

Montego Freeport Limited

**Financial Statements
31 March 2010**

Montego Freeport Limited

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Independent Auditors' Report

To the Members of
Montego Freeport Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Montego Freeport Limited and its subsidiary, and the accompanying financial statements of Montego Freeport Limited standing alone set out on pages 1 to 38, which comprise the consolidated and company balance sheets as of 31 March 2010 and the consolidated and company statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.


Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 March 2010, and of the financial performance and cash flows of the group and the company for the year then ended, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.



Chartered Accountants
26 May 2010
Montego Bay, Jamaica

Montego Freeport Limited

Consolidated Statement of Comprehensive Income

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Operating Income	6	247	1,747
Other income	7	93,998	123,876
Fair value gains on investment property	13	74,193	298,235
Administrative expenses		(12,899)	(12,019)
Other operating expenses		(48,026)	(20,430)
Profit before Taxation		107,513	391,409
Taxation	10	(18,896)	(29,611)
Net Profit	11	88,617	361,798
Total Comprehensive Income		88,617	361,798
EARNINGS PER STOCK UNIT	12	\$0.16	\$0.64

Montego Freeport Limited

Consolidated Balance Sheet

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Non-Current Assets			
Investment property	13	1,221,961	1,165,768
Property, plant and equipment	14	42,181	25,342
Current Assets			
Receivables	15	162,374	216,922
Taxation recoverable		27,895	23,447
Cash and short term deposits	16	601,452	515,839
		791,721	756,208
Current Liabilities			
Payables	17	235,910	218,472
Taxation payable		6,200	6,241
		242,110	224,713
Net Current Assets		<u>549,611</u>	<u>531,495</u>
		<u>1,813,753</u>	<u>1,722,605</u>
Stockholders' Equity			
Share capital	18	281,533	281,533
Capital reserve	19	1,434,518	1,360,325
Retained earnings		80,030	65,606
		1,796,081	1,707,464
Non-Current Liability			
Deferred tax liabilities	20	17,672	15,141
		<u>1,813,753</u>	<u>1,722,605</u>

Approved for issue by the Board of Directors on 26 May 2010 and signed on its behalf by:

John Gourzong

Director

Melissa Chang

Director

Montego Freeport Limited

Consolidated Statement of Changes in Equity

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2008		281,533	1,658,939	2,043	1,942,515
Total comprehensive income	11	-	-	361,798	361,798
Transfer to capital reserve		-	298,235	(298,235)	-
Transactions with owners -					
Capital distribution		-	(596,849)	-	(596,849)
Balance at 31 March 2009		281,533	1,360,325	65,606	1,707,464
Total comprehensive income	11	-	-	88,617	88,617
Transfer to capital reserve		-	74,193	(74,193)	-
Balance at 31 March 2010		281,533	1,434,518	80,030	1,796,081

Montego Freeport Limited

Consolidated Statement of Cash Flows

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Cash Flows From Operating Activities			
Net profit		88,617	361,798
Items not affecting cash:			
Depreciation		1,198	763
Loss on disposal of property, plant and equipment		-	43
Increase in fair value of investment property		(74,193)	(298,235)
Exchange gain on foreign exchange balances		(393)	(95,867)
Interest income		(89,171)	(98,419)
Taxation		18,896	29,611
		<u>(55,046)</u>	<u>(100,306)</u>
Changes in operating assets and liabilities			
Receivables		53,312	811,269
Payables		20,997	9,084
Cash provided by operating activities		19,263	720,047
Interest received		89,171	95,624
Tax paid		(20,855)	(24,065)
Net cash provided by operating activities		<u>87,579</u>	<u>791,606</u>
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		<u>(37)</u>	<u>(356)</u>
Net cash used in investing activities		<u>(37)</u>	<u>(356)</u>
Cash Flows From Financing Activity			
Capital distribution and dividends payable		<u>(1,929)</u>	<u>(564,805)</u>
Net cash used in financing activity		<u>(1,929)</u>	<u>(564,805)</u>
Exchange and translation gains on net foreign cash balances		<u>-</u>	<u>14,873</u>
Net increase in cash and cash equivalents		85,613	241,318
Cash and cash equivalents at beginning of year		515,839	274,521
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	<u>601,452</u>	<u>515,839</u>

Montego Freeport Limited

Company Statement of Comprehensive Income

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Operating Income	6	211	1,711
Other income	7	92,355	122,370
Fair value gains on investment property	13	74,193	298,235
Administrative expenses		(12,246)	(11,424)
Other operating expenses		(48,017)	(20,449)
Profit before Taxation		106,496	390,443
Taxation	10	(18,557)	(29,289)
Net Profit	11	87,939	361,154
Total Comprehensive Income		87,939	361,154

