

Montego Bay Freeport 2000

Notes to the Financial Statements 31 March 2000

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) Grand Bay Development Limited (formerly Flexnon Limited), a company incorporated in Jamaica, has purchased 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 sale is reflected in the financial statements as at 31 March 2000. Certain legal formalities are still outstanding pertaining to the sale of the apartments.
- (c) With effect from 1 February 1998, Grand Bay Developments Limited (formerly Flexnon Limited) took possession of the Seawind Beach Hotel property under the terms of a two-year lease agreement which became effective 1 May 1998. The lease agreement was not finalised. As of 1 May 2000, the lease is renewable on a monthly basis.

2. Significant Accounting Policies

- (a) Accounting convention

These financial statements have been prepared in accordance with and comply with Jamaican Accounting Standards, and have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets.

(b) Use of estimates

The preparation of financial statements in conformity with Jamaican generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(c) 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.

(d) Depreciation

No depreciation is considered necessary on freehold land. Other fixed assets are depreciated on the straight line basis at the following rates: -

Buildings	2 1/2%
Furniture, fixtures and equipment	10%
Motor vehicles	20%
Jetty	2 1/2 %

(e) 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.

(f) Deferred expenditure

Expenditure relating to a proposed hotel expansion is deferred until the expansion work is completed.

(g) Financial instruments

The amounts included in the financial statements for accounts receivable, accounts payable and accrued liabilities reflect their approximate fair values because of the short-term of these instruments. The fair value of the company's other financial instruments are discussed in note 20

3. Turnover

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

4. Operating (Loss)/Profit

The following items have been charged/(credited) in arriving at operating (loss)/profit:

	Note	2000 \$'000	1999 \$'000
Depreciation		4,318	4,267
Overdraft and other interest		-	17
Auditors' remuneration -		1,030	1,030
Directors' emoluments -			
Fees		237	237
Management remuneration		400	2,190
Interest income		(25,428)	(22,635)
Staff costs	5	<u>7,649</u>	<u>9,351</u>

5. Staff Costs

	2000 \$'000	1999 \$'000
Salaries and wages	6,002	7,786
Statutory deductions	<u>1,647</u>	<u>1,565</u>
	<u>7,649</u>	<u>9,351</u>

	2000 No.	1999 No.
Average number of persons employed by the group during the year	19	20

6. Financial Income

	2000	1999
	\$'000	\$'000
Interest income	25,428	22,635
Net foreign exchange gains	<u>8,750</u>	<u>638</u>
	<u>34,178</u>	<u>23,273</u>

7. Exceptional Items

	2000	1999
	\$'000	\$'000
(a) Profit on sale of Seawind Towers Apartments	45,429	-
(b) Bad debts	<u>(191)</u>	<u>(13,452)</u>
	<u>45,238</u>	<u>(13,452)</u>

8. 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 \$42,500,000 (1999 \$102,694,000) which may be carried forward indefinitely.

9. Net Profit Attributable to Stockholders of the Company

	2000	1999
	\$'000	\$'000
Dealt with in the financial statements of:		
The company	62,418	53,119
Subsidiaries	<u>10,166</u>	<u>745</u>
	<u>72,584</u>	<u>53,864</u>

10. Accumulated Losses

2000	1999
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	\$'000	\$'000
Dealt with in the financial statements of:		
The company	(93,002)	(111,386)
Subsidiaries	(6,852)	(19,148)
	<u>(99,854)</u>	<u>(130,534)</u>

11. Earnings per Stock Unit

The calculation of the earnings per stock unit is based on the profit for the year and the number of stock units in issue during the year. The prior year earnings per stock unit have been restated to give effect to the bonus issue.

