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## LIST OF DIRECTORS, MANAGEMENT, ETC.

### **John Gourzong - Chairman**

Mr. John Gourzong started his career in banking and is currently Owner and Managing Director of River Raft Limited, operators of the Rafting on the Martha Brae tourist attraction in Trelawny; Founding/Executive Director of Summerfest Productions Limited and President of the Association of Jamaica Attractions Limited. Mr. Gourzong also serves on the Board of River Rafting Authority, and Trelawny Multipurpose Stadium.

### **Barrington Baugh**

Mr. Baugh is an Insurance Broker and is the founder and operator of the Jamaica Citadel Insurance Brokers Limited in Montego Bay. He is also a Justice of the Peace for the Parish of St. James.

### **Melissa Chang, B.A.**

Miss Chang is a professional with over seven (7) years experience in the private sector as a strategic and performance analyst. She has worked with firms such as PricewaterhouseCoopers and Harmonisation Limited. She is currently employed to the Jamaica Public Service Company Limited (JPS).

### **Joy Douglas, MURP, B.A. (Hons.)**

Miss Joy Douglas, an Urban and Regional Planner, has been the General Manager of the Urban Development Corporation since November 20, 2008. She currently serves on the Boards of the National Housing Trust, Planning Institute of Jamaica, Independence Park Limited, Caymanas Development Company Limited, Runaway Bay Water Company Limited, as well as the Town and Country Planning Authority (TCPA), the Natural Resources Conservation Authority (NRCA), Land Utilization Commission, Jamaica Developers Association, Kingston Restoration Company (KRC), and the Kingston City Centre Improvement Company (KCCIC).

### **Methelina Scarlett-Jones**

Mrs. Methelina Scarlett-Jones is currently employed to JohnsonDiversey Jamaica Limited, a subsidiary of SC Johnson in the position of Manager in the Hospitality and Healthcare Division. She participates in various community projects which includes being Chair of the Atlanta Montego Bay Sister Cities Committee for sixteen (16) years; Chair of the Barracks Road Primary School for four (4) years; Fund Raising Committee Member of Jamaica Aids Support – Montego Bay Chapter; and Friends of the Psychiatric Ward at the Cornwall Regional Hospital and Women's Crisis Centre – Montego Bay Chapter.

### **Dale Sinclair, B.Sc. (Eng.)**

Mr. Sinclair is a Chemical Engineer with experience in the bauxite and petroleum industry. He is presently the owner of a used car dealership and a retail pharmacy. He brings to the Board of Montego Freeport Limited a wide range of experience and strong leadership qualities.

### **Robert Russell**

Mr. Russell is currently the Chairman of the Tourism Product Development Company Limited, a government regulatory agency. He is a businessman who owns and operates the 'Pier One on the Waterfront' Entertainment Complex in Montego Bay. He is a founding member and Chairman of Reggae Sumfest. Mr. Russell sits on several boards including the Urban Development Corporation (UDC) and the UDC's Advisory Board in Montego Bay.

### **Michael Subratie, BCE, MSCE, EIT**

Mr. Subratie is Managing Director of T. Geddes Grant (Distributors) Limited as well as a Director of the Musson Group of Companies. He is also a Director of Urban Development Corporation, Jamaica Railway Corporation, American Chamber of Commerce and Jamaica Urban Transit Company. Mr. Subratie holds both a Bachelor's Degree in Civil Engineering with highest honor from Georgia Institute of Technology and a Master's Degree in Structural Engineering from Purdue University.

### **Vivion Scully**

Mr. Vivion Scully is a Business Executive with experience in Marketing, Sales and Business Development. He is currently head of Information Communications & Technology sector development at JAMPRO and was previously Manager of Investments for the Caribbean, Latin America & Emerging Markets. Mr. Scully has held senior positions at Johnson & Johnson and The Gillette Company handling Multi-national businesses across the Caribbean region. He presently serves on the Board of the Urban Development Corporation.

# LIST OF DIRECTORS, MANAGEMENT, ETC.

## COMPANY SECRETARY

### **Marlene McLean, M.Sc., B.Sc.**

P.O. Box 303  
Montego Bay  
St. James  
Jamaica, W.I.

## REGISTRAR & TRANSFER AGENT

### **Marlene McLean**

P.O. Box 303,  
Montego Bay  
St. James  
Jamaica, W.I.

## EXECUTIVE MANAGEMENT

### **Tanique Brodber, B.Sc.**

Shop No. 34, Montego Freeport  
Shopping Centre  
P.O. Box 303, Montego Freeport  
Montego Bay, St. James

- **General Manager**

### **Isaac Gordon**

Shop No. 34, Montego Freeport  
Shopping Centre  
P.O. Box 303, Montego Freeport  
Montego Bay, St. James

- **Financial Consultant**

## AUDITORS

### **PricewaterhouseCoopers**

Fairview Office Park  
Montego Bay  
St. James  
Jamaica, W.I.

