Montego Freeport Limited

Financial Statements
31 March 2006

Montego Freeport Limited
Index
31 March 2006

30 May 2006

To the Members of
Montego Freeport Limited

Auditors' Report

We have audited the accompanying consolidated balance sheet of Montego Freeport Limited and its subsidiaries ("the Group") as at 31 March 2006 and the related consolidated profit and loss account, statements of changes in shareholders' equity and cash flows for the year then ended, and the accompanying balance sheet and statement of changes in shareholders' equity of Montego Freeport Limited standing alone as at 31 March 2006. We have received all the information and explanations which we considered necessary. These financial statements set out on pages 1 to 23 are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, proper accounting records have been kept and the accompanying financial statements, which are in agreement therewith, give a true and fair view of the financial position of the Group and the company as at 31 March 2006, and of the results of operations, changes in equity and cash flows of the Group for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

Chartered Accountants
Montego Bay, Jamaica

Montego Freeport Limited

Consolidated Profit and Loss Account

Year ended 31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006	2005
		$'000	$'000
Revenue		323	1,104
Other operating income	5	27,380	31,242
Fair value gains on investment properties	13	59,425	128,215
Loss on sale of investment properties	12	(16,115)	(1,403)
Administrative expenses		(9,489)	(9,876)
Other operating expenses		(19,943)	(21,814)
Operating Profit		41,581	127,468
Finance income	8	7,523	10,204
Profit before Taxation		49,104	137,672
Taxation	9	1,758	(15,003)
Net Profit	10	50,862	122,669
EARNINGS PER STOCK UNIT	11	$0.09	$0.22

Montego Freeport Limited

Consolidated Balance Sheet

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006	2005
		$'000	$'000
Non-Current Assets			
Investment properties	13	1,557,441	1,626,732
Property, plant and equipment	14	5,190	5,455
Current Assets			
Receivables	15	6,657	24,580
Taxation recoverable		13,864	7,830
Cash and short term deposits	16	256,993	151,606
		277,514	184,016
Current Liabilities			
Payables	17	10,059	28,812
Taxation payable		6,675	12,080
		16,734	40,892
Net Current Assets		260,780	143,124
		1,823,411	1,775,311
Shareholders' Equity			
Share capital	19	281,533	281,533
Capital reserve	20	1,548,094	1,488,669
(Accumulated losses)/retained earnings		(7,481)	1,082
		1,822,146	1,771,284
Non-Current Liability			
Deferred tax liabilities	21	1,265	4,027
		1,823,411	1,775,311

Approved for issue by the Board of Directors on 30 May 2006 and signed on its behalf by:

……………………………………………..……

Jewell Spencer Director

………………………………………………..

Faith Thomas Director

Montego Freeport Limited
Consolidated Statement of Changes in Equity
Year ended 31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Capital Reserve	Retained Earnings/ (Accumulated Losses)	Total
		$'000	$'000	$'000	$'000
Balance at 31 March 2004		281,533	1,912,258	57,304	2,251,095
Net profit	10	-	-	122,669	122,669
Total recognised income for 2005		-	-	122,669	122,669
Transfer to capital reserve		-	128,215	(128,215)	-
Capital distribution paid		-	(551,804)	-	(551,804)
Dividends paid		-	-	(50,676)	(50,676)
Balance at 31 March 2005		281,533	1,488,669	1,082	1,771,284
Net profit	10	-	-	50,862	50,862
Total recognised income for 2006		-	-	50,862	50,862
Transfer to capital reserve		-	59,425	(59,425)	-
Balance at 31 March 2006		281,533	1,548,094	(7,481)	1,822,146

Montego Freeport Limited
Company Balance Sheet
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006	2005
		$'000	$'000
Non-Current Assets			
Investment properties	13	1,557,441	1,618,301
Property, plant and equipment	14	3,982	3,951
Investment in subsidiaries		7	7
Current Assets			
Receivables	15	6,246	22,791
Taxation recoverable		13,864	7,830
Cash and short term deposits	16	242,209	141,047
		262,319	171,668
Current Liabilities			
Payables	17	9,738	27,343
Taxation payable		6,105	11,543
		15,843	38,886
Net Current Assets		246,476	132,782
		1,807,906	1,755,041
Shareholders' Equity			
Share capital	19	281,533	281,533
Capital reserve	20	1,530,536	1,471,111
Accumulated losses		(9,644)	(1,428)
		1,802,425	1,751,216
Non-Current Liabilities			
Subsidiaries	18	4,438	372
Deferred tax liabilities	21	1,043	3,453
		1,807,906	1,755,041

Approved for issue by the Board of Directors on 30 May 2006 and signed on its behalf by:

....

