Montego Freeport Limited 1997

NOTES TO THE FINANCIAL STATEMENTS

31 March 1997

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 managed Seawind Towers on behalf of Montego Freeport Limited until 30 June 1996. Flexnon Limited has indicated its intention to exercise its option 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 $84,337,000. The purchase was incomplete as at 31 March 1997.

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

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 amortised 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 realizable 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 development activities.

4. TRADING LOSS:

The trading loss is stated after charging the following items:

	1997 $'000	1996 $'000
Depreciation	4,835	5,385
Auditors' remuneration	1,615	2,350
Overdraft and other interest	790	14,774
Directors' emoluments:		
Fees	227	66
Management remuneration	1,750	1,460

5. TAXATION:

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

Subject to agreement with The Commissioner of Income Tax the group has tax losses available for offset against future taxable profits amounting to approximately $157,401,000 (1996 $147,744,000) which may be carried forward indefinitely.

6. EXTRAORDINARY ITEMS:

	1997 $'000	1996 $'000
Realised profit on sale of:		
a) Shops in Montego Shopping Centre complex	567	4,805
b) Apartments in the Seawind Apartment complex	1,869	3,726
c) Motor vehicles	696	-
Cessation of hotel operations		
d) Redundancy payments	-	(26,839)
e) Relocation of guests	-	(822)
f) Professional fees	(1,800)	(2,874)
	1,332	(22,004)

7. LOSS ATTRIBUTABLE TO STOCKHOLDERS OF THE COMPANY:

	1997 $'000	1996 $'000
Dealt with in the financial statements of:		
The company	(9,386)	(70,894)
Subsidiaries	(2,933)	(13,591)
	(12,319)	**(84,485)**

8. ACCUMULATED LOSSES:

Dealt with in the financial statements of:		
The company	(136,057)	(126,672)
Subsidiaries	(10,477)	(7,543)
	(146,534)	**(134,215)**

9. LOSS PER STOCK UNIT:

The calculation of the loss per stock unit is based on the loss for the year and the number of stock units in issue during the year.

10. FIXED ASSETS:

The Group

	Freehold land	Buildings and groynes	Leasehold improvements	Furniture fixtures and equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation -						
At 1 April 1996	397,548	113,065	3,410	19,278	2,829	536,130
Additions	-	-	-	18	-	18
Disposals	(3,848)	(3,048)	-	(39)	(1,469)	(8,404)
At 31 March 1997	393,700	110,017	3,410	19,257	1,360	527,744
Depreciation -						
At 1 April 1996	-	16,102	3,033	13,078	2,311	34,524
Charge/(credit) for						

the year	-	2,938	-	1,923	(26)	4,835
On disposals	-	(680)	-	(37)	(1,036)	(1,753)
At 31 March 1997	-	18,360	3,033	14,964	1,249	37,606
Net book value -						
At 31 March 1997	**393,700**	**91,657**	**377**	**4,293**	**111**	**490,138**
At 31 March 1996	**397,548**	**96,963**	**377**	**6,200**	**518**	**501,606**

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 improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Cost or valuation -						
At 1 April 1996	373,185	31,111	2,996	14,866	2,829	424,987
Additions	-	-	-	18	-	18
Disposals	(3,450)	-	-	-	(1,469)	(4,919)
At 31 March 1997	369,735	31,111	2,996	14,884	1,360	420,086
Depreciation -						
At 1 April 1996	-	4,129	2,996	9,530	2,311	18,966
Charge/(credit) for the year	-	778	-	1,488	(26)	2,240
On disposals	-	-	-	-	(1,036)	(1,036)

At 31 March 1997	-	4,907	2,996	11,018	1,249	20,170
Net book value -						
At 31 March 1997	**369,735**	**26,204**	**-**	**3,866**	**111**	**399,916**
At 31 March 1996	**373,185**	**26,982**	**-**	**5,336**	**518**	**406,021**

The freehold land and buildings of the company are stated at a 1991 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	
	1997	1996
	$'000	$'000
Montego Cold Storage Limited - 8% Debenture	20	20

12. DEFERRED EXPENDITURE:

	The Group and The Company	
	1997	1996
	$'000	$'000
Professional fees re roadway development, sale of land not yet completed and proposed hotel expansion	17,390	14,410

13. SHARE CAPITAL

	1997	1996
	$'000	$'000

Authorised -

60,000,000 ordinary shares of $0.50 each	30,000	30,000
Issued and fully paid - 51,187,790 stock units of $0.50 each	**25,594**	**25,594**

14. CAPITAL RESERVE:

	The Group	
	1997 $'000	1996 $'000
Balance at beginning and end of year	**553,979**	**553,979**
Comprising:		
Unrealised		
Surplus on revaluation of land and buildings (note 10)	469,517	475,239
Realised -		
Gain on sale of fixed assets	84,462	78,740
	553,979	**553,979**

	The Company	
	1997 $'000	1996 $'000
Balance at beginning and end of year	**385,181**	**385,181**
Comprising:		
Unrealised -		

Surplus on revaluation of land and buildings (note 10)	370,364	373,239
Realised - Gain on sale of fixed assets	14,817	11,942
	385,181	**385,181**

15. SUBSIDIARY COMPANIES:

	1997 $'000	1996 $'000
Shares at cost	(7)	(7)
Current accounts (net)	65,547	64,797
	65,540	64,790
Provision for losses	3,015	3,015
	68,555	**67,805**

16. RELATED COMPANIES:

	1997 $'000	1996 $'000
National Hotels and Properties Limited	25,401	26,974
Seacastles Resorts Limited	(2,272)	(2,272)
Jamaica Hotel and Resorts Limited	561	561
	23,690	**25,263**

	The Company	
	1997	1996

	$'000	$'000
National Hotels and Properties Limited	21,936	23,038
Seacastles Resorts Limited	(2,272)	(2,272)
Jamaica Hotel and Resorts Limited	561	561
	20,225	**21,327**

17. PARENT CORPORATION:
The amounts due to the parent corporation are as follows:

The Group

	1997 $'000	1996 $'000
Loan	136	136
Current account	1,371	2,987
	1,507	**3,123**

The Company

	1997 $'000	1996 $'000
Current account	**1,570**	**3,186**

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 1995, both schemes are still being operated to meet the needs of monthly pension payments to retirees.