Montego Freeport Limited

Company Balance Sheet

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Non-Current Assets			
Investment property	13	1,221,961	1,165,768
Property, plant and equipment	14	19,169	1,808
Investment in subsidiary		7	7
Current Assets			
Receivables	15	162,036	216,614
Taxation recoverable		27,896	23,447
Cash and short term deposits	16	591,011	505,447
		780,943	745,508
Current Liabilities			
Payables	17	235,368	217,990
Taxation payable		6,105	6,105
		241,473	224,095
Net Current Assets			
		539,470	521,413
		1,780,607	1,688,996
Stockholders' Equity			
Share capital	18	281,533	281,533
Capital reserve	19	1,400,564	1,326,371
Retained earnings		74,366	60,620
		1,756,463	1,668,524
Non-Current Liabilities			
Deferred tax liabilities	20	11,383	8,685
Due to subsidiary	21	12,761	11,787
		24,144	20,472
		1,780,607	1,688,996

Approved for issue by the Board of Directors on 26 May 2010 and signed on its behalf by:

John Gourzong

Director

Melissa Chang

Director

Montego Freeport Limited

Company Statement of Changes in Equity

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2008		281,533	1,624,985	(2,299)	1,904,219
Total comprehensive income	11	-	-	361,154	361,154
Transfer to capital reserve		-	298,235	(298,235)	-
Transactions with owners -					
Capital distribution		-	(596,849)	-	(596,849)
Balance at 31 March 2009		281,533	1,326,371	60,620	1,668,524
Total comprehensive income	11	-	-	87,939	87,939
Transfer to capital reserve		-	74,193	(74,193)	-
Balance at 31 March 2010		281,533	1,400,564	74,366	1,756,463

Montego Freeport Limited

Company Statement of Cash Flows

Year ended 31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2010 \$'000	2009 \$'000
Cash Flows From Operating Activities			
Net profit		87,939	361,154
Items not affecting cash:			
Depreciation		676	240
Loss on disposal of property, plant and equipment		-	43
Increase in fair value of investment property		(74,193)	(298,235)
Exchange gain on foreign exchange balances		(393)	(95,867)
Interest income		(87,528)	(96,913)
Taxation		18,557	29,289
		<u>(54,942)</u>	<u>(100,289)</u>
Changes in operating assets and liabilities			
Receivables		53,341	811,299
Payables		20,937	9,017
Cash provided by operating activities		<u>19,336</u>	<u>720,027</u>
Interest received		87,528	93,848
Tax paid		<u>(20,308)</u>	<u>(23,461)</u>
Net cash provided by operating activities		<u>86,556</u>	<u>790,414</u>
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		<u>(37)</u>	<u>(356)</u>
Net cash used in investing activities		<u>(37)</u>	<u>(356)</u>
Cash Flows From Financing Activities			
Capital distribution and dividends payable		(1,929)	(564,805)
Due to subsidiary		974	1,192
Net cash provided by/(used in) financing activities		<u>(955)</u>	<u>(563,613)</u>
Exchange and translation gains on net foreign cash balances		-	14,873
Net increase in cash and cash equivalents		85,564	241,318
Cash and cash equivalents at beginning of year		505,447	264,129
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	<u>591,011</u>	<u>505,447</u>

Montego Freeport Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

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 subsidiary (the Group) are incorporated and domiciled in Jamaica and have registered offices at Montego Freeport Shopping Centre, Montego Bay.

The principal activity of the Group is property ownership and rental, which is its only business segment.

2. Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(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 property and certain property, plant and equipment.

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 actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

(b) Changes in accounting policies and disclosures

New and amended standards impacting the Group

The Group's accounting policies were impacted by the adoption of the following new and amended IFRS as of 1 April 2009:

IAS 1 Presentation of financial statements (Revised) (effective from 1 January 2009).

The revised standard prohibits the presentation of details of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring details of 'non-owner changes in equity' to be presented separately from details of owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the statement of changes in equity details of all owner changes in equity, whereas details of all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. As the change in accounting policy only impacts presentation aspects, there is no impact on results/earnings per share.

Montego Freeport Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Changes in accounting policies and disclosures (continued)

New and amended standards impacting the Group (continued)

IAS 36 (Amendment) - Impairment of assets (effective from 1 January 2009). The objective of this amendment is to ensure that where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculations are made. This amendment will not have an impact on the Group's operations as there are no assets to which it applies.

IFRS 7 (Amendment) - Financial instruments: disclosures (Amendment) (effective from 1 January 2009). The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of this standard will not have an impact on these financial statements.

Standards, amendments and interpretations to published standards effective in the current year but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2009 but they are not relevant to the Group's operations:

- **IAS 16 (Amendment) - Property, plant and equipment (and consequential amendment to IAS 7, Statement of cash flows)** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 19 (Amendment) - Employee benefits** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 20 (Amendment) - Accounting for government grants and disclosure of government assistance** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 23 (Amendment) - Borrowing costs** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 27 (Amendment) - Consolidated and separate financial statements** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 28 (Amendment) - Investments in associates (and consequential amendments to IAS 32, Financial Instruments: Presentation, and IFRS 7, Financial instruments: Disclosures)** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 29 (Amendment) - Financial reporting in hyperinflationary economies** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 31 (Amendment) - Interests in joint ventures (and consequential amendments to IAS 32 and IFRS 7)** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 32 (Amendment), Financial Instruments: Presentation and IAS 1 Presentation of financial instruments - Puttable financial instruments and obligations arising on liquidation** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 38 (Amendment) - Intangible assets** (effective for annual periods beginning on or after 1 January 2009).
- **IAS 39 and IFRIC 9 (Amendments) - Embedded derivatives** (effective for all periods ending on or after 30 June 2009).