Jewell Spencer Director Faith Thomas Director

Montego Freeport Limited

Consolidated Statement of Cash Flows

Year ended 31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Cash Flows From Operating Activities			
Net profit		50,862	122,669
Items not affecting cash:			
Depreciation	14	636	656
Loss on sale of investment properties		16,115	1,403
Loss on disposal of property, plant and equipment		348	-
Adjustment to depreciation		(533)	-
Increase in fair value of investment properties		(59,425)	(128,215)
Exchange gain on foreign balances		(5,508)	(550)
Interest income	5	(26,732)	(31,150)
Taxation	9	(1,758)	15,003
		(25,995)	(20,184)
Changes in operating assets and liabilities			
Receivables		17,923	(19,486)
Payables		(18,753)	19,047
Cash used in operating activities		(26,825)	(20,623)
Interest received		25,805	35,171
Tax paid		(12,443)	(7,289)
Net cash (used in)/provided by operating activities		(13,463)	7,259
Cash Flows From Investing Activities			
Proceeds from sale of investment properties		112,601	15,053
Redemption of short term investments		-	57,890
Purchase of property, plant and equipment		(186)	(224)
Net cash provided by investing activities		112,415	72,719
Cash Flows From Financing Activities			
Parent corporation		-	(38)
Capital distribution paid		-	(551,804)
Dividends paid		-	(50,676)
Net cash used in financing activities		-	(602,518)
Exchange and translation gains on net foreign cash balances		5,508	550
Net increase/(decrease) in cash and cash equivalents		104,460	(521,990)
Cash and cash equivalents at beginning of year		150,435	672,425
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	254,895	150,435

Montego Freeport Limited

Company Statement of Changes in Equity
Year ended 31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital $'000	Capital Reserve $'000	Retained Earnings (Accumulated Losses) $'000	Total $'000
Balance at 31 March 2004		281,533	1,571,175	5,775	1,858,483
Net profit	10	-	-	171,688	171,688
Total recognised income for 2005		-	-	171,688	171,688
Transfer to capital reserve		-	128,215	(128,215)	-
Capital distribution received		-	323,525	-	323,525
Capital distribution paid		-	(551,804)	-	(551,804)
Dividends paid		-	-	(50,676)	(50,676)
Balance at 31 March 2005		281,533	1,471,111	(1,428)	1,751,216
Net profit	10	-	-	51,209	51,209
Total recognised income for 2006		-	-	51,209	51,209
Transfer to capital reserve		-	59,425	(59,425)	-
Balance at 31 March 2006		281,533	1,530,536	(9,644)	1,802,425

Montego Freeport Limited

Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

1. Identification

Montego Freeport Limited (the company) is a company limited by shares. The Government of Jamaica, through the Urban Development Corporation, owns approximately 82% of the issued share capital of the company, which is listed on the Jamaica Stock Exchange.

The company and its subsidiaries (the Group) are incorporated and domiciled in Jamaica and has its registered offices at Montego Freeport Shopping Centre, Montego Bay.

The principal activity of the Group is property ownership and rental.

2. Significant Accounting Policies

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of investment properties.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Although these estimates are based on management's best knowledge of current events and conditions, actual results could differ from those estimates. The areas involving a higher degree of judgement and or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Standards, interpretations and amendments to published standards effective in 2005

Certain new standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRS, which are relevant to its operations. The 2005 comparative figures have been amended as required, in accordance with the relevant requirements.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 21 (revised 2003)	The Effects of Changes in Foreign Exchange Rates
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 33 (revised 2003)	Earnings per Share
IAS 40 (revised 2003)	Investment Property
IAS 36 (revised 2004)	Impairment of Assets
IAS 39 (revised 2003/2004)	Financial Instruments: Recognition and Measurement

Montego Freeport Limited

2. Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

The adoption of IAS 1, 8, 10, 16, 21, 24, 27, 32, 33, 40 (all revised 2003), IAS 39 (revised 2003/2004) and IAS 36 (revised 2004), did not result in substantial changes to the company's accounting policies. In summary:

- IAS 1 (revised 2003) has affected disclosures.
- IAS 8, 10, 16, 21, 27, 32, 33, 40 (all revised 2003), IAS 39 (revised 2003/2004) and IAS 36 (revised 2004) had no material effect on the company's policies.
- IAS 24 (revised 2003) has extended the identification of related parties and some other related-party disclosures

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. All new standards, amendments and interpretations adopted by the company require retrospective application other than IAS 39 – the de-recognition of financial assets is applied prospectively.

