

Montego Freeport Limited

Notes to the Financial Statements

31 March 2002

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 is incorporated in Jamaica.

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 Developments Limited, a company incorporated in Jamaica, purchased the apartments in Seawind Towers which were owned by the group, together with certain development property, furniture, fixtures and equipment for approximately \$84,337,000. The sale was reflected in the financial statements as at 31 March 2000. Certain legal formalities pertaining to the sale of the apartments are still outstanding.

(c) The Seawind Beach Hotel property is operated by Sunset Beach Resort and Spa Limited under the terms of a lease which 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) Revenue recognition

Revenue is recognised on an accrual basis net of general consumption tax and after eliminating sales within the group.

(d) 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.

(e) Depreciation

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

Buildings	2.50%
Furniture, fixtures and equipment	10.00%
Motor vehicles	20.00%
Jetty	2.50%

(f) 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.

(g) Deferred expenditure

Expenditure relating to a proposed hotel expansion and future land development is deferred until the expansion work is completed.

(h) Financial instruments

The amounts included in the financial statements for receivables, cash and deposits, and payables reflect their approximate fair values because of the short-term of these instruments. Financial instruments are further discussed in note 19.

(i) Comparative information

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

3 Operating Profit/(Loss)

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

	2002	2001
	\$'000	\$'000
Depreciation	2,215	2,172
Profit on disposal of fixed assets	(5,742)	-
Auditors' remuneration -		
Current year	960	930
Prior year	(40)	(40)
Directors' emoluments -		
Fees	310	310
Management remuneration	800	600
Staff costs (note 4)	9,201	8,061
	=====	=====

4 Staff Costs

	2002	2001
	\$'000	\$'000
Salaries and wages	7,825	6,692
Statutory deductions	588	523
Other	788	846
	<u>9,201</u>	<u>8,061</u>
	=====	=====

	No.	No.
Average number of persons employed by the group during the year	19	18
	=====	=====

5 Finance Income

	2002	2001
	\$'000	\$'000
Interest income	24,498	26,174
Net foreign exchange gain	<u>3,755</u>	<u>4,508</u>
	<u>28,253</u>	<u>30,682</u>
	=====	=====

6 Exceptional Items

	2002	2001
	\$'000	\$'000
(a) Pension fund surplus refunded (note 21)	18,030	-
(b) Bad debts	-	(699)
(c) Seawind Towers escrow account written back	-	1,863
(d) Seawind Towers accrued rental income written off	<u>(932)</u>	<u>-</u>
	<u>17,098</u>	<u>1,164</u>
	=====	=====

7 Taxation

Taxation is based on profit for the year adjusted for taxation purposes for the company and comprises:

	2002	2001
	\$'000	\$'000
Income tax at 33 1/3	6,909	-
	=====	=====

Subject to agreement with the Commissioner of Income Tax, certain subsidiaries have tax losses amounting to approximately \$5,180,000 (2001 - \$21,933,000) available for set off

against future taxable profits, which may be carried forward indefinitely.

8 Net Profit

	2002 \$'000	2001 \$'000
Dealt with in the financial statements of:		
The company	26,018	19,762
Subsidiaries	<u>12,643</u>	<u>9,483</u>
	<u>38,661</u>	<u>29,245</u>
	=====	=====

9 Accumulated Losses

	2002 \$'000	2001 \$'000
Dealt with in the financial statements of:		
The company	(52,126)	(73,240)
Subsidiaries	<u>14,534</u>	<u>2,631</u>
	<u>(37,592)</u>	<u>(70,609)</u>
	=====	=====

10 Earnings per Stock Unit

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

**11 Fixed Assets
The Group**

	Freehold Land	Buildings	Leasehold Improvements	Furniture, Fixtures and Equipment	Motor Vehicles	Jetty	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost or Valuation -							
1 April 2001	374,860	77,310	2,996	21,002	1,495	1,005	478,668
Additions	-	-	-	427	860	-	1,287
Disposals	<u>10,352</u>	<u>356</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>10,716</u>
31 March 2002	<u>364,508</u>	<u>76,954</u>	<u>2,996</u>	<u>21,421</u>	<u>2,355</u>	<u>1,005</u>	<u>469,239</u>

Depreciation -							
1 April 2001	-	21,024	2,996	19,517	1,403	75	45,015
Charge for the year	-	1,934	-	214	41	25	2,214
On disposals	-	90	-	8	-	-	98
31 March 2002	-	22,868	2,996	19,723	1,444	100	47,131

