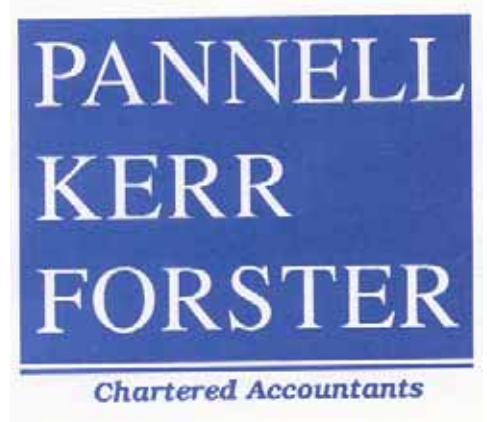


**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**

**ANNUAL REPORT 2006**



**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**



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**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED**



**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006**

**DIRECTORS:**

I. A. Alleyne, F.C.C.A - Chairman  
A. H. Bierzynski, F.C.C.A. - Managing  
N. Harris  
J. A. John  
D. A. Greaves  
G. Taylor  
L. Lambert, M.B.E.  
M. J. K. Pritchard, B.A. (Econ), F.C.C.A, F.C.M.A.  
J. Powell, B.Sc, A.C.A

**SECRETARY:**

Keith Renwick

**REGISTERED OFFICE:**

The Carenage  
St. George's  
Grenada, West Indies

**AUDITORS:**

Pannell Kerr Forster  
Chartered Accountants  
Grand Anse  
St. George's  
Grenada, West Indies

**BANKERS:**

FirstCaribbean International Bank (Barbados) Limited  
Church Street  
St. George's  
Grenada, West Indies

Republic Bank (Grenada) Limited  
Halifax Street  
St. George's  
Grenada, West Indies

Bank of Nova Scotia  
Granby Street  
St. George's  
Grenada, West Indies

**ATTORNEYS:**

J. Derek Knight, Q.C.  
Church Street  
St. George's  
Grenada, West Indies

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**



**NOTICE IS HEREBY GIVEN** that the 35th Annual Meeting of Jonas Browne and Hubbard (Grenada) Limited will be held at Hubbard's Building Supplies, Grand Anse, St. George's on Thursday 1st March, 2007 at 5.00 p.m.

**AGENDA**

1. To receive and consider the Consolidated Financial Statements and Reports of the Directors and Auditors for the year ended 30th September, 2006.
2. To elect Directors.
3. To appoint Auditors for the ensuing year.

The transfer books and register of members will be closed from 16th February, 2007 to 1st March, 2007 both days inclusive.

**BY ORDER OF THE BOARD: -**

Keith Renwick  
SECRETARY

St. George's  
21st November, 2006

## **DIRECTORS' REVIEW**

Consolidated gross revenues of \$ 109.5 million compared with \$ 123.7 million in 2005 reflected the anticipated return to more usual levels of activity, providing earnings before and after taxation of \$ 6.1 million and \$ 3.8 million respectively, slightly better than results in 2003. Our hardware and building supplies departments experienced most of the revenue declines, depressing our overall gross profit margin while operating expenses did not decrease proportionately because of external market conditions. Our wholly-owned subsidiary Grenadian General Insurance Company Limited contributed \$ 1.6 million after elimination of inter-company transactions to our results, a decline of 4.5% against the previous year despite premium growth, due mainly to a market-driven restructuring of re-insurance treaty arrangements in favour of open market placements. The effective taxation rate this year is 37.7 % because of the compounded effect of the Stamp Tax, referred to previously as a regressive measure because of its application to gross revenue. Total shareholders' equity has increased by 1.7%, and the book value of an ordinary share has increased to \$ 62.26.

The Directors have declared a dividend of \$ 1.15 per share (2005 - \$1.50) or 45.5 % of the earnings per share of \$ 2.53, payable in early 2007. In accord with IAS 10 the dividend is not included in the current year's financial statements.

Work-in-progress on the Carenage project and the Grand Anse Shopping Centre car park amounted to \$ 11.4 million, with continuing sub-contractor delays postponing the hand-over of the Carenage building to late November when the operations of the Hardware, Appliance and Furniture departments finally returned to their original location prior to the disastrous fire of July 11, 2002. The building has been the subject of much favourable public comment, and Hubbard's has been recognized by the Willie Redhead Foundation for its preservation of the built heritage of St. George's.