There was no impact on opening accumulated surplus at 1 April 2004 from the adoption of any of the above-mentioned standards.

Standards, interpretations and amendments to published standards that are not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which are not yet effective, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 April 2007.

(b) Basis of consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The consolidated financial statements include the assets, liabilities and results of operations of the company and its subsidiaries presented as a single economic entity. Intra-group transactions, balances and unrealised gains and losses are eliminated in preparing the consolidated financial statements.

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Basis of consolidation (Continued)
The subsidiaries consolidated and their percentage ownership are as follows:

Trading:	
Montego Shopping Centre Limited	100%
Non-Trading:	
Seawind Limited	100%
Seawind Beach Hotel Limited	100%
Montego Wharves Limited	100%
Montego Shipping Services Limited	100%

(c) Foreign currency translation
Foreign currency transactions are accounted for at the exchange rate prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currency are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

(d) Revenue recognition
Revenue is recognised on an accrual basis, net of general consumption tax and after eliminating sales within the Group.

(e) Related party transactions and balances
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions and balances are recognised and disclosed for the following:

(i) Enterprises and individuals owning directly or indirectly an interest in the voting power of the company that gives them significant influence over the Group's affairs and close members of the families of these individuals.

(ii) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers and close members of the families of these individuals.

(f) Property, plant and equipment
Property, plant and equipment are recorded at historical or deemed cost, less depreciation.

Depreciation is calculated on the straight line basis to allocate the cost to their residual values over the period of their expected useful lives. The rates used are:

Buildings	2½ %
Furniture, fixtures and equipment	10 %
Motor vehicles	20 %
Jetty	2½%

Land is not depreciated.

Montego Freeport Limited

Notes to the Financial Statements

31 March 2006

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) Property, plant and equipment (Continued)

Property, plant and equipment are periodically reviewed for impairment. Where the carrying amount of the asset is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property, plant and equipment are determined by reference to carrying amounts and are taken into account in determining net profit.

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the entity. Major renovations are depreciated over the remaining useful life of the related asset.

(g) Impairment of non-current assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying value of the asset exceeds its recoverable amount which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(h) Investment properties

Investment properties, which are not occupied by the Group, are treated as a long-term investment and carried at fair value, representing open market value determined annually. The open market value for land is determined every three years by external valuers and by the directors in the intervening years. The most recent external valuation was at 31 March 2004. For buildings, open market value is determined by the directors. Changes in fair values are recorded in the profit and loss account, then transferred to capital reserve.

(i) Investments in subsidiaries

Investments in subsidiaries are stated at cost.

(j) Trade receivables

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the market rate of interest.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and other short-term highly liquid deposits with original maturities of three months or less.

(l) Payables

Payables are recorded at cost.

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(m) Income taxes

Taxation expense in the profit and loss account comprises current and deferred tax charges.

Current tax charges are based on taxable profits for the year, which differ from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current tax is calculated at tax rates applicable at the balance sheet date.

Deferred tax is the tax that is expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case deferred tax is also dealt with in equity

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

(o) Financial instruments

Financial instruments carried on the balance sheet include receivables, cash and short term deposits, and payables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

The fair values of the company's financial instruments are discussed in Note 4.

(p) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular the comparatives have been adjusted or extended to reflect the requirements of new IFRS, as well as amendments to and interpretations of existing IFRS (Note 2(a)).

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

3. Critical Accounting Estimates and Judgements in Applying Accounting Policies

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimate of fair value of investment properties
The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information the Group determines the amount for certain properties within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

i) current prices of properties of different nature, condition or location, adjusted to reflect those differences

ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

4. Financial Risk Management

(a) Financial risk factors
The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk) interest rate risk, credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management seeks to minimise potential adverse effects on the financial performance of the Group by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(i) Market risk
Currency risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in the foreign exchange rates. The exposure to foreign currency risk arises because certain of the Group's financial instruments are denominated in foreign currencies. The consolidated balance sheet at 31 March 2006 includes aggregate net foreign assets of approximately US$ 1,697,000 (2005 – US$998,000) in respect of transactions arising in the ordinary course of business.