12. Fixed Assets

	Freehold Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Furniture, Fixtures and Equipment \$'000	Motor Vehicles \$'000	Jetty \$'000	Total \$'000
Cost or Valuation -							
1 April 1999	374,860	108,421	2,996	19,657	1,360	1,005	508,299
Additions	-	-	-	940	135	-	1,075
Disposals	-	(31,111)	-	(239)	-	-	(31,350)
31 March 2000	<u>374,860</u>	<u>77,310</u>	<u>2,996</u>	<u>20,358</u>	<u>1,495</u>	<u>1,005</u>	<u>478,024</u>
Depreciation -						0	
1 April 1999	-	23,603	2,996	18,024	1,358	25	46,006
Disposals	-	(7,242)	-	(239)	-	-	(7,481)
Charge for the year	-	2,721	-	1,554	18	25	4,318
31 March 2000	<u>-</u>	<u>19,082</u>	<u>2,996</u>	<u>19,339</u>	<u>1,376</u>	<u>50</u>	<u>42,843</u>
Net Book Value -							
31 March 2000	<u>374,860</u>	<u>58,228</u>	<u>-</u>	<u>1,019</u>	<u>119</u>	<u>955</u>	<u>435,181</u>
31 March 1999	<u>374,860</u>	<u>84,818</u>		<u>1,633</u>	<u>2</u>	<u>980</u>	<u>462,293</u>

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 16).

The Company

	Freehold Land \$'000	Buildings \$'000	Leasehold Improvements \$'000	Furniture, Fixtures and Equipment \$'000	Motor Vehicles \$'000	Jetty \$'000	Total \$'000
Cost or Valuation -							
1 April 1999	351,071	31,111	2,996	14,698	1,360	1,005	402,283
Additions	-	-	-	940	135	-	1,075
Disposals	-	(31,111)	-	(239)	-	-	(31,350)
31 March 2000	<u>351,071</u>	<u>0</u>	<u>2,996</u>	<u>15,441</u>	<u>1,495</u>	<u>1,005</u>	<u>372,008</u>
Depreciation -						0	
1 April 1999	-	6,462	2,996	13,669	1,358	25	24,510
Disposals	-	780	-	1,516	-	-	2,339
Charge for the year	-	(7,242)	-	(239)	18	25	(7,481)
31 March 2000	<u>-</u>	<u>-</u>	<u>2,996</u>	<u>14,946</u>	<u>1,376</u>	<u>50</u>	<u>19,368</u>
Net Book Value -							
31 March 2000	<u>351,071</u>	<u>-</u>	<u>-</u>	<u>495</u>	<u>117</u>	<u>955</u>	<u>352,640</u>
31 March 1999	<u>351,071</u>	<u>24,649</u>	<u>-</u>	<u>1,071</u>	<u>2</u>	<u>980</u>	<u>377,773</u>

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 16).

13. Deferred Expenditure

	The Group and the Company	
	2000 \$'000	1999 \$'000
Professional fees re roadway development, and proposed hotel expansion	10,952	9,995
Legal fees on sale of Towers Apartments	<u>-</u>	<u>4,116</u>

	<u>10,952</u>	<u>14,111</u>
14. Mortgage Receivable		
	The Group and the Company	
	2000	1999
	\$'000	\$'000
Mortgage	32,414	-
Less: Current portion included under current assets	<u>10,805</u>	<u>-</u>
	<u>21,609</u>	<u>-</u>

The company sold its apartments in the Seawind Towers complex, part of the consideration is a mortgage which bears interest at the rate of twelve percent (12%) per annum. The mortgage is denominated in United States dollars and the principal balance outstanding at 31 March 2000 was US\$771,750. Repayments are due annually in instalments of US\$267,250 each. Final payment is due in 2003. The mortgage is secured by a charge over the apartments in the Seawind Towers complex.

15. Share Capital

	2000	1999
	\$'000	\$'000
Authorised -		
564,000,000 ordinary shares of \$0.50 each	<u>282,000</u>	<u>30,000</u>
Issued and fully paid -		
563,065,690 stock units of \$0.50 each	<u>281,533</u>	<u>25,594</u>

During the year the company increased its authorized share capital by 504,000,000 ordinary shares of \$0.50 each to rank pari passu in all respects with the existing ordinary shares and stock units of the company.

A bonus issue of ten (10) shares for every one (1) share owned was made from the capital reserves of the company (note 16).

