

# Montego Freeport Limited 1998

---

## Notes to the Financial Statements

31 March 1998

### 1. Identification

- (a) The Government of Jamaica, through the Urban Development Corporation, owns approximately 82% of the issued share capital of the company. The primary activities of the group are tourism and real estate related.

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 wholly owned non-trading subsidiaries which are Montego Stevedoring Limited, Montego Shipping Services Limited and Montego Wharves Limited.

- (b) By agreement dated 31 December 1995, between Montego Freeport Limited and Flexnon 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 1998.

- (c) Under the terms of a two year agreement dated 31 December 1995, between Montego Limited and Peninsular Investment Limited, a wholly owned subsidiary of Ciboney Group

Limited, the management of the Seawind Beach Hotel (the "Resort") was assumed by Peninsular Investment Limited (the "Management Company"). This agreement was terminated in August 1997 at which time the operations of the Seawind Beach Hotel property ceased.

Montego Freeport Limited is currently negotiating with Flexnon Limited for the lease of the Seawind Beach Hotel property. Flexnon Limited took possession of the property in February 1998 and although the lease negotiations are incomplete, the agreement is expected to become effective in May 1998.

## 2. Significant Accounting Policies

### (a) Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

### (b) Consolidation

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

### (c) Depreciation

No depreciation is considered necessary on freehold land and no depreciation was charged on the jetty for the current year. 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%
Motor vehicles	20%
Leasehold improvements - depreciated over	3 1/2 years.

### (d) 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 transactions. Gains or losses arising on translation are reflected in the profit and loss account.

### (e) Deferred expenditure

Expenditure relating to the sale of assets and a proposed hotel expansion is deferred until the sale and expansion work are completed. Also included in deferred expenditure are certain marketing costs which are to be written off in the subsequent year.

3. Turnover

Turnover represents the gross sales of the group for the year to third parties.

4. Profit/(Loss) before Taxation and Exceptional Items

The profit/(loss) before taxation and exceptional items is stated after charging/(crediting) the following items:

	1998 \$'000	1997 \$'000
Depreciation	4,737	4,835
Overdraft and other interest	992	790
Auditors' remuneration		
Current year	1,180	1,454
Prior year	-20	161
Directors' emoluments		
Fees	275	227
Management remuneration	1,843	1,750
Interest income	<b>(33,368)</b>	<b>(6,096)</b>

5. Exceptional Items

	1998 \$'000	1997 \$'000
(a) Realised profit on sale of:		
i) Shops in Montego Shopping Centre Complex	-	567
ii) Apartments in the Seawind Apartment Complex	552	1,869
iii) Motor vehicles	-	696
	18,510	-
(b) Contingency reserve written back		
(c) Cessation of hotel operations:		
Professional fees	-	(1,800)
(d) Bad debts provided for	<u>( 192)</u>	<u>-</u>

	<u>18,870</u>	<u>1,332</u>
--	---------------	--------------

6. 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 \$154,421,000 (1997 - \$142,091,000) which may be carried forward indefinitely.

7. Profit/(Loss) Attributable to Stockholders of the Company

	1998 \$'000	1997 \$'000
Dealt with in the financial statements of:		
The company	30,140	( 9,386)
Subsidiaries	<u>( 9,189)</u>	<u>( 2,933)</u>
	<u>20,951</u>	<u>(12,319)</u>

8. Accumulated Losses

	1998 \$'000	1997 \$'000
Dealt with in the financial statements of:		
The company	(105,917)	(136,057)
Subsidiaries	<u>( 19,894)</u>	<u>( 10,477)</u>
	<b><u>(125,811)</u></b>	<b><u>(146,534)</u></b>

9. Profit/(Loss) per Stock Unit

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

10. Fixed Assets

	Freehold Land \$'000	Buildings and Groynes \$'000	Leasehold Improvements \$'000	Furniture, Fixtures and Equipment \$'000	Motor Vehicles \$'000	Jetty \$'000	Total \$'000
The Company							
At Cost or Valuation -							
At 1 April 1997	369,735	31,111	2,996	14,884	1,360	-	420,086
Additions	-	-	-	94	-	1,005	1,099
Disposals	-	-	-	( 280)	-	-	( 280)
At 31 March 1998	<u>369,735</u>	<u>31,111</u>	<u>2,996</u>	<u>14,698</u>	<u>1,360</u>	<u>1,005</u>	<u>420,905</u>
Accumulated Depreciation							
At 1 April 1997	-	4,907	2,996	11,018	1,249	-	20,170
Charge for the Year	-	777	-	1,457	109	-	2,343
On disposals	-	-	-	( 279)	-	-	( 279)
At 31 March 1998	<u>-</u>	<u>5,684</u>	<u>2,996</u>	<u>12,196</u>	<u>1,358</u>	<u>-</u>	<u>22,234</u>
Net Book Value -							
At 31 March 1998	<b>369,735</b>	<b>25,427</b>	<b>-</b>	<b>2,502</b>	<b>2</b>	<b>1,005</b>	<b>398,671</b>
At 31 March 1997	<b>369,735</b>	<b>26,204</b>	<b>-</b>	<b>3,866</b>	<b>111</b>	<b>-</b>	<b>399,916</b>

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).