Price risk
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Group has no significant concentration of price risk.

(ii) Credit risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause another party to incur a financial loss. There is no significant credit risk attached to receivables as these amounts are not concentrated with any individual or institution and are shown net of provisions for doubtful debts. Cash and short term deposits are placed with substantial financial institutions.

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

4. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group will have difficulty raising funds to meet commitments associated with the financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available.

(iv) Cash flow risk and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's revenue and operating cash flows are subject to variations in market interest rates. The Group's exposure to interest rate risk on its financial assets is disclosed in Note 16.

Cash flow risk is the risk that future cash flows associated with the financial instruments will fluctuate in amount. The Group manages this risk by ensuring, that, as far as possible, financial assets and liabilities are matched to mitigate against any adverse significant cash flows.

(b) Fair value estimation

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date.

The face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities are cash and short term deposits, receivables and payables.

The fair value of the amounts due to subsidiaries cannot be reasonably determined as these instruments were granted under special terms and are not likely to be traded in a fair market exchange.

5. Other Income

	2006	**2005**
	$'000	**$'000**
Interest income	26,732	31,150
Miscellaneous	648	92
	27,380	31,242

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

6. Expenses by Nature

Total direct, administration and other operating expenses:

	2006	2005
	$'000	$'000
Depreciation	636	656
Property expenses	2,954	3,876
Directors' expenses	849	1,151
Managers' expenses	1,003	988
Auditors' remuneration	2,169	2,306
Legal and professional fees	1,484	2,590
Staff costs	13,889	14,677
Office	813	822
Utilities	1,738	1,406
Insurance	638	199
Motor vehicle	946	700
Write off of property, plant and equipment	348	-
Travel and entertainment	561	632
GCT	499	-
Other	905	1,687
	29,432	31,690

7. Staff Costs

	2006	2005
	$'000	$'000
Salaries and wages	9,768	9,218
Statutory contributions	1,053	2,481
Other	3,068	2,978
	13,889	14,677

The number of persons employed full-time by the Group at year end was 18 (2005 – 19).

8. Finance Income

	2006	2005
	$'000	$'000
Net foreign exchange gains	7,523	10,204

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

9. Taxation

(a) Taxation is based on the profit for the year adjusted for taxation purposes for the Group and comprises income tax at 33 1/3%:

	2006	2005
	$'000	$'000
Current taxation	1,004	20,924
Deferred taxation (Note 21)	(2,762)	(5,921)
	(1,758)	15,003

(b) Reconciliation of applicable tax charge to effective tax charge:

	2006	2005
	$'000	$'000
Profit before tax	49,104	137,672
Tax calculated at $33^1/_3$%	16,368	45,891
Adjusted for the effects of:		
Income not subject to tax	(23,015)	(44,468)
Expenses not deductible for tax purposes	6,066	19,285
Tax loss for year	1,386	159
Other charges and allowances	(2,563)	(5,864)
Tax (credit)/charge	(1,758)	15,003

Subject to agreement with the Taxpayer Audit and Assessment Department, certain subsidiaries have tax losses amounting to approximately $5,577,000 (2005 - $1,419,000) available for offset against future taxable profits, which may be carried forward indefinitely.

10. Profit Attributable to Stockholders

	2006	2005
	$'000	$'000
(a) Net profit is dealt with as follows in the financial statements of:		
The company	51,209	171,688
Subsidiaries	(347)	(49,019)
	50,862	122,669

	2006	2005
	$'000	$'000
(b) Retained earnings/(accumulated losses) are dealt with as follows in the financial statements of:		
The company	(9,644)	(1,428)
Subsidiaries	2,163	2,510
	(7,481)	1,082

Montego Freeport Limited

Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

11. Earnings per Stock Unit

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

	2006	2005
Net profit attributable to stockholders ($'000)	50,862	122,669
Weighted average number of stock units in issue ('000)	563,066	563,066
Earnings per stock unit ($)	0.09	0.22

12. Loss on Sale of Investment Properties

This represents the loss on sale of investment properties held by the Group.

