

Montego Freeport Limited 1996

NOTES TO THE FINANCIAL STATEMENTS

1. COMPANY IDENTIFICATION:

The Government of Jamaica, through the Urban Development Corporation, owns approximately 82% of the issued share capital of the company.

The company has three wholly owned subsidiaries that traded during the year; Montego Shopping Centre Limited, Seawind Limited and Seawind Beach Hotel Limited. The company also has three wholly owned non-trading subsidiaries which are Montego Stevedoring Limited, Montego Shipping Services Limited and Montego Wharves Limited.

On 1 November 1995, Montego Freeport Limited and Seawind Beach Hotel Limited terminated the hotel operations of the property known as the Seawind Beach Resort. These operations comprised the hotel properties known as Seawind Towers and Seawind Beach Resort.

By agreement dated 31 December 1995, between Montego Freeport

Limited and Flexnon Limited, a wholly owned subsidiary of Ciboney Group Limited, Flexnon Limited manages Seawind Towers until 30 June 1996. Flexnon Limited has an option which expires on that date, to purchase the apartments in Seawind Towers which are owned by the group together with certain development property and furniture, fixtures and equipment for approximately \$84,528,000. The directors of Flexnon Limited have indicated their intention to exercise this option.

Under the terms of a two year agreement dated 31 December 1995, between Montego Freeport Limited and Peninsula Investments Limited, a wholly owned subsidiary of Ciboney Group Limited, the management of the Seawind Beach Resort (the "Resort") has been assumed by Peninsula Investments Limited (the "Management Company").

As compensation for the services rendered, the Management Company is entitled to a management fee of 5% of the annual gross revenue and 6% of the annual gross operating profit of the operations of the Resort. The remaining net revenue derived from the operations of the Resort is due to Montego Freeport Limited. This agreement shall terminate if the option to purchase Seawind Towers referred to above is not exercised.

2. SIGNIFICANT ACCOUNTING POLICIES:

Consolidation.

These financial statements are stated in Jamaican dollars unless otherwise indicated. The consolidated financial statements include the financial statements of the company and its wholly owned subsidiaries.

Depreciation.

No depreciation is considered necessary on freehold land. Other fixed assets are depreciated on the straight line basis at the following rates: Buildings and groynes 2 1/2%, furniture, fixtures and equipment 10% and motor vehicles 20%. Leasehold improvements are amortized over 3 1/2 years. Linen, silverware, glassware, crockery and utensils are treated on a replacement

basis, all replacements being charged to the profit and loss account.

Foreign currency translation.

Assets and liabilities denominated in foreign currencies have been translated at the rates of exchange prevailing at year end. Transactions in foreign currencies have been translated at the rates of exchange prevailing on the date of the transactions. Gains or losses arising on translation are reflected in the profit and loss account.

Inventories

Inventories are stated at the lower of cost and net realisable value, cost being determined on the "first-in first-out" basis. The majority of the group's inventories were sold to the Ciboney Group during the year.

Deferred expenditure

Expenditure relating to the sale of assets and a proposed hotel expansion is deferred until the sale and expansion work are completed.

3. TURNOVER:

Turnover represents the gross sales of the group for the year resulting primarily from hotel operations.

4. TRADING LOSS:

The trading loss is stated after charging the following items:

	1996 \$'000	1995 \$'000
Depreciation	5,385	5,706
Auditors' remuneration	2,350	2,510
Overdraft and other interest	14,774	1,073

Directors' emoluments:		
Fees	66	-
Management remuneration	<u>1,460</u>	<u>650</u>

5. TAXATION:

a) Taxation is based on the results of operations for the year as adjusted for taxation purposes and comprises:

	1996 \$'000	1995 \$'000
Prior year overprovision	-	<u>337</u>
	-	<u>337</u>

There is no tax charge for the year because the group incurred a loss for tax purposes.

b) Subject to agreement with The Commissioner of Income Tax the group has tax losses available for offset against future taxable profits amounting to approximately \$147,744,000 (1995 \$70,740,000) which may be carried forward indefinitely.

6. EXTRAORDINARY ITEMS:

	1996 \$'000	1995 \$'000
Realised profit on sale of:		
a) Shops in Montego Shopping Centre complex	4,805	2,090
b) Apartments in the Seawind Apartment complex	3,726	5,386

Cessation of hotel operations:

Cost or valuation -							
At 1 April 1995	398,607	123,543	3,410	18,743	3,356	538	548,197
Additions -	-	-	-	674	50	-	724
Disposals	(1,059)	(10,478)	-	(139)	(577)	(538)	(12,791)
At 31 March 1996	<u>397,548</u>	<u>113,065</u>	<u>3,410</u>	<u>19,278</u>	<u>2,829</u>	-	<u>536,130</u>
Depreciation -							
At 1 April 1995	-	15,040	3,033	11,288	2,428	-	31,789
Charge for the year	-	3,017	-	1,908	460	-	5,385
On disposals	-	(1,955)	-	(118)	(577)	-	(2,650)
At 31 March 1996	-	<u>(16,102)</u>	<u>3,033</u>	<u>13,078</u>	<u>2,311</u>	-	<u>34,524</u>
Net book value -							
At 31 March 1996	<u>397,548</u>	<u>96,963</u>	<u>377</u>	<u>6,200</u>	<u>518</u>	-	<u>501,606</u>
At 31 March 1995	<u>398,607</u>	<u>108,503</u>	<u>377</u>	<u>7,455</u>	<u>928</u>	<u>538</u>	<u>516,408</u>

The freehold land and buildings of Montego Freeport Limited and its subsidiaries are stated at a 1991 professional valuation carried out by Chang, Rattray and Company, Chartered Surveyors, on the basis of open market values for existing use. The resulting gain is included in capital reserve (note 14).