During the year the rebuilding of the last of the storage sheds at the Building Supplies department was completed, and a fibre-optic cable connection to the Lumber retail service area finalized the current programme of systems upgrade at that location. Capital expenditure on plant and equipment at the Supermarkets and Motor department amounted to \$ 138.9 thousand; an additional \$ 75.6 thousand was spent on business equipment, and a further \$326.3 thousand on vehicles including an additional forklift truck and the Food Fair shuttle bus introduced in July.

The programme of assistance with refurbishing and re-equipping school facilities from which six schools benefited concluded in September, and was expanded to support the rebuilding project of the St. George's Anglican Church. Hubbard's continues to support community activities throughout the island.

Following the decision reported last year to establish a dedicated Human Resource Department, Goddard Enterprises Limited conducted a comprehensive human resource audit in January and is working with management on implementation of the recommendations. Mr. Philbert J. Lewis was appointed Manager-Human Resources in July, 2006 and as part of the senior management team has been involved in training interventions and policy formulation to achieve the objectives of this new department, as we position our customer service personnel to perform more effectively.

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**



**DIRECTORS' REVIEW  
(continued)**

The current level of general economic activity is projected to improve during the traditional tourist season boosted by visitor arrivals for the Cricket World Cup. In this regard, the recent announcement of the start of renovations of the property previously known as Cinnamon Hill provides some optimism that our food services departments will derive additional benefit beyond April 2007.

With the recent introduction into Grenada of the new Daihatsu Terios four wheel drive vehicle, Hubbard's may now have an attractive entrant into a market segment long dominated by the "foreign used" SUV's. While complaints about the lack of a level playing field with respect to these imports have not been addressed locally, some other countries in the region have taken serious measures to deal with both the fiscal and environmental implications of these vehicle imports. Should any changes in policy be announced in the Budget presentation, this will materially affect the timing of the commencement of development of our Mt. Gay property.

It is now clear that our regional and international obligations will require the implementation of a Value Added Tax before the end of 2007. We urge Government to develop the necessary consensus to widen the tax base, encourage taxpayer compliance, and tighten collection efforts in the known areas of revenue leakage as we have pointed out in the past. We cannot afford to have VAT fail again.

Our Directors, Managers and employees worked hard to deliver the results for 2006 under trying physical conditions while advancing the process of organizational change, and take this opportunity to express their thanks for the continuing support of loyal customers and shareholders.

I.A. Alleyne  
Chairman

A.H. Bierzynski  
Managing Director

21st November 2006



**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**

**REPORT OF THE DIRECTORS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006**

The Directors submit their Report and the audited consolidated financial statements for the year ended 30<sup>th</sup> September 2006.

The net earnings of the group as shown in the Consolidated Statement of Income is	3,799,559
To this is added the balance of Retained Earnings brought forward from the previous year of	<u>42,081,325</u>
Giving a total of	<u>\$45,880,884</u>
Dividends paid during the year	2,250,000
Balance of Retained Earnings carried forward	<u>43,630,884</u>
	<u>\$45,880,884</u>

The Board of Directors has declared a final dividend of \$1.15 per share for the year ended 30<sup>th</sup> September 2006. This is not recorded in the financial statements in accordance with IAS 10.

In accordance with Section 4.5 of By-Law No.1, Messrs. G. Taylor and L. Lambert retire, and being eligible, offer themselves for re-election.

In accordance with Section 4.4.2(c) of By-Law No.1 Mr. J.A. John has advised of his resignation to take effect at the close of the next Annual Meeting.

The Auditors, Messrs. Pannell Kerr Forster, Chartered Accountants, retire, and being eligible, offer themselves for re-appointment.

**BY ORDER OF THE BOARD**

A. H. Bierzynski - Managing Director  
N. Harris - Director

St. George's  
21<sup>st</sup> November, 2006

**REPORT OF THE AUDITORS TO THE MEMBERS OF**  
**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED**  
**AND SUBSIDIARY COMPANY**

We have audited the accompanying consolidated balance sheet at 30th September, 2006 and the consolidated statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of those charged with governance. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance 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 provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, as set out on pages 9 to 20 present fairly in all material respects, the financial position of the Group as at 30th September, 2006 and the results of its operations and the changes in its financial position for the year then ended in conformity with International Financial Reporting Standards.