## BANKERS

### **National Commercial Bank Ja. Ltd.**

St. James Street, Montego Bay  
Montego Bay  
St. James  
Jamaica, W.I.

## ATTORNEYS

### **George C. Thomas & Company,**

19 Orange Street  
P.O. Box 1331  
Montego Bay  
St. James  
Jamaica, W.I.

### **Clarke, Robb & Company**

4 Market Street  
P.O. Box 1255  
Montego Bay  
St. James  
Jamaica, W.I.

## DISCLOSURE OF MAJOR SHAREHOLDERS

NAMES	NO. OF STOCK UNITS
Urban Development Corporation	287,162,700
National Hotels and Properties Limited	174,293,680
Dr. Irvin Hoo-Fatt and/or Veronica Hoo-Fatt	4,719,902
G. L. Enterprises Limited	2,589,153
MF&G Trust & Finance Limited – A/C #528	2,358,810
Peter Lee	2,239,336
Samuel Hart & Son Limited	2,033,020
Manchester Pension Trust Fund Limited	1,667,056
Karl P. Wright	1,583,000
Zerlene Burbank-Taylor, Michael Burbank-Taylor and William Minor Taylor III	1,430,000

# NOTICE OF ANNUAL GENERAL MEETING WITH ORDINARY RESOLUTIONS

## NOTICE OF FORTY-THIRD ANNUAL GENERAL MEETING

**NOTICE** is hereby given that the **Forty-Third Annual General Meeting of Montego Freeport Limited** will be held in the Conference Room of the Jamaica Grandiosa Resort, 3 Ramparts Close, Montego Bay, St. James, Jamaica, W.I. on **Thursday, August 25, 2011** at **11:00 a.m.** for the purpose of transacting the following businesses:-

### 1. Audited Accounts for the Year Ended March 31, 2011

To receive and adopt the accounts for the year ended March 31, 2011, together with the Reports of the Directors and Auditors thereon. To consider and, (if thought fit) pass the following resolutions:

- (i) *'THAT the Audited Statements for the period ended March 31, 2011 and the Report of the Directors thereon be and are hereby taken as read'.*
- (ii) *'THAT the Reports of the Directors and Auditors and the Audited Financial Statements for the year ended March 31, 2011 now submitted to the meeting be and are hereby adopted'.*

### 2. Election of Directors

In accordance with Article 92 of the Articles of Association of the Company Messrs. John Gourzong, Barrington Baugh and Miss Melissa Chang retire at this Annual General Meeting, and being eligible offer themselves for re-election. Mr. Vivion Scully who was appointed since the last Annual General Meeting, retire at this Annual General Meeting, and being eligible, offer himself for re-election.

To consider and (if thought fit) pass the following resolutions:

- (i) *'THAT Mr. John Gourzong be and is hereby re-elected a Director of the Company for the ensuing year'.*
- (ii) *'THAT Mr. Barrington Baugh be and is hereby re-elected a Director of the Company for the ensuing year'.*
- (iii) *'THAT Miss Melissa Chang be and is hereby re-elected a Director of the Company for the ensuing year'.*

# NOTICE OF ANNUAL GENERAL MEETING WITH ORDINARY RESOLUTIONS

- (iv) *'THAT Mr. Vivion Scully be and is hereby re-elected a Director of the Company for the ensuing year'.*

## 3. Delisting of the Company from the Exchange

To consider and (if thought fit) pass the following Resolution:-

*'That the Directors at the earliest opportunity cause an application to be made to the Jamaica Stock Exchange in keeping with the Rules of the Exchange to delist the company from the Jamaica Stock Exchange'.*

## 4. Proposal by the Urban Development Corporation (UDC) to assume contingent liability of MFL's Sales Agreements

To consider and (if thought fit) pass the following Resolution:-

*'That the company be permitted to enter into an Agreement with the UDC whereby the company agrees that should MFL sell any another parcel of land that it now holds, that it will assigned the benefit of the contract and appoint the UDC as its agent to monitor the performance; and*

*Should it become necessary to repurchase the land, UDC will acquire same at the original selling price holding the beneficial interest on behalf of MFL'.*

## 5. Resolution to Wind-Up the Company

To consider and (if thought fit) pass the following Resolution:-

*'That upon the sale of all the remaining lands owned by Montego Freeport Limited and upon Montego Freeport Limited having satisfied its mandate, it is hereby resolved that all necessary steps be taken to wind up the company'.*

# NOTICE OF ANNUAL GENERAL MEETING WITH ORDINARY RESOLUTIONS

## 6. Remuneration of