	Freehold Land \$'000	Buildings and Groynes \$'000	Leasehold Improvements \$'000	Furniture, Fixtures and Equipment \$'000	Motor Vehicles \$'000	Jetty \$'000	Total \$'000
The Group							
At Cost or Valuation -							
At 1 April 1997	393,700	110,017	3,410	19,257	1,360	-	527,744
Additions	-	-	-	94	-	1,005	1,099
Disposals	( 176)	( 1,709)	-	( 302)	-	-	( 2,187)

At 31 March 1998	393,524	108,308	3,410	19,049	1,360	1,005	526,656
Accumulated Depreciation							
At 1 April 1997	-	18,360	3,033	14,964	1,249	-	37,606
Charge for the year	-	2,825	-	1,803	109	-	4,737
On disposals	-	( 302)	-	( 302)	-	-	( 604)
At 31 March 1998	-	20,883	3,033	16,465	1,358	-	41,739
Net Book Value -							
At 31 March 1998	<b>393,524</b>	<b>87,425</b>	<b>377</b>	<b>2,584</b>	<b>2</b>	<b>1,005</b>	<b>484,917</b>
At 31 March 1997	<b>393,700</b>	<b>91,657</b>	<b>377</b>	<b>4,293</b>	<b>111</b>	<b>-</b>	<b>490,138</b>

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

#### 11. Associated Company

The Group and the  
Company

1998      1997  
\$'000      \$'000

Montego Cold Storage Limited -  
8% Debenture

          -                20

The debentures were redeemed during the year.

#### 12. Deferred expenditure

The Group		The Company	
1998	1997	1998	1997
\$'000	\$'000	\$'000	\$'000

Professional fees re roadway  
development, sale of land not yet  
completed, proposed hotel expansion

and marketing fees.	<u>17,402</u>	<u>17,390</u>	<u>17,402</u>	<u>17,390</u>
13. Share Capital				
			1998	1997
			\$'000	\$'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	
			1998	1997
			\$'000	\$'000
Balance at beginning of year	553,979	553,979		
Add: Gain on sale of fixed assets	<u>228</u>	<u>-</u>		
	<u>554,207</u>	<u>553,979</u>		
Comprising:				
Unrealised -				
Surplus on revaluation of land and buildings				
(note 10)	467,785	475,239		
Realised -				
Gain on sale of fixed asset	<u>86,422</u>	<u>78,740</u>		
	<u>554,207</u>	<u>553,979</u>		
			The Company	
			1998	1997
			\$'000	\$'000
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)	370,364	373,239
Realised -	14,817	11,942
Gain on sale of fixed assets	<u>385,181</u>	<u>385,181</u>

15. Subsidiaries

	1998	1997
	\$'000	\$'000
Shares at cost	( 7)	( 7)
Current accounts (net)	<u>63,292</u>	<u>65,547</u>
	63,285	65,540
Provision for losses	<u>3,015</u>	<u>3,015</u>
	<b><u>66,300</u></b>	<b><u>68,555</u></b>

16. Related Companies

	The Group	
	1998	1997
	\$'000	\$'000
National Hotels and Properties Limited	24,112	25,401
Seacastles Resorts Limited	-	(2,272)
Jamaica Hotel and Resorts Limited	-	561
	<u>24,112</u>	<u>23,690</u>
	The Company	
	1998	1997
	\$'000	\$'000
National Hotels and Properties Limited	20,647	21,936
Seacastles Resorts Limited	-	(2,272)
Jamaica Hotel and Resorts Limited	-	561
	<u>20,647</u>	<u>20,225</u>

17. Parent Corporation



The amounts due to the parent corporation are as follows:

	The Group	
	1998	1997
	\$'000	\$'000
Loan	136	136
Current account	<u>1,673</u>	<u>1,371</u>
	1,809	1,507

  

	The Company	
	1998	1997
	\$'000	\$'000
Current account	1,898	1,570

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.

Although all employees were made redundant in 1995, both schemes are still operated to meet monthly pension payments to retirees.

---