GRENADA:

30<sup>th</sup> October, 2006



Chartered Accountants:

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**



**CONSOLIDATED BALANCE SHEET  
AT 30TH SEPTEMBER, 2006**

	Notes	<b>2006</b>	2005
<b>CURRENT ASSETS</b>			
Cash at bank and on hand		5,531,173	19,701,737
Accounts receivable		6,413,411	6,443,524
Inventories	3	<u>33,816,648</u>	<u>30,723,984</u>
		<u>45,761,232</u>	<u>56,869,245</u>
<b>CURRENT LIABILITIES</b>			
Bank overdrafts	4	6,964,779	294,532
Accounts payable and accrued expenses		10,369,166	12,984,341
Deposit accounts	5	9,299,478	13,347,860
Provision for taxation		149,526	2,727,133
Deferred tax liability	9	<u>50,086</u>	<u>121,113</u>
		<u>26,833,035</u>	<u>29,474,979</u>
WORKING CAPITAL		18,928,197	27,394,266
<b>INVESTMENTS</b>	6	8,433,300	3,403,300
<b>MORTGAGES</b>	7	1,474,071	1,557,548
<b>FIXED ASSETS</b>	8	<u>64,554,028</u>	<u>59,484,923</u>
		<u>\$93,389,596</u>	<u>\$91,840,037</u>
<b>FINANCED BY:</b>			
<b>SHAREHOLDERS' EQUITY</b>			
<b>STATED CAPITAL</b>	10	17,175,750	17,175,750
<b>REVALUATION RESERVE</b>	13	32,582,962	32,582,962
<b>RETAINED EARNINGS</b>		<u>43,630,884</u>	<u>42,081,325</u>
		<u>\$93,389,596</u>	<u>\$91,840,037</u>

The notes on pages 13 to 20 form part of these financial statements

: Director

: Director

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**



**CONSOLIDATED STATEMENT OF INCOME  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006**

	<b>2006</b>	2005
<b>Sales and Commission Income</b>	109,542,687	123,702,716
Cost of Sales	<u>84,660,426</u>	<u>92,665,246</u>
Gross profit and commission income	<u>24,882,261</u>	<u>31,037,470</u>
Direct expenses	11,848,213	12,644,689
General and administrative expenses	6,458,338	6,326,189
Interest expense - (Net)	555,428	707,097
Depreciation	<u>1,466,276</u>	<u>1,359,534</u>
	<u>20,328,255</u>	<u>21,037,509</u>
<b>NET OPERATING INCOME</b>	4,554,006	9,999,961
<b>OTHER INCOME</b>		
Rents	655,369	618,792
Gain on disposal of fixed assets	87,537	79,654
Miscellaneous	<u>833,887</u>	<u>779,481</u>
	<u>1,576,793</u>	<u>1,477,927</u>
<b>EARNINGS BEFORE TAXATION AND EXCEPTIONAL ITEMS</b>	6,130,799	11,477,888
<b>Add: EXCEPTIONAL ITEMS</b>	(note 14) <u>        -</u>	<u>626,359</u>
	<u>6,130,799</u>	<u>12,104,247</u>
<b>EARNINGS BEFORE TAXATION</b>		
Deduct: Provision for taxation		
Income tax - current	(note 9) 1,820,764	3,578,541
- deferred	(note 9) (71,027)	121,113
Stamp tax	<u>581,503</u>	<u>998,364</u>
	<u>2,311,240</u>	<u>4,698,018</u>
<b>EARNINGS AFTER TAXATION AND EXCEPTIONAL ITEMS</b>	<u>\$3,799,559</u>	<u>\$7,406,229</u>

The notes on pages 13 to 20 form part of these financial statements

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**



**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
AT 30<sup>TH</sup> SEPTEMBER, 2006**

	Stated Capital	Revaluation Reserve	Retained Earnings	Total
Balance at 1 <sup>st</sup> October , 2004	17,175,750	-	36,175,096	53,350,846
2005 profit for the year after taxation	-	-	7,406,229	7,406,229
Surplus on revaluation	-	32,582,962	-	32,582,962
Dividends paid	_____ -	_____ -	(1,500,000)	(1,500,000)
Balance at 30 <sup>th</sup> September, 2005	-	32,582,962	42,081,325	91,840,037
2006 profit for the year after taxation	-	-	3,799,559	3,799,559
Dividends paid	_____ -	_____ -	(2,250,000)	(2,250,000)
Balance at 30 <sup>th</sup> September, 2006	<u>\$17,175,750</u>	<u>\$32,582,962</u>	<u>\$43,630,884</u>	<u>\$93,389,596</u>

