Inventory of spare part and supplies		23,579
Deposits and prepayments		17,332
Property, plant and equipment		276,136
Accounts payable and accrued		(1,576,249)
Warranty provision		(19,458)
Due to the Company		(578,500)
	B\$	(48,679)

The amount due on the sale of the shares of B\$571,500 was paid in full in December 2005.

In December 2005, a payment of B\$233,500 was made on the B\$578,500 due from RH. A further instalment of B\$86,250 is due on January 11, 2006. The remaining balance of B\$258,750 is payable in weekly instalments of B\$17,250 commencing January 18, 2006.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

10. Sale of investment in RH, continued

The amount due from RH is secured by way of a debenture in favour of the Company up to B\$795,560, creating a specific charge on all real and personal property of RH and a floating charge over RH's remaining assets.

11. Insurance proceeds and impairment of assets

In September 2004 certain of the Company's inventory and property, plant and equipment ("PP&E") were damaged by hurricanes. As a result, management has estimated the net book value of inventory damaged to be approximately B\$1,263,610 and the net book value of the portions of the PP&E that were damaged to be approximately B\$471,669. These amounts have been recognised as a loss and are shown under inventory damaged by hurricanes and impairment of PP&E, respectively in the consolidated statement of operations.

The Directors filed a claim with their insurers which was settled and collected in full by December 2004. The amount received net of the deductible was B\$1,183,610 and B\$114,939 for inventory and P,P&E, respectively and is included in the consolidated statement of operations as insurance proceeds.

In December 2004, the Company's concrete plant and office was damaged by a fire. As a result, management has estimated the net book value of the portions of the P,P&E that were damaged to be approximately B\$3,926. These amounts have been recognised as an impairment loss and are included in impairment of PP&E in the consolidated statement of operations.

The Directors filed a claim with their insurers which was settled and collected in full by December 2004. The amount received was B\$178,188 and is included in the consolidated statement of operations as insurance proceeds.

12. 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, however, the Company continues to use the premises on a month to month basis.

The Company has received verbal assurance that they can continue to occupy the land under similar terms of the old lease agreement. The Company intends to re-locate its operations to premises of Bahama Rock Limited ("BRL") and has signed a lease for this purpose, as described in the "Lease agreement with BRL" section below.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

12. Commitments and contingencies, continued

(a) Leases, continued

This limestone rock was 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. During the prior year the Company ceased producing sand and aggregate and instead purchased these materials from third parties.

Lease agreement with BRL

On May 9, 2005, the Company signed a ten year renewable lease agreement with BRL with an intention of moving its concrete plant operations and to commence a block plant. At August 31, 2005, the Company had commenced its block plant at the said premises and are yet to re-locate their concrete plant.

Under the lease agreement, the Company is committed to purchase all aggregate products needed for production of ready mixed cement and blocks from BRL.

Rent is payable at a base rate of \$1 per annum in advance commencing on June 1, 2005. In addition, the Company will pay BRL an annual license fee of B\$7,500 along with the base rent.

Hardware and consumer products operations

In August 2001, the Company entered into a lease agreement whereby it agreed to lease the premises for its retail merchandising operation on Peel Street in Freeport, Grand Bahama 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 at 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 lease calls for monthly lease payments with adjustments 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.

These premises were severely damaged by the hurricanes in September 2004 and it has been agreed with the landlord that the lease will be terminated effective June 30, 2005. A new lease for the same premises will be entered into from July 1, 2005 to April 30, 2006 for \$20,000 per month. Subsequent to April 2006, the Company intends to relocate its retail operations to the new premises described in the New Home Centre lease section below.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

12. Commitments and contingencies, continued

Leases, continued

Rent expense incurred during the current year amounted to B\$101,789 (2004: B\$326,001).

New Home Centre Lease

In July 2005, the Company entered into a 15 year lease agreement with a company related to the founding shareholder. The building is presently under construction. The lease commences on January 1, 2006, however, the Company intends to occupy the building in April 2006 and will not be liable for rent until that time. During the first 48 months the rent is B\$396,000 per annum to be paid in monthly instalments of B\$33,000. Thereafter, the rent is increased in proportion to the United States consumer price index.

Administrative offices

The Company rents administrative office space from a related party. The lease expired on December 31, 2004 and a new lease agreement has not been executed. The Company continues to rent these premises on a month to month basis at B\$2,968 per month.

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

2006	B\$	440,095
2007		544,095
2008		577,704
2009		594,508
2010		467,170
Thereafter		4,261,505
	B\$	6,885,077

(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\$50,000 (2004: B\$75,000) and corporate visa of B\$20,000. These credit facilities are collateralised by fixed deposits and a fixed and floating charge over the Company's land and all of its business assets stamped for B\$1,940,000. The maximum amount of the letter of credit facility is B\$50,000. The Company has available a B\$1,000,000 (2004: B\$1,300,000) overdraft facility of which B\$320,532 (2004: B\$750,341) has been used at year end.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

12. Commitments and contingencies, continued

(c) Capital commitments

The directors have approved B\$460,000 in connection with the construction of a new block plant and a concrete plant at the new BRL premises. As of August 31, 2005 B\$90,000 had been incurred. The remainder is expected to be incurred in fiscal 2006.

(d) 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.

13. Share capital

The Company has an authorised share capital of 20,000,000 shares with par value B\$0.01 per common share. As at August 31, 2005, 4,708,334 (2004: 4,708,334) shares were issued and fully paid.

14. Earnings/(loss) per share

Earnings/(loss) per share is calculated by dividing net income/(loss) for the year by the weighted average number of shares issued and outstanding. There are no share options, warrants or other instruments outstanding that have the effect of diluting earnings per share.

	2005	2004
Net (loss)/income applicable to ordinary shares	B\$ (290,714)	117,345
Weighted average number of ordinary shares outstanding	4,708,334	4,708,334

15. 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 liabilities in 2004, comprises the amount due to shareholder.

Freeport Concrete Company Limited

Notes to Consolidated Financial Statements, Continued

Year ended August 31, 2005
(Expressed in Bahamian dollars)

15. 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	Total
	2005	2004	2005	2004	2005	2004
Revenue	B\$ 2,764	3,013	19,861	19,070	22,625	22,083
Direct costs						
Materials used/ merchandise sold	(1,859)	(1,576)	(14,502)	(13,586)	(16,361)	(15,162)
Payroll related	(476)	(517)	–	–	(476)	(517)
Equipment	(104)	(93)	–	–	(104)	(93)
Depreciation	(230)	(215)	–	–	(230)	(215)
Utilities	(59)	(164)	–	–	(59)	(164)
	(2,728)	(2,565)	(14,502)	(13,586)	(17,230)	(16,151)
Decrease/(increase) in provision for slow moving inventory	–	–	201	(179)	201	(179)
Gross profit	B\$ 36	448	5,560	5,305	5,596	5,753
Other income	211	–	2,290	41	2,501	41
Operating expenses	B\$ (709)	(600)	(7,679)	(5,077)	(8,388)	(5,677)
Net (loss)/income	(462)	(152)	171	269	(291)	117
<i>Other information:</i>						
Segment assets	B\$ 3,048	3,052	4,644	5,622	7,692	8,674
Total assets	B\$ 3,048	3,052	4,644	5,622	7,692	8,674
Segment liabilities	B\$ 906	663	2,916	3,409	3,822	4,072
Un-allocated liabilities	–	–	–	440	–	440
Total liabilities	B\$ 906	663	2,916	3,849	3,822	4,512

16. Corresponding figures

Certain corresponding figures for 2004 have been reclassified to conform with the presentation adopted in 2005.