13. Investment Properties

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
At beginning of year	1,626,732	1,514,973	1,618,301	1,498,850
Disposed during the year	(128,716)	(16,456)	(120,285)	(12,600)
Transfers	-	-	-	3,836
Fair value gains	59,425	128,215	59,425	128,215
At end of year	1,557,441	1,626,732	1,557,441	1,618,301

Rental income and repairs and maintenance expenditure in relation to investment properties, for the Group, amounted to $318,796 (2005 - $1,103,928) and $221,446 (2005 - 429,339), respectively.

Land and buildings included in investment properties were valued by the directors at current market value as at 31 March 2006.

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

14. Property, Plant and Equipment

The Group

	Freehold Land	Buildings	Furniture, Fixtures and Equipment	Motor Vehicles	Jetty	Total
	$'000	$'000	$'000	$'000	$'000	$'000
			2006			
At Cost -						
1 April 2005	319	3,780	3,590	1,178	1,005	9,872
Additions	-	-	186	-	-	186
Write-off	-	-	(794)	(182)	-	(976)
Adjustment	-	-	(45)	-	-	(45)
31 March 2006	319	3,780	2,937	996	1,005	9,037
Depreciation -						
1 April 2005	-	1,425	1,953	864	175	4,417
Charge for the year	-	95	361	154	26	636
Write-off	-	-	(446)	(182)	-	(628)
Adjustment	-	-	(578)	-	-	(578)
31 March 2006	-	1,520	1,290	836	201	3,847
Net Book Value -						
31 March 2006	319	2,260	1,647	160	804	5,190
			2005			
At Cost -						
1 April 2004	319	3,780	17,725	1,178	1,005	24,007
Additions	-	-	224	-	-	224
Disposals	-	-	(14,359)	-	-	(14,359)
31 March 2005	319	3,780	3,590	1,178	1,005	9,872
Depreciation -						
1 April 2004	-	1,330	15,975	665	150	18,120
Charge for the year	-	95	337	199	25	656
Disposals	-	-	(14,359)	-	-	(14,359)
31 March 2005	-	1,425	1,953	864	175	4,417
Net Book Value -						
31 March 2005	319	2,355	1,637	314	830	5,455

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

14. Property, Plant and Equipment (Continued)

The Company

	Land $'000	Buildings $'000	Furniture, Fixtures and Equipment $'000	Motor Vehicles $'000	Jetty $'000	Total $'000
			2006			
At Cost -						
1 April 2005	176	2,172	3,039	1,178	1,005	7,570
Additions	-	-	186	-	-	186
Transfers	-	-	-	-	-	
Write-offs	-	-	(385)	(183)	-	(568)
31 March 2006	176	2,172	2,840	995	1,005	7,188
Depreciation -						
1 April 2005	-	868	1,712	864	175	3,619
Charge for the year	-	54	308	154	26	542
Write-off	-	-	(195)	(182)	-	(377)
Adjustments	-	-	(578)	-	-	(578)
31 March 2006	-	922	1,247	836	201	3,206
Net Book Value -						
31 March 2006	176	1,250	1,593	159	804	3,982
			2005			
At Cost -						
1 April 2004	-	-	17,081	1,178	1,005	19,264
Additions	-	-	224	-	-	224
Transfers	176	2,172	93	-	-	2,441
Disposals	-	-	(14,359)	-	-	(14,359)
31 March 2005	176	2,172	3,039	1,178	1,005	7,570
Depreciation -						
1 April 2004	-	-	15,696	665	150	16,511
Charge for the year	-	-	282	199	25	506
Transfers	-	868	93	-	-	961
Disposals	-	-	(14,359)	-	-	(14,359)
31 March 2005	-	868	1,712	864	175	3,619
Net Book Value -						
31 March 2005	176	1,304	1,327	314	830	3,951

Included in the table above are amounts totaling $3,888,000 (2005 - $3,888,000) for the Group and the company, representing previous Jamaican GAAP revalued amounts of land and buildings which have been used as the deemed cost of the assets under the provisions of IFRS 1 (Note 2e).

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

15. Receivables

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Trade	53	152	53	53
Deposits	4,631	22,728	4,458	21,490
Other	1,973	1,700	1,735	1,248
	6,657	24,580	6,246	22,791

16. Cash and Short Term Deposits

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank and in hand	1,600	4,757	1,305	4,293
Short term deposits	253,295	145,678	239,128	135,857
Cash and cash equivalents	254,895	150,435	240,433	140,150
Interest receivable on short term deposits	2,098	1,171	1,776	897
	256,993	151,606	242,209	141,047

The weighted average effective interest rate on cash and short term deposits was 10.5% (2005 – 10.5%) and these deposits have an average maturity of under 90 days.