The notes on pages 13 to 20 form part of these financial statements

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**



**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006**

	<b>2006</b>	2005
<b>OPERATING ACTIVITIES</b>		
Net profit for year before taxation	6,130,799	12,104,247
Adjustments for:		
Depreciation	1,466,276	1,359,534
Gain on disposal of fixed assets	(87,537)	(79,654)
Decrease in deposit accounts	(4,048,382)	(751,338)
Decrease in accounts receivable	421,771	1,236,001
Increase in inventory	(3,092,664)	(5,618,599)
Decrease in accounts payable and accrued charges	(3,196,678)	(13,093,037)
(Increase)/ decrease in investments	(5,030,000)	769,500
Payment of income tax	<u>(4,790,029)</u>	<u>(513,857)</u>
 Cash used in operating activities	 <u>(12,226,444)</u>	 <u>(4,587,203)</u>
<b>INVESTING ACTIVITIES</b>		
Disposal of fixed assets	93,500	265,460
Decrease in mortgages	83,477	179,704
Purchase of fixed assets	<u>(6,541,344)</u>	<u>(6,281,731)</u>
 Cash used in investing activities	 <u>(6,364,367)</u>	 <u>(5,836,567)</u>
<b>FINANCING ACTIVITIES</b>		
Payment of dividends	<u>(2,250,000)</u>	<u>(1,500,000)</u>
 Cash used in financing activities	 <u>(2,250,000)</u>	 <u>(1,500,000)</u>
Net decrease in cash and cash equivalents	(20,840,811)	(11,923,770)
Net cash - at the beginning of the year	<u>19,407,205</u>	<u>31,330,975</u>
 - at the end of the year	 <u>\$(1,433,606)</u>	 <u>\$19,407,205</u>
<b>REPRESENTED BY:</b>		
Cash at bank and on hand	5,531,173	19,701,737
Bank overdraft	<u>(6,964,779)</u>	<u>( 294,532)</u>
	 <u>\$(1,433,606)</u>	 <u>\$19,407,205</u>

The notes on pages 13 to 20 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006**

**1. INCORPORATION AND PRINCIPAL ACTIVITY**

The Companies are registered in Grenada and were issued certificates of continuance under section 365 of the Companies Act.

The Group's principal activities are merchandising and distribution, acting as commission and shipping agents, and risk insurance.

The group is a subsidiary of Goddard Enterprises Limited, which owned 51.4% of the ordinary share capital at the balance sheet date.

**2. PRINCIPAL ACCOUNTING POLICIES**

(a) Basis of Accounting

These financial statements have been prepared in compliance with International Financial Reporting Standards and in accordance with the historical cost convention, modified by the revaluation of land and buildings as disclosed in Note 13, and are expressed in Eastern Caribbean Currency Dollars.

(b) Basis of Consolidation

These financial statements include the assets, liabilities and results of operations of Grenadian General Insurance Company Limited. The Companies' year ends are coterminous.

(c) Depreciation

Depreciation is provided on fixed assets by the straight line method at the following rates which are estimated to write off the cost of the assets over the period of their estimated useful lives:-

Buildings	2%
Plant, machinery and equipment	16 2/3% to 20%
Furniture and fittings	10% to 20%
Motor vehicles	25% to 33 1/3%
Data processing equipment	33 1/3%

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006  
(continued)**

**2. PRINCIPAL ACCOUNTING POLICIES (continued)**

(d) Inventories

Inventories are valued at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis. Net realisable value is the price at which stock can be realised in the normal course of business. Provision is made for obsolete, slow-moving and defective stocks.

(e) Accounts Receivable

Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at year-end.

(f) Foreign Currencies

Foreign currency transactions during the year have been effected at the rates of exchange ruling at the dates of the transactions. Assets and liabilities expressed in foreign currencies are translated to Eastern Caribbean Currency Dollars at the rates of exchange ruling at the end of the financial year. Differences arising from fluctuations in exchange rates are included in the statement of income.

(g) Revenue Recognition

Sales are recognized upon delivery of products and customer acceptance, if any, or performance of services, net of GCT and discounts.