Net Book Value -							
31 March 2002	364,508	54,086	-	1,698	911	905	422,108
31 March 2001	374,860	56,286		1,485	92	930	433,653

The Company

	Freehold Land \$'000	Leasehold Improvements \$'000	Furniture Fixtures and Equipment \$'000	Motor Vehicles \$'000	Jetty \$'000	Total \$'000
Cost or Valuation -						
1 April 2001	351,071	2,996	15,924	1,495	1,005	372,491
Additions	-		275	860	-	1,135
Disposals	10,315	-	-	-	-	10,315
31 March 2002	340,756	2,996	16,199	2,355	1,005	363,311

Depreciation -						
1 April 2001	-	2,996	15,086	1,403	75	19,560
Charge for the year			167	41	25	233
31 March 2002	-	2,996	15,253	1,444	100	19,793

Net Book Value -						
31 March 2002	340,756	-	946	911	905	343,518
31 March 2001	351,071	-	838	92	930	352,931

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 15).

12 Deferred Expenditure

	The Group and the Company	
	2002	2001
	\$'000	\$'000
Professional fees re roadway development and proposed hotel expansion	12,060	11,088
	=====	=====

13 Cash and Deposits

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Cash	4,951	2,232	4,611	584
Deposits	<u>211,765</u>	<u>169,737</u>	<u>208,764</u>	<u>167,712</u>
	<u>216,716</u>	<u>171,969</u>	<u>213,375</u>	<u>168,296</u>
	=====	=====	=====	=====

The weighted average effective interest rate on cash and deposits was 15.8% (2001 - 13.9%)

14 Share Capital

	2002	2001
	\$'000	\$'000
Authorised - 564,000,000 ordinary shares of \$0.50 each	<u>282,000</u>	<u>282,000</u>
	=====	=====
Issued and fully paid - 563,065,690 stock units of \$0.50 each	<u>281,533</u>	<u>281,533</u>
	=====	=====

Transfer of realised surplus on sale of fixed assests	(10,093)	-
	<u>293,090</u>	<u>303,183</u>
Realised -		
Transfer from unrealised surplus on sale of asset	10,093	-
Transfer from profit and loss account	4,904	-
	<u>14,997</u>	<u>-</u>
	<u>308,087</u>	<u>303,183</u>
	=====	=====

16 Subsidiaries

	2002 \$'000	2,001 \$'000
Shares at cost	(7)	(7)
Current accounts(net)	<u>23,970</u>	<u>13,336</u>
	23,963	13,329
Provision for losses	<u>(3,015)</u>	<u>(3,015)</u>
	<u>26,978</u>	<u>16,344</u>
	=====	=====

17 Related Company

	The Group		The Company	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
National Hotels and Properties Limited	13,842	16,075	10,017	12,610
	=====	=====	=====	=====

National Hotels and Properties Limited is related by virtue of similar ownership and management control.

The balance with National Hotels and Properties Limited is unsecured, interest free and has no set repayment date.

18 Parent Corporation

The amounts due to the parent corporation are as follows:

	The Group		The Company	
	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000
Loan	153	153	-	-
Current account	<u>1,701</u>	<u>438</u>	<u>2,033</u>	<u>2,904</u>
	<u>1,854</u>	<u>591</u>	<u>2,033</u>	<u>2,904</u>
	=====	=====	=====	=====

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

19 Financial Instruments

Currency risk

The group has no significant concentrations of currency risk.

Credit risk

There are no significant concentrations of credit risk attached to receivables as these amounts are not concentrated in any given sector or institution and are shown net of provisions for doubtful debts. Cash and short term deposits are placed with substantial financial institutions.

Fair values

Fair values of balances not discussed in note 2(h) were estimated as follows:

Related company, parent corporation and subsidiaries

The fair values of related company, parent corporation and subsidiary balances approximate to their carrying values, based on the underlying net assets of the investee.

20 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.

21 Pension Schemes

During 1995, all members of both the company's pension plans were made redundant and the company ceased making contributions to the pension schemes. During the ensuing period, the, pension plans, which are administered by a third party, have continued to make payments to retirees eligible to receive pensions. During the year ended 31 March 2001, the Trustees decided to wind up the schemes and sought actuarial valuations, carried out on the basis of a windup, of both schemes. The valuation of one of the schemes, Group Pension Plan LP 012, was carried out and a surplus of \$18,030,000 was refunded to the company during the year, after allowances for payments to terminated members and pensioners (note 6). The valuation of the other scheme, The Seawind Resort Group Pension Plan LP 5162, was also completed during the year and the surplus used to augment the pensions of current pensioners. There was no refund to the company.