Montego Freeport Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Changes in accounting policies and disclosures (continued)

Standards, interpretations and amendments to published standards effective in the current year but not relevant (continued)

- **IAS 40 (Amendment) - Investment property (and consequential amendments to IAS 16)** (effective from 1 January 2009).
- **IAS 41 (Amendment) - Agriculture** (effective for annual periods beginning on or after 1 January 2009).
- **IFRS 1 (Amendment) - First time adoption of IFRS, and IAS 27 Consolidated and separate financial statements** (effective for annual periods beginning on or after 1 January 2009).
- **IFRS 2 (Amendment) - Share-based payments** (effective for annual periods beginning on or after 1 January 2009).
- **IFRS 8 - Operating segments** (effective for annual periods beginning on or after 1 January 2009).
- **IFRIC 13 - Customer loyalty programmes** (effective for annual periods beginning on or after 1 July 2008).
- **IFRIC 15 - Agreements for construction of real estate** (effective for annual periods beginning on or after 1 January 2009).
- **IFRIC 16 - Hedges of a net investment in a foreign operation** (effective for annual periods beginning on or after 1 October 2008).

Standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to published standards are mandatory for the Group's accounting periods beginning on or after 1 April 2010 or later periods, but the Group has not early adopted them:

IAS 1 (Amendment) - Presentation of financial statements (effective 1 January 2010). The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period), notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (Amendment) from 1 April 2010. It is not expected to have a material impact on the Group's financial statements.

IAS 27 (Revised), Consolidated and separate financial statements (effective for annual periods beginning on or after 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. Management is currently assessing the impact of these changes.

Montego Freeport Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Changes in accounting policies and disclosures (continued)

Standards, amendments and interpretations to published standards that are not yet effective and have not been early adopted by the Group (continued)

IFRS 9 - Financial instruments part 1: Classification and measurement (effective for annual periods beginning on or after 1 January 2013).

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows represent only payments of principal and interest (that is, it has only 'basic loan features'). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment. This is not expected to have a material impact on the Group's financial statements.

IAS 24 (Revised - Related party disclosures) (effective from 1 January 2011). The revised standard simplifies the definition of a related party. It clarifies its intended meaning and eliminates inconsistencies from the definition. The revision provides a partial exemption from the disclosure requirements for government-related entities. The Group will apply the changes in IAS 24 (Revised) from 1 January 2011. It is not expected to have a material impact on the Group's financial statements.

Amendments and interpretations to published standards that are not yet effective and are not relevant

The following amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2010 or later periods, but are not relevant to the Group's operations:

- **IAS 32 (Amendment) - Classification of right issues** (effective from 1 February 2010).
- **IFRS 1 (Amendment) - Additional exemptions for first-time adopters** (effective from 1 January 2010).
- **IFRS 2 (Amendment) - Group cash-settled share-based payments transactions** (effective from 1 January 2010).
- **IFRIC 17 - Distributions of non-cash assets to owners** (effective for annual periods beginning on or after 1 July 2009).

Montego Freeport Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(b) Changes in accounting policies and disclosures (continued)

Amendments and interpretations to published standards that are not yet effective and are not relevant (continued)

- IFRIC 18, **Transfers of assets from customers** (effective for periods beginning on or after 1 July 2009).
- IFRIC 19 - **Extinguishing financial liabilities with equity instruments** 24 (effective from 1 July 2010).

(c) Basis of consolidation

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

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

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which each company operates ('the functional currency'). The financial statements are presented in Jamaican dollars, which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

(e) Income recognition

Income comprises the fair value of consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Income is shown net of General Consumption Tax and after eliminated sales within the Group.

The Group recognises income when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The Group recognises income by taking into consideration the type of transaction and the specifics of each arrangement. Income is recognised as follows:

Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method.

Lease income

Lease income is recognised over the term of the lease on a straight line basis.

Montego Freeport Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(f) 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.

(g) Property, plant and equipment

Land and building comprise mainly administrative office space. Land and buildings are shown at fair value, based on periodic, but at least triennial valuations by independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset.

All other property, plant and equipment is stated 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 and car park	2½ %
Furniture, fixtures and equipment	10 %
Motor vehicles	20 %
Jetty	2½%

Land is not depreciated.

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 comparing the proceeds with the carrying amount and are recognised within other operating income in the statement of comprehensive income.

Montego Freeport Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(g) Property, plant and equipment (continued)

Repairs and maintenance are charged to the statement of comprehensive income 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.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Investment property

Investment property not occupied by the Group, is treated as a long-term investment and carried at fair value, representing open market value determined annually by external valuers. Changes in fair values are recognised in the statement of comprehensive income. Gains are then transferred to capital reserve. Gains or losses on disposal of investment property are recognised in the statement of comprehensive income once the sale is complete and there is evidence that the significant risks and rewards or ownership have been transferred; this usually occurs when full proceeds have been received and title has been transferred.