17. Payables

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Trade	812	812	812	812
Deposits on sale of land and buildings	6,799	25,068	6,798	23,831
Accruals	2,437	2,358	2,118	2,181
Other	10	574	10	519
	10,058	28,812	9,738	27,343

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

18. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(i) Transactions in the normal course of business

	2006 $'000	2005 $'000
Rental paid to subsidiary	835	835

(ii) Key management compensation

	2006 $'000	2005 $'000
Salaries and other short-term employee benefits	2,445	2,445
Statutory contributions	794	794
Other	2,929	2,987
	6,168	6,226
Directors' emoluments -		
Fees	420	420
Management remuneration (included above)	800	800
	1,220	1,220

(iii) Loans/advances from subsidiaries (net) -

	2006 $'000	2005 $'000
At beginning of year	372	366,934
Additions/(repayments)	4,066	(366,562)
At end of year	4,438	372

(iv) Loans/advances from parent corporation (net) -

	2006 $'000	2005 $'000
At beginning of year	-	38
(Repayments)/additions	-	(38)
At end of year	-	-

Balances due to subsidiaries are interest free, have no set repayment terms and are not due for payment within the next twelve months.

Montego Freeport Limited

Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

19. Share Capital

	2006 $'000	2005 $'000
Authorised – 564,000,000 ordinary shares of no par value		
(2005: $0.50 each)	282,000	282,000
Issued and fully paid – 563,065,000 ordinary shares of no par value		
(2005: $0.50 each)	281,533	281,533

Pursuant to the Jamaican Companies Act 2004, the ordinary shares of the company are deemed to have been converted from $0.50 par value shares to no par value shares, as the company did not elect to retain its shares with a nominal or par value under Section 37(i).

The shares are stated in these financial statements without a nominal or par value.

20. Capital Reserve

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Unrealised surplus on investment properties	1,337,777	1,337,777	1,330,358	1,330,358
Unrealised surplus on property, plant and equipment	4,142	4,142	-	-
Fair value gains on investment properties	187,640	128,215	187,640	128,215
Realised surplus on investment properties	18,535	18,535	12,538	12,538
	1,548,094	1,488,669	1,530,536	1,471,111

21. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of $33^1/_3$%.

The movement on the deferred income tax account is as follows:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Net liability at beginning of year	4,027	9,948	3,453	8,635
Credited to profit and loss account (Note 9)	(2,762)	(5,921)	(2,410)	(5,182)
Net liability at end of year	1,265	4,027	1,043	3,453

Montego Freeport Limited

Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

21. Deferred Taxation (Continued)

Deferred income tax assets and liabilities are due to the following items:

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Deferred income tax assets -				
Tax losses	(1,386)	-	(1,386)	-
Deferred income tax liabilities -				
Unrealised foreign exchange gains	1,117	650	1,117	650
Interest receivable	699	390	592	299
Investment properties	112	2,279	-	1,954
Accelerated tax depreciation	723	708	720	550
	2,651	4,027	2,429	3,453
Net liability	1,265	4,027	1,043	3,453

The deferred tax credit in the profit and loss account comprises the following temporary differences:

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Tax losses carried forward	(1,386)	314	(1,386)	-
Accelerated tax depreciation	127	(84)	170	264
Investment properties	(2,279)	1,261	(1,954)	1,954
Unrealised exchange gain	467	(6,071)	467	(6,071)
Interest receivable	309	(1,341)	293	(1,329)
	(2,762)	(5,921)	(2,410)	(5,182)

Montego Freeport Limited
Notes to the Financial Statements
31 March 2006
(expressed in Jamaican dollars unless otherwise indicated)

21. Deferred Taxation (Continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes related to the same fiscal authority.

The offset amounts shown in the balance sheet include the following:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets to be recovered -				
After more than 12 months	1,386	-	1,386	-
Deferred tax liabilities to be extinguished -				
After more than 12 months	1,952	3,637	1,837	3,154
Within 12 months	699	390	592	299
	2,651	4,027	2,429	3,453
	1,265	4,027	1,043	3,453

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent such earnings are permanently reinvested. Such undistributed earnings totaled $2,163,000 (2005 - $2,510,000).