Commissions earned are accounted for in current operations when actually received.

The Company does not recognise prepayments in its financial statements. On a going concern basis this has no material effect on the results of any one year.

(h) Taxation

Deferred taxes are provided for the expected future tax consequences of temporary differences between the carrying amounts and tax bases of assets and liabilities using currently enacted corporation tax rates.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006**

(continued)

**2. PRINCIPAL ACCOUNTING POLICIES (continued)**

(i) Use of Estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reporting amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(j) Cash and Cash Equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprises of cash on hand and at bank and short-term fixed deposits.

(k) Investments

*Held-to-maturity*

Investments in which management has the intent and ability to hold to the fixed maturity date are classified as held to maturity. These investments are stated at cost.

*Other*

Under the provisions of the Insurance Act of 1973 the subsidiary company is required to maintain a deposit with the Supervisor of Insurance of an amount equal to 40% of its premium income of the preceding year.

(l) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. Details of these segments are disclosed in note 15.

**3. INVENTORIES**

	<b>2006</b>	2005
Lumber Department	2,696,743	2,066,051
Building Supplies	9,482,983	7,586,766
Hardware	3,504,877	3,115,429
Agency	3,866,880	3,494,068
Appliances	3,566,768	3,197,408
Food Fairs	4,958,493	5,003,797
Home Centre	658,011	558,783
Motor Department	2,715,213	3,387,052
LAND Shop	265,202	303,107
Business Equipment and Stationery	1,667,405	1,525,719
Packaging materials	73,813	91,190
Goods-in-transit	<u>360,260</u>	<u>394,614</u>
	<u>\$33,816,648</u>	<u>\$30,723,984</u>

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**



**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006  
(continued)**

**4. BANK OVERDRAFT**

	<b>2006</b>	2005
FirstCaribbean International Bank (Barbados) Limited	\$6,964,779	<u>\$294,532</u>

The parent company has an authorized overdraft facility of \$7,500,000. This facility is unsecured, however the title deeds of properties are deposited with the Bank.

**5. DEPOSIT ACCOUNTS**

These accounts are on deposit on terms from call to one year and carry varying rates of interest from 6% to 9% per annum.

**6. INVESTMENTS**

	<b>2006</b>	2005
(a) Held-to-Maturity		
RBTT Bank Jamaica US\$ Bonds:		-
5.975% fixed rate bonds – 2007	4,071,000	-
6.0% fixed rate bonds - 2007	959,000	-
Government of St. Kitts - 7.5% fixed rate bonds	1,000,000	1,000,000
Government of Grenada - 8% 2006/2007 Bonds - at cost	<u>939,000</u>	<u>939,000</u>
	6,969,000	1,939,000
(b) Other		
Government of Grenada - statutory deposit	<u>1,464,300</u>	<u>1,464,300</u>
	<u>\$8,433,300</u>	<u>\$3,403,300</u>

**7. MORTGAGES**

Housing loans to staff members are secured by first demand mortgages executed in favour of the Company. The loans bear interest at the rate of six per cent per annum, and are repayable over twelve years. Not all mortgages had been registered by the balance sheet date.

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006  
(continued)**

**8. FIXED ASSETS**

	Land	Buildings	Motor Vehicles	Furniture Fittings and equipment	Work in Progress	Total
<b>COST</b>						
Balance at 1st October, 2005	22,822,235	29,339,060	3,696,980	8,050,582	5,694,030	69,602,887
Additions for the year	-	-	361,326	222,550	5,957,468	6,541,344
Disposals for the year	-	-	(286,942)	(23,904)	-	(310,846)
Reallocation	<u>-</u>	<u>255,746</u>	<u>-</u>	<u>-</u>	<u>(255,746)</u>	<u>-</u>
Balance at 30th September, 2006	<u>22,822,235</u>	<u>29,594,806</u>	<u>3,771,364</u>	<u>8,249,228</u>	<u>11,395,752</u>	<u>75,833,385</u>
<b>ACCUMULATED DEPRECIATION</b>						
Balance at 1st October, 2005	-	586,781	3,000,797	6,530,386	-	10,117,964
Charge for the year	-	591,896	423,948	450,432	-	1,466,276
Disposals for the year	<u>-</u>	<u>-</u>	<u>( 282,938)</u>	<u>( 21,945)</u>	<u>-</u>	<u>( 304,883)</u>
Balance at 30th September, 2006	<u>-</u>	<u>11,178,677</u>	<u>3,141,807</u>	<u>6,958,873</u>	<u>-</u>	<u>11,279,357</u>
NET BOOK VALUE - 2006	<u>\$22,822,235</u>	<u>\$28,416,129</u>	<u>\$629,557</u>	<u>\$1,290,355</u>	<u>\$11,395,752</u>	<u>\$64,554,028</u>
NET BOOK VALUE - 2005	<u>\$20,822,235</u>	<u>\$28,752,279</u>	<u>\$638,399</u>	<u>\$1,533,128</u>	<u>\$5,694,030</u>	<u>\$59,484,923</u>