(j) Investment in subsidiary

The investment in the subsidiary is stated at cost.

(k) Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 the 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. The provision for impairment is charged to the statement of comprehensive income.

Montego Freeport Limited

Notes to the Financial Statements

31 March 2010

(expressed in Jamaican dollars unless otherwise indicated)

2. Significant Accounting Policies (Continued)

(l) **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 at bank and in hand, deposits held at call with banks and other short term highly liquid deposits with original maturities of three months or less.

(m) **Payables**

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(n) **Share capital**

Shares are classified as equity when there is no obligation to transfer cash or other assets. Dividends on ordinary shares are recognised in stockholders' equity in the period in which they are approved.

(o) **Income taxes**

Taxation expense in the statement of comprehensive income 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 statement of comprehensive income, except where it relates to items charged or credited to equity, in which case deferred tax is also dealt with in equity.

(p) **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.

(q) **Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The Group's financial assets comprise receivables and cash and short term deposits.

Financial liabilities

The Group's financial liabilities comprise payables and related party balances.

The fair values of the Group's financial instruments are discussed in Note 5.

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2. Significant Accounting Policies (Continued)

(r) Leases

Leases where a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

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 Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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.

Fair values of investment property

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information the fair value of the Group's investment property is determined by independent valuers on an annual basis. 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..
- (iii) Independent valuations.

The amounts received from the sale of investment property may, therefore, differ from the fair values recorded in the financial statements.

Income taxes

Significant judgement is required in the calculation of the Group's provisions for income tax and deferred tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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4. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. These activities require the analysis, evaluation, control and/or acceptance of some degree of risk or combination of risks. The Group's aim is therefore to achieve an appropriate balance between risk and return and minimise potential adverse effects on the Group's financial performance.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group periodically reviews its risk management policies and systems to reflect changes in market conditions which might affect its activities.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

The most important types of risks are credit risk, liquidity risk, market risk and other operational risks. Market risk includes currency risk and interest rate risk.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that its customers, clients or counterparties will cause a financial loss for the Group by failing to discharge their contractual obligations. Credit risk is an important risk for the Group's business; management therefore carefully manages its exposure to credit risk. Credit exposures arise principally from the Group's receivables from counterparties and holdings of cash and short term deposits with financial institutions.

Credit review process

The responsibilities of the senior management of the Group include regular analysis of the ability of customers and other counterparties to meet repayment obligations.

(i) Receivables

The Group's exposure to credit risk arises mainly from the deposits held by the Group's lawyers in respect of the sale of investment property. Management has established a policy under which each prospective customer is analysed for their credit worthiness and their ability to pay funds when they are due. Deposits are normally held in escrow by the Group's attorneys pending completion of sale contracts.

Management, on a quarterly basis, reviews these deposits receivable and has policies in place to ensure that sales transactions are not pending for periods longer than is necessary to complete the required paper work and meet the relevant legal requirements.

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4. Financial Risk Management (Continued)

(a) Credit risk (continued)

Credit review process (continued)

(ii) Short term deposits

The Group limits its exposure to credit risk by placing short term deposits with counterparties that have high credit quality. Accordingly, management does not expect any counterparty to fail to meet its obligations.

(iii) Cash

Cash transactions are limited to high credit quality financial institutions. The Group has policies in place to limit the amount of exposure to any one financial institution.

Maximum exposure to credit risk

The Group's maximum exposure to credit risk at year end was as follows:

	The Group		The Company	
	2010	2009	2010	2009
	\$'000	\$'000	\$'000	\$'000
Receivables	161,759	215,346	161,759	215,346
Cash and cash equivalents (excluding cash on hand)	601,374	515,809	590,981	505,417
	<u>763,133</u>	<u>731,155</u>	<u>752,740</u>	<u>720,763</u>

The above table represents a worst case scenario of credit risk exposure to the Group and Company at 31 March 2010 and 2009.

The receivables balance is primarily in respect of sale deposit amounts being held in escrow by the Group's lawyers. There was no evidence of impairment of these balances at year end.

(b) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations associated with its financial liabilities when they fall due. 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.

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4. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Liquidity risk management process

The Group's liquidity management process includes:

- (i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.
- (ii) Maintaining a portfolio of short term deposits that can easily be liquidated as protection against any unforeseen interruptions to cash flows and;
- (iii) Optimising cash returns on investments.

Undiscounted cash flows of financial liabilities

The maturity profile of the Group's financial liabilities at year end based on contractual undiscounted payments was as follows:

	The Group					Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	
As at 31 March 2010:						
Trade payables and deposits	812	-	157,346	-	-	158,158
Accruals and other payables	75,001	2,660	91	-	-	77,752
Total financial liabilities (contractual maturity dates)	75,813	2,660	157,437	-	-	235,910
As at 31 March 2009:						
Trade payables and deposits	812	-	136,238	2,098	-	139,148
Accruals and other payables	77,007	2,250	67	-	-	79,324
Total financial liabilities (contractual maturity dates)	77,819	2,250	136,305	2,098	-	218,472

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4. Financial Risk Management (Continued)

(b) Liquidity risk (continued)

Undiscounted cash flows of financial liabilities (continued)

	The Company					Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	
As at 31 March 2010:						
Trade payables and deposits	812	-	157,346	-	-	158,158
Accruals and other payables	75,001	2,160	49	-	-	77,210
Due to subsidiary	-	-	-	12,761	-	12,761
Total financial liabilities (contractual maturity dates)	75,813	2,160	157,395	12,761	-	248,129
As at 31 March 2009:						
Trade payables and deposits	812	-	136,238	2,098	-	139,148
Accruals and other payables	77,007	1,800	35	-	-	78,842
Due to subsidiary	-	-	-	11,787	-	11,787
Total financial liabilities (contractual maturity dates)	77,819	1,800	136,273	13,885	-	229,777

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short term deposits.

(c) Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks mainly arise from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Board of Directors. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is exposed to foreign exchange risk arising from currency exposure with respect to the US dollar and manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

Concentrations of currency risk

The tables below summarise the Group and Company's exposure to foreign currency exchange rate risk.

	The Group		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
At 31 March 2010:			
Financial Assets			
Receivables	835	160,924	161,759
Cash and short term deposits	511,539	89,913	601,452
Total financial assets	512,374	250,837	763,211
Financial Liabilities			
Payables	78,564	157,346	235,910
Net financial position	433,810	93,491	527,301
At 31 March 2009:			
Financial Assets			
Receivables	1,791	215,131	216,922
Cash and short term deposits	496,865	18,974	515,839
Total financial assets	498,656	234,105	732,761
Financial Liabilities			
Payables	82,234	136,238	218,472
Net financial position	416,422	97,867	514,289

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

Concentrations of currency risk (continued)

	The Company		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
At 31 March 2010:			
Financial Assets			
Receivables	835	160,924	161,759
Cash and short term deposits	501,098	89,913	591,011
Total financial assets	501,933	250,837	752,770
Financial Liabilities			
Payables	78,022	157,346	235,368
Due to subsidiary	12,761	-	12,761
Total financial liabilities	90,783	157,346	248,129
Net financial position	411,150	93,491	504,641
At 31 March 2009:			
Financial Assets			
Receivables	1,482	215,132	216,614
Cash and short term deposits	486,473	18,974	505,447
Total financial assets	487,955	234,106	722,061
Financial Liabilities			
Payables	81,752	136,238	217,990
Due to subsidiary	11,787	-	11,787
Total financial liabilities	93,539	136,238	229,777
Net financial position	394,416	97,868	492,284

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

Currency risk (continued)

Foreign currency sensitivity

The following tables indicate the currency to which the Group and Company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 2% (2009 – 15%) change in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of US dollar-denominated receivables, cash and cash equivalents, and payables. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be examined on an individual basis.

	% Change in USD Rate 2010	Effect on Net Profit 2010 \$'000	% Change in USD Rate 2009	Effect on Net Profit 2009 \$'000
The Group				
Devaluation	2	1,247	15	9,686
Revaluation	1	623	5	3,262
The Company				
Devaluation	2	1,247	15	9,686
Revaluation	1	623	5	3,262

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest rate risk, whereas fixed interest rate instruments expose the Group to fair value interest rate risk. The Group's interest rate risk policy requires it to manage interest rate risk by maintaining a portfolio of highly liquid short term instruments.

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

The following tables summarise the Group and Company's exposure to interest rate risk. It includes the financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	The Group						Total
	Within 1	1 to 3	3 to 12	1 to 5	Over	Non-	
	Month	Months	Months	Years	5 Years	Interest	
	\$'000	\$'000	\$'000	\$'000	\$'000	Bearing	\$'000
At 31 March 2010:							
Assets							
Receivables	-	-	-	-	-	161,759	161,759
Cash and short term deposits	589,473	-	-	-	-	11,979	601,452
Total financial assets	589,473	-	-	-	-	173,738	763,211
Liabilities							
Payables	-	-	-	-	-	235,910	235,910
Total interest repricing gap	589,473	-	-	-	-	(62,172)	527,301
At 31 March 2009:							
Assets							
Receivables	54,856	-	-	-	-	162,066	216,922
Cash and short term deposits	465,236	-	-	-	-	50,603	515,839
Total financial assets	520,092	-	-	-	-	212,669	732,761
Liabilities							
Payables	-	-	-	-	-	218,472	218,472
Total interest repricing gap	520,092	-	-	-	-	(5,803)	514,289

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

	The Company						Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Non- Interest Bearing \$'000	
	At 31 March 2010:						
Assets							
Receivables	-	-	-	-	-	161,759	161,759
Cash and short term deposits	579,504	-	-	-	-	11,507	591,011
Total financial assets	579,504	-	-	-	-	173,266	752,770
Liabilities							
Payables	-	-	-	-	-	235,368	235,368
Due to subsidiary	-	-	-	-	-	12,761	12,761
Total financial liabilities	-	-	-	-	-	248,129	248,129
Total interest repricing gap	579,504	-	-	-	-	(74,863)	504,641
At 31 March 2009:							
Assets							
Receivables	54,856	-	-	-	-	161,758	216,614
Cash and short term deposits	455,238	-	-	-	-	50,209	505,447
Total financial assets	510,094	-	-	-	-	211,967	722,061
Liabilities							
Payables	-	-	-	-	-	217,990	217,990
Due to subsidiary	-	-	-	-	-	11,787	11,787
Total financial liabilities	-	-	-	-	-	229,777	229,777
Total interest repricing gap	510,094	-	-	-	-	(17,810)	492,284

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4. Financial Risk Management (Continued)

(c) Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity

The following tables indicate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, on the Group's and Company's statement of comprehensive income and stockholders' equity.

The Group's interest rate risk arises from short term investments. The sensitivity of the profit or loss and shareholders' equity is attributed to the assumed change in interest rates on short term deposits.

The Group			
Change in Basis Points	Effect on Net Profit	Change in Basis Points	Effect on Net Profit
2010	2010 \$'000	2009	2009 \$'000
J\$ instruments			
-600	(3,892)	-500	(3,453)
+200	1,297	+500	3,453
US\$ instruments			
-200	(1,101)	-500	(3,243)
+100	551	-	-

The Company			
Change in Basis Points	Effect on Net Profit	Change in Basis Points	Effect on Net Profit
2010	2010 \$'000	2009	2009 \$'000
J\$ instruments			
-600	(3,492)	-500	(3,121)
+200	1,164	+500	3,121
US\$ instruments			
-200	(1,079)	-500	(2,909)
+100	540	-	-

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4. Financial Risk Management (Continued)

(d) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide maximum returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

The Group is not subjected to any externally imposed capital requirements, and there were no changes to the Group's objectives or approach to capital management during the year.

5. Fair Values of Financial Instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

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 the subsidiary cannot be reasonably determined as these instruments were granted under special terms and are not likely to be traded in a fair market exchange.

6. Operating Income

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Lease income	158	1,541	158	1,541
Miscellaneous	89	206	53	170
	<u>247</u>	<u>1,747</u>	<u>211</u>	<u>1,711</u>

7. Other Income

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Interest income	89,171	98,419	87,528	96,913
Net foreign exchange gains	480	25,457	480	25,457
Encroachment fee	4,347	-	4,347	-
	<u>93,998</u>	<u>123,876</u>	<u>92,355</u>	<u>122,370</u>

Montego Freeport Limited

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8. Expenses by Nature

Total administration and other operating expenses:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Auditors' remuneration -				
Current year	2,700	2,250	2,200	1,800
Prior year	321	873	266	150
Depreciation	1,198	763	676	240
Directors' expenses	1,579	1,545	1,579	1,545
General Consumption Tax	1,513	1,366	1,513	1,366
Insurance	733	1,093	733	1,093
Legal and professional fees	4,382	4,160	4,320	4,090
Motor vehicle	993	848	993	848
Office	1,000	1,053	1,000	1,053
Property expenses	6,223	896	6,736	1,438
Reclamation costs (Note 23)	21,449	-	21,449	-
Staff costs (Note 9)	15,254	12,867	15,254	12,867
Travel and entertainment	147	503	147	503
Utilities	1,230	1,233	1,230	1,233
Other	2,203	2,999	2,167	3,647
	<u>60,925</u>	<u>32,449</u>	<u>60,263</u>	<u>31,873</u>

9. Staff Costs

	The Group and The Company	
	2010 \$'000	2009 \$'000
Salaries and wages	12,378	10,840
Statutory contributions	1,202	1,006
Termination	-	100
Other	1,674	921
	<u>15,254</u>	<u>12,867</u>

The number of persons employed full-time by the Group and the Company at year end was 12 (2009 - 12).

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10. Taxation

Taxation is based on the profit for the year adjusted for taxation purposes for the Group and Company and comprises income tax at 33 $\frac{1}{3}$ %:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Current taxation	16,365	21,680	15,859	21,099
Deferred taxation (Note 20)	2,531	7,931	2,698	8,190
	<u>18,896</u>	<u>29,611</u>	<u>18,557</u>	<u>29,289</u>

Reconciliation of applicable tax charge to effective tax charge:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Profit before tax	<u>107,513</u>	<u>391,409</u>	<u>106,496</u>	<u>390,443</u>
Tax calculated at 33 $\frac{1}{3}$ %	35,838	130,470	35,499	130,148
Adjusted for the effects of:				
Income not subject to tax	(27,727)	(109,271)	(27,727)	(109,271)
Expenses not deductible for tax purposes	8,451	554	8,277	290
Other charges and allowances	2,334	7,858	2,508	8,122
Tax charge	<u>18,896</u>	<u>29,611</u>	<u>18,557</u>	<u>29,289</u>

11. Profit Attributable to Stockholders

	2010 \$'000	2009 \$'000
(a) Net profit is dealt with as follows in the financial statements of:		
The Company	87,939	361,154
Subsidiary	<u>678</u>	<u>644</u>
	<u>88,617</u>	<u>361,798</u>

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11. Profit Attributable to Stockholders (Continued)

	2010 \$'000	2009 \$'000
(b) Retained earnings are dealt with as follows in the financial statements of:		
The Company	74,366	60,620
Subsidiary	<u>5,664</u>	<u>4,986</u>
	<u>80,030</u>	<u>65,606</u>

12. 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.

	2010 \$	2009 \$
Net profit attributable to stockholders (\$'000)	<u>88,617</u>	<u>361,798</u>
Weighted average number of stock units in issue ('000)	<u>563,065</u>	<u>563,065</u>
Earnings per stock unit (\$)	<u>0.16</u>	<u>0.64</u>

13. Investment Property

	<u>The Group and The Company</u>	
	2010 \$'000	2009 \$'000
At beginning of year	1,165,768	867,533
Transfer	(18,000)	-
Fair value gains	<u>74,193</u>	<u>298,235</u>
At end of year	<u>1,221,961</u>	<u>1,165,768</u>

The Group earned lease income of \$158,000 (2009 – \$1,541,000) on investment property. No repairs and maintenance expenditure was incurred in relation to investment property.

Land and building included in investment property were valued on the basis of current market values by independent valuers. The amounts recognised at 31 March are based on the average of the results of valuations performed by CD Alexander Company Realty Limited and George Gregg and Company.

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14. Property, Plant and Equipment

The Group

	Freehold Land \$'000	Buildings and Car Park \$'000	Furniture, Fixtures and Equipment \$'000	Motor Vehicles \$'000	Jetty \$'000	Total \$'000
2010						
At Cost -						
1 April 2009	3,480	20,983	2,515	996	1,005	28,979
Transfer	-	18,000	-	-	-	18,000
Additions	-	-	37	-	-	37
31 March 2010	3,480	38,983	2,552	996	1,005	47,016
Accumulated Depreciation -						
1 April 2009	-	826	1,541	996	274	3,637
Charge for the year	-	975	198	-	25	1,198
31 March 2010	-	1,801	1,739	996	299	4,835
Net Book Value -						
31 March 2010	3,480	37,182	813	-	706	42,181
2009						
At Cost -						
1 April 2008	3,480	20,983	2,247	996	1,005	28,711
Additions	-	-	356	-	-	356
Disposals	-	-	(88)	-	-	(88)
31 March 2009	3,480	20,983	2,515	996	1,005	28,979
Accumulated Depreciation -						
1 April 2008	-	301	1,373	996	249	2,919
Charge for the year	-	525	213	-	25	763
Disposals	-	-	(45)	-	-	(45)
31 March 2009	-	826	1,541	996	274	3,637
Net Book Value -						
31 March 2009	3,480	20,157	974	-	731	25,342

The subsidiary's land and buildings were revalued on 31 March 2008 by independent valuers on the basis of open market values. The surplus on revaluation, net of deferred income taxes in the case of buildings, was credited to capital reserve.

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14. Property, Plant and Equipment (Continued)

If buildings were stated at the historical cost basis, the amounts would be as follows:

	2010	2009
	\$'000	\$'000
Cost	20,072	2,072
Accumulated depreciation	1,533	1,030
Net book value	<u>18,539</u>	<u>1,042</u>

The Company

	Land \$'000	Buildings & Car Park \$'000	Furniture, Fixtures and Equipment \$'000	Motor Vehicles \$'000	Jetty \$'000	Total \$'000
2010						
At Cost -						
1 April 2009	-	464	2,392	995	1,005	4,856
Additions	-	-	37	-	-	37
Transfer	-	18,000	-	-	-	18,000
31 March 2010	-	18,464	2,429	995	1,005	22,893
Accumulated Depreciation -						
1 April 2009	-	313	1,464	995	276	3,048
Charge for the year	-	462	190	-	24	676
31 March 2010	-	775	1,654	995	300	3,724
Net Book Value -						
31 March 2010	-	17,689	775	-	705	19,169
2009						
At Cost -						
1 April 2008	-	464	2,124	995	1,005	4,588
Additions	-	-	356	-	-	356
Disposals	-	-	(88)	-	-	(88)
31 March 2009	-	464	2,392	995	1,005	4,856
Accumulated Depreciation -						
1 April 2008	-	301	1,306	995	251	2,853
Charge for the year	-	12	203	-	25	240
Disposals	-	-	(45)	-	-	(45)
31 March 2009	-	313	1,464	995	276	3,048
Net Book Value -						
31 March 2009	-	151	928	-	729	1,808

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15. Receivables

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade	53	53	53	53
Deposits held in escrow	154,628	212,015	154,628	212,015
Interest receivable on land sale deposits	6,296	3,291	6,296	3,291
Other	1,397	1,563	1,059	1,255
	<u>162,374</u>	<u>216,922</u>	<u>162,036</u>	<u>216,614</u>

16. Cash and Short Term Deposits

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Cash at bank and in hand	12,885	50,838	12,441	50,443
Short term deposits	588,567	465,001	578,570	455,004
Cash and cash equivalents	<u>601,452</u>	<u>515,839</u>	<u>591,011</u>	<u>505,447</u>

The weighted average effective interest rate on cash and short term deposits was 10.3% (2009 – 19.5%) and 10.3% (2009 – 19.8%) for the Group and Company respectively. These deposits have an average maturity of under 90 days.