The Company

	Freehold land	Buildings and Groynes	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Linen, silverware, glassware etc	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or valuation							
At 1 April 1995	373,185	31,111	2,996	14,809	3,356	538	425,995
Additions	-	-	-	57	50	-	107
Disposals	-	-	-	-	(577)	(538)	(1,115)
At 31 March 1996	<u>373,185</u>	<u>31,111</u>	<u>2,996</u>	<u>14,866</u>	<u>2,824</u>	-	<u>424,987</u>
Depreciation -							

At 1 April 1995	-	3,351	2,996	8,062	2,428	-	16,837
Charge for year	-	778	-	1,468	460	-	2,706
On disposals	-	-	-	-	(577)	-	(577)
At 31 March 1996	-	<u>4,129</u>	<u>2,996</u>	<u>9,530</u>	<u>2,311</u>	-	<u>18,966</u>
Net book value -							
At 31 March 1996	<u>373,185</u>	<u>26,982</u>	-	<u>5,336</u>	<u>518</u>	-	<u>406,021</u>
At 31 March 1995	<u>373,185</u>	<u>27,760</u>	-	<u>6,747</u>	<u>928</u>	<u>538</u>	<u>409,158</u>

The freehold land and buildings of the company are stated at a 1991 professional valuation carried out by Chang, Rattray and Company, Chartered Surveyors on the basis of open market values for existing use. The resulting gain is included in capital reserve (note 14)

11. ASSOCIATED COMPANY:

	The Group and The Company	
	1996	1995
	\$'000	\$'000
Montego Cold Storage Limited		
8% Debenture	<u>20</u>	<u>20</u>

12. DEFERRED EXPENDITURE:

	The Group and The Company	
	1996	1995
	\$'000	\$'000
Professional fees re roadway development, sale of land not yet completed and proposed hotel expansion	<u>14,410</u>	<u>5,418</u>

13. SHARE CAPITAL:

	1996 \$'000	1995 \$'000
Authorised 60,000,000 ordinary shares of \$0.50 each	<u>30,000</u>	<u>30,000</u>
Issued and fully paid 51,187,790 stock units of \$0.50 each	<u>25,594</u>	<u>25,594</u>

14 CAPITAL RESERVE:

	The Group	
	1996 \$'000	1995 \$'000
Balance at beginning of year	553,979	546,457
Transfer from revenue reserve	-	7,522
Balance at end of year	<u>553,979</u>	<u>553,979</u>
Comprising:		
Unrealised		
Surplus on revaluation of land and buildings (note 10)	475,239	485,349
Realised -		
Gain on sale of fixed assets	<u>78,740</u>	<u>68,630</u>
	<u>553,979</u>	<u>553,979</u>

The company

	1996 \$'000	1995 \$'000
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Balance at beginning and end of year	<u>385,181</u>	<u>385,181</u>
Comprising:		
Unrealised:		
Surplus on revaluation of land and buildings (note 10)	373,239	373,239
Realised:		
Gain on sale of fixed assets	<u>11,942</u>	<u>11,942</u>
	<u>385,181</u>	<u>385,181</u>

15. SUBSIDIARY COMPANIES:

	1996 \$'000	1995 \$'000
Shares at cost	(7)	(7)
Current accounts (net)	<u>64,797</u>	<u>60,199</u>
	64,790	60,192
Provision for losses	<u>3,015</u>	<u>3,015</u>
	<u>67,805</u>	<u>63,207</u>

16. RELATED COMPANIES:

	The Group	
	1996 \$'000	1995 \$'000
National Hotels and Properties Limited	26,974	17,520
Seacastles Resorts Limited	(2,272)	(1,817)
Jamaica Hotel and Resorts Limited	<u>561</u>	<u>(1,369)</u>
	<u>25,263</u>	<u>14,334</u>

	The Company	
	1996	1995
	\$'000	\$'000
National Hotels and Properties Limited	23,038	13,583
Seacastles Resorts Limited	(2,272)	(1,817)
Jamaica Hotel and Resorts Limited	561	(1,369)
	<u>21,327</u>	<u>10,397</u>

17. PARENT CORPORATION:

The amounts due to parent corporation are as follows:

	The Group	
	1996	1995
	\$'000	\$'000
Loan	136	136
Current account	2,987	142
	<u>3,123</u>	<u>278</u>

	The Company	
	1996	1995
	\$'000	\$'000
Current account	<u>3,186</u>	<u>125</u>

The loan and the current account are interest free and have no set repayment terms.

18. RELATED PARTY TRANSACTIONS:

During the year, the company entered into transactions with its parent corporation, subsidiary companies and other

related companies including loan receipts, advances and the provision of management and technical services.

19. PENSION SCHEMES:

The company has two contributory pension schemes which are managed by outside agencies. The schemes provided for pensions based on average earnings for the last five years of employment.

All employees of the company were made redundant effective 31 October 1995, at which date the schemes were actuarially valued in order to assess their capacity for the repayment of pension contributions.

Both pension schemes were adequately funded to meet the repayment of staff contributions and accrued interest at 31 October 1995.

Subsequent to 31 October, both schemes are still being operated to meet the needs of monthly pension payments to retirees.