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006**

(Continued)

**9. TAXATION**

**(a) Income tax**

Income taxes in the statement of income vary from amounts that would be computed by applying the statutory tax rate for the following reasons:

	<b>2006</b>	2005
Accounting profit	<u>6,130,799</u>	<u>12,104,247</u>
Tax at applicable statutory rate (30%)	1,839,240	3,631,274
Tax effect of items that are adjustable in determining taxable profit:		
Income not subject to tax	(86,028)	(86,028)
Expenses not deductible for tax purposes	9,376	54,154
Other items	<u>58,176</u>	<u>(20,859)</u>
Tax expense	<u>\$1,820,764</u>	<u>\$3,578,541</u>

**(b) Deferred tax**

	<b>2006</b>	2005
Balance as at 30 <sup>th</sup> September, 2005	121,113	-
Deferred tax (release)/charge	<u>(71,027)</u>	<u>121,113</u>
Balance as at 30 <sup>th</sup> September, 2006	<u>\$50,086</u>	<u>\$121,113</u>

Deferred tax is due to the acceleration of tax depreciation

**10. STATED CAPITAL**

	<b>2006</b>	2005
Authorised		
- 1,500,000 ordinary shares of no par value		
Issued		
- 1,500,000 Ordinary shares of no par value	<u>\$17,175,750</u>	<u>\$17,175,750</u>

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006**

(Continued)

**11. EARNINGS PER SHARE**

This is based on the net earnings for the year after taxation.

**12. CONTINGENT LIABILITIES**

The parent company is contingently liable for letters of indemnity, letters of credit and warehouse bonds totalling approximately \$1,461,269.

**13. REVALUATION SURPLUS**

The company's freehold land and buildings were revalued in July 2004 by T. M. Williamson Consulting Architects using a combination of the open market value method for land and reproduction cost less accrued depreciation for buildings. The excess of the revaluations over the carrying values totaled \$32,967,372. The Board of Directors reduced this excess by \$384,410 for the impairment of buildings arising from damages caused by Hurricane Ivan. This reduction has resulted in a net surplus of \$32,582,962.

**14. EXCEPTIONAL ITEMS**

	<b>2006</b>	2005
Insurance claim settlement	-	(1,184,346)
Repairs to hurricane damaged properties	<u>-</u>	<u>557,987</u>
	<u>\$ -</u>	<u>\$(626,359)</u>

**JONAS BROWNE AND HUBBARD (GRENADA) LIMITED  
AND SUBSIDIARY COMPANY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30TH SEPTEMBER, 2006  
(continued)**

**15. BUSINESS SEGMENTS**

	Merchandising, Distribution and Shipping	Insurance
As at 30 <sup>th</sup> September, 2006		
Total income	107,759,873	3,359,607
Net profit	2,232,350	1,567,209
Total assets	105,714,206	14,508,425
Total liabilities	23,311,147	3,521,888
As at 30 <sup>th</sup> September, 2005		
Total income	121,623,806	3,556,837
Net profit	5,765,302	1,640,927
Total assets	106,713,504	14,601,512
Total liabilities	25,992,795	3,482,184

**16. FIVE-YEAR FINANCIAL SUMMARY**

	2006	2005	2004	2003	2002
Stated Capital	17,175,750	17,175,750	17,175,750	17,175,750	17,175,750
Shareholders' equity	93,389,596	91,840,037	53,350,846	53,019,097	51,152,247
Net earnings after taxation	3,799,559	7,406,229	2,098,021	3,625,578	4,094,459
Dividends paid	2,250,000	1,500,000	1,800,000	1,725,000	-
Earnings per share	\$2.53	\$4.94	\$1.40	\$2.42	\$2.73