17. Payables

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Trade	812	812	812	812
Deposits on sale of investment property	157,346	138,336	157,346	138,336
Accruals	3,544	3,187	3,002	2,705
Capital distribution and dividends payable	74,208	76,137	74,208	76,137
	<u>235,910</u>	<u>218,472</u>	<u>235,368</u>	<u>217,990</u>

18. Share Capital

The total authorised number of ordinary shares is 564,000,000 (2009 – 564,000,000).

	2010 \$'000	2009 \$'000
Issued and fully paid –		
563,065,000 ordinary shares without nominal or par value	<u>281,533</u>	<u>281,533</u>

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19. Capital Reserve

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Surplus from fair value gains and sale of investment property	2,309,252	2,235,059	2,295,837	2,221,644
Unrealised surplus on revaluation of property, plant and equipment	20,539	20,539	-	-
Capital distributions	(895,273)	(895,273)	(895,273)	(895,273)
	<u>1,434,518</u>	<u>1,360,325</u>	<u>1,400,564</u>	<u>1,326,371</u>

20. Deferred Taxation

Deferred income taxes are calculated in full on temporary differences under the liability method using a principal tax rate of 33 $\frac{1}{3}$ %.

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

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Net liabilities at beginning of year	15,141	7,210	8,685	495
Charged to statement of comprehensive income (Note 10)	2,531	7,931	2,698	8,190
Net liabilities at end of year	<u>17,672</u>	<u>15,141</u>	<u>11,383</u>	<u>8,685</u>

Deferred income tax liabilities are due to the following items:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Unrealised foreign exchange gains	9,127	7,396	9,127	7,396
Interest receivable on deposits	2,099	1,097	2,099	1,097
Accelerated tax depreciation	6,446	6,648	157	192
	<u>17,672</u>	<u>15,141</u>	<u>11,383</u>	<u>8,685</u>

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20. Deferred Taxation (Continued)

The deferred tax charge/(credit) in the statement of comprehensive income comprises the following temporary differences:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$'000	2009 \$'000
Accelerated tax depreciation	(202)	(195)	(35)	(27)
Unrealised exchange gains	1,731	7,195	1,731	7,195
Interest receivable	1,002	931	1,002	1,022
	<u>2,531</u>	<u>7,931</u>	<u>2,698</u>	<u>8,190</u>

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 relate to the same fiscal authority.

The amounts shown in the balance sheet include the following:

	The Group		The Company	
	2010 \$'000	2009 \$'000	2010 \$,000	2009 \$,000
Deferred income tax liabilities to be extinguished -				
After more than 12 months	6,446	7,375	157	919
Within 12 months	11,226	7,766	11,226	7,766
	<u>17,672</u>	<u>15,141</u>	<u>11,383</u>	<u>8,685</u>

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21. Related Party Transactions and Balances

The following transactions were carried out with related parties:

(i) Transactions in the normal course of business

	2010 \$'000	2009 \$'000
Rental and maintenance paid to subsidiary	1,078	959
Professional services rendered by related parties	<u>36</u>	<u>1,458</u>

(ii) Key management compensation

	2010 \$'000	2009 \$'000
Salaries and other short term employee benefits	4,529	3,912
Statutory contributions	<u>1,575</u>	<u>1,149</u>
	<u>6,104</u>	<u>5,061</u>

Directors' emoluments -

Fees	821	802
Management remuneration (included above)	<u>-</u>	<u>160</u>
	<u>821</u>	<u>962</u>

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

	2010 \$'000	2009 \$'000
At beginning of year	11,787	10,595
Additions	<u>974</u>	<u>1,192</u>
At end of year	<u>12,761</u>	<u>11,787</u>

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

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22. Operating Lease

The company has entered into an operating lease agreement, with the Houseboat Bar and Grill. This lease agreement is for a two year term commencing 2 January 2009. The minimum future lease payments receivable under the operating lease are as follows:

	<u>The Group and The Company</u>	
	2010	2009
	\$'000	\$'000
Not later than 1 year	157	183
Later than 1 year and not later than 5 years	-	157
	<u>157</u>	<u>340</u>

Included in operating income (Note 6) for the prior year is an amount for \$1,405,000 relating to a 6 month lease of lot A59 which was concluded in July 2008.

23. Contingent Liability

In prior year the Group was contingently liable for land reclamation costs in respect of the sale of one of its investment properties. The reclamation costs must however exceed US\$1,000,000 for the Group to be liable for half of the cost in excess of US\$1,000,000 up to a maximum of US\$250,000. No provision for the reclamation costs was made as the expected cost of the reclamation was unknown as at 31 March 2009.

A deposit in the amount of the maximum liability of US\$250,000 was being held by the Group's attorneys in an escrow account pending the determination of the reclamation costs.

During the current year, reclamation costs in excess of US\$1,000,000 were incurred. The Group's share of the excess which amounted to US\$250,000 has been charged to the statement of comprehensive income.