16. Capital Reserve

	The Group	
	2000	1999
	\$'000	\$'000
Balance at beginning of year	612,794	554,207
Add: Transfer from profit and loss account - gain on sale of fixed assets	41,904	58,587
Less: Bonus issue capitalised (note 15)	(255,939)	-
Transfer tax on capital distribution by subsidiary	(5,955)	-
	<u>392,804</u>	<u>612,794</u>
Comprising:		
Unrealised -		
Balance at beginning of year	444,520	459,985
Less: Revaluation surplus realised on sale of fixed assets	(23,727)	15,465
Bonus issue capitalised (Note 4)	(27,989)	-
	<u>392,804</u>	<u>444,520</u>
Realised -		
Balance at beginning of year	168,274	94,222
Add: Transfer from unrealised surplus on sale of land and buildings	23,727	15,465
Transfer from profit and loss account	41,904	58,587
Less: Transfer tax on capital distribution by subsidiary	(5,955)	-
Bonus issue capitalised (note 15)	(227,950)	-
	<u>-</u>	<u>168,274</u>
	<u>392,804</u>	<u>612,794</u>

16. Capital Reserve

	The Company	
	2000	1999
	\$'000	\$'000
Balance at beginning of year	443,768	385,181
Add: Transfer from profit and loss account- gain on sale of fixed assets	41,904	58,587
Capital distribution received	73,449	-
Less: Bonus issue capitalised (note 15)	<u>(255,938)</u>	<u>-</u>
	<u>303,183</u>	<u>443,768</u>
Comprising:		
Unrealised -		
Surplus on revaluation of land and buildings (note 10)	354,899	370,364
Less: Revaluation surplus realised on sale of fixed assets	(23,727)	15,465
Bonus issue capitalised (note 15)	<u>(27,989)</u>	<u>-</u>
	<u>303,183</u>	<u>354,899</u>
Realised -		
Balance at beginning of year	88,869	14,817
Transfer from unrealised surplus on sale of land and buildings	23,727	15,465
Transfer from profit and loss account	<u>115,354</u>	<u>58,587</u>
	227,950	88,869
Less: Bonus issue capitalised (note 15)	<u>(227,950)</u>	<u>-</u>
	<u>-</u>	<u>88,869</u>
	<u>303,183</u>	<u>443,768</u>

17. Subsidiaries

	2000	1999
	\$'000	\$'000

Shares at cost	(7)	(7)
Current accounts (net)	<u>4,812</u>	<u>62,505</u>
	4,805	62,498
Provision for losses	<u>3,015</u>	<u>3,015</u>
	<u>7,820</u>	<u>65,513</u>

18. Related Companies

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
National Hotels and Properties Limited	<u>23,816</u>	<u>29,335</u>	<u>20,351</u>	<u>25,870</u>

19. Parent Corporation

The amounts due to the parent corporation are as follows:

	The Group		The Company	
	2000 \$'000	1999 \$'000	2000 \$'000	1999 \$'000
Loan	136	136	-	-
Current account	<u>1,894</u>	<u>1,906</u>	<u>2,229</u>	<u>2,231</u>
	<u>2,030</u>	<u>2,042</u>	<u>2,229</u>	<u>2,231</u>

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

20. Financial Instruments

Credit risk

The group has no significant concentrations of credit risk. Cash and short-term deposits are placed with substantial financial institutions.

Fair values

The estimated fair values of financial instruments are as follows:

The Group					
	2000		1999		
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000	
Financial assets					
Cash and short-term deposit	130,680	130,680	43,606	43,606	
Accounts receivable	2,919	2,919	80,061	80,061	
Mortgage receivable	32,414	25,953			
Taxation recoverable	11,668	11,668	6,200	6,200	
Financial liabilities					
Accounts payable	23,485	23,485	67,040	67,040	
The Company					
	2000		1999		
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000	
Financial assets					
Cash and short-term deposits	128,159	128,159	42,936	42,936	
Accounts receivable	1,716	1,716	71,982	71,982	
Mortgage receivable	32,414	25,953	-	-	
Taxation recoverable	11,652	11,652	6,200	6,200	
Financial liabilities					
Accounts payable	15,419	15,419	63,542	63,542	

The estimated fair values have been determined using available market information and appropriate

methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value. Accordingly, estimates presented above are not necessarily indicative of the amount that the company would realise in a current market exchange.

Fair values were estimated as follows:

Cash and short-term deposits, accounts receivable and accounts payable

The carrying amount approximates fair value because of the short maturity of these instruments.

Long-term investments

Fair value of debt instruments is based upon projected cash flows discounted at an estimated current market rate of interest.

21. 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.

22. 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.

23. Comparative Information

Certain prior year figures have been restated to conform with current year's presentation.
