Montego Freeport and Its Subsidiaries 1999

Notes to the Financial Statements

31 March 1999

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) Flexnon Limited, a company incorporated in Jamaica, is in the process of acquiring 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 1999.

   (c) 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") 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.

With effect from 1 February 1998, Flexnon Limited took possession of the Seawind Beach Hotel property under the terms of a two year lease agreement which becomes effective 1 May 1998. The lease agreement is not yet finalised.

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 Jamaican 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. 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 %
Jetty	2 1/2 %

(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.

3. Turnover

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

4. Profit before Exceptional Items and Taxation

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

	1999	1998
	$'000	$'000
Depreciation	4,267	4,737
Overdraft and other interest	17	992
Auditors' remuneration -		
Current year	1,030	1,180
Prior year	-	(20)
Directors' emoluments -		
Fees	237	275
Management remuneration	2,190	1,843
Interest income	**(22,635)**	**(33,368)**

5. Exceptional Items

	1999	1998
	$'000	$'000
(a) Profit on sale of apartments in the Seawind Apartment Complex	-	552
(b) Contingency reserve written back	-	18,510
(c) Bad debts	(13,452)	(192)
	(13,452)	**18,870**

6. Taxation

There is no tax charge for the year as a result of the tax losses brought forward being offset against taxable profits for the year.

Subject to agreement with the Commissioner of Income Tax, the group has tax losses available for offset against future taxable profits amounting to approximately $102,694,000 (1998 - $154,421,000) which may be carried forward indefinitely.

7. Net Profit Attributable to Stockholders of the Company

	1999 $'000	1998 $'000
Dealt with in the financial statements of:		
The Company	53,119	30,140
Subsidiaries	745	(9,189)
	53,864	**20,951**

8. Accumulated Losses

	1999 $'000	1998 $'000
Dealt with in the financial statements of:		
The company	(111,386)	(105,917)
Subsidiaries	(19,148)	(19,894)
	(130,534)	**(125,811)**

9. Profit per Stock Unit

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

10. Fixed Assets

The Group

	Freehold Land $'000	Buildings and Groynes $'000	Leasehold Improvements $'000	Furniture, Fixtures and Equipment $'000	Motor Vehicles $'000	Jetty $'000	Total $'000
Cost or Valuation -							
1 April 1998	393,524	108,308	3,410	19,049	1,360	1,005	526,656
Additions	-	113	-	194	-	-	307
Transferred	-	-	(414)	414	-	-	-
Disposals	(18,664)	-	-	-	-	-	(18,664)
31 March 1999	374,860	108,421	2,996	19,657	1,360	1,005	508,299
Depreciation -							
1 April 1998	-	20,883	3,033	16,465	1,358	-	41,739
Transferred	-	-	(37)	37		-	-
Charge for the year	-	2,720	-	1,522	-	25	4,267
31 March 1999	-	23,603	2,996	18,024	1,358	25	46,006
Net Book Value -							
31 March 1999	**374,860**	**84,818**	**-**	**1,633**	**2**	**980**	**462,293**
31 March 1998	**393,524**	**87,425**	**377**	**2,584**	**2**	**1,005**	**484,917**

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 for existing use. The resulting gain is included in capital reserve (note 13).

The Company

	Freehold Land $'000s	Buildings and Groynes $'000s	Leasehold Improvements $'000s	Furniture, Fixtures and Equipment $'000s	Motor Vehicles $'000s	Jetty $'000s	Total $'000s

Cost or Valuation -

1 April 1998	369,735	31,111	2,996	14,698	1,360	1,005	420,905
Additions	-	-	-	42	-	-	42
Disposals	(18,664)	-	-	-	-	-	(18,664)
31 March 1999	351,071	31,111	2,996	14,740	1,360	1,005	402,283
Depreciation -							
1 April 1998	-	5,684	2,996	12,196	1,358	-	22,234
Charge for the year	-	778	-	1,473	-	25	2,276
31 March 1999	-	6,462	2,996	13,669	1,358	25	24,510
Net Book Value -							
31 March 1999	351,071	24,649	-	1,071	2	980	377,773
31 March 1998	369,735	25,427	-	2,502	2	1,005	398,671

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 13).

11. Deferred Expenditure

	The Group and the Company	
	1999	1998
	$'000	$'000
Professional fees re roadway development, and proposed hotel expansion	9,995	17,402
Legal fees re pending sale of Towers Apartments	4,116	-
	14,111	17,402

12. Share Capital

	1999 $'000	1998 $'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

13. Capital Reserve

	The Group	
	1999 $'000	1998 $'000
Balance at beginning of year	554,207	553,979
Add: Transfer from profit and loss - Gain on sale of fixed assets	58,587	228
	612,794	**554,207**
Comprising:		
Unrealised -		
Opening balance	467,785	467,785
Surplus on revaluation of land and buildings (note 10)		
Less: Revaluation surplus relating to sale of fixed assets realised	15,465	-
	452,320	467,785
Realised -		
Gain on sale of fixed assets		
Balance at beginning of year	86,422	86,422

Transfer from unrealised surplus on revaluation of land and buildings	15,465	-
Transfer from profit and loss	58,587	-
	160,474	86,422
	612,794	554,207

	The Company	
	1999	1998
	$'000	$'000
Balance at beginning of year	385,181	385,181
Add: Transfer from profit and loss - Gain on sale of fixed assets	58,587	-
	443,768	**385,181**
Comprising:		
Unrealised -		
Opening balance		
Surplus on revaluation of land and buildings (note 10)	370,364	370,364
Less: Revaluation surplus relating to sale of fixed assets realised	15,465	-
	354,899	370,364
Realised -		
Gain on sale of fixed assets		
Balance at beginning of year	14,817	14,817
Transfer from unrealised surplus on revaluation of land and buildings	15,465	-
Transfer from profit and loss	58,587	-

88,869	14,817
443,768	**385,181**

14. Subsidiaries

	1999	1998
	$'000	$'000
Shares at cost	(7)	(7)
Current accounts (net)	62,505	63,292
	62,498	63,285
Provision for losses	3,015	3,015
	65,513	**66,300**

15. Related Companies

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
National Hotels and Properties Limited	**29,335**	**24,112**	**25,870**	**20,647**

16. Parent Corporation

The amounts due to the parent corporation are as follows:

	The Group		The Company	
	1999	1998	1999	1998
	$'000	$'000	$'000	$'000
Loan	136	136	-	-
Current account	1,906	1,673	2,231	1,898
	2,042	1,809	2,231	1,898

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

17. 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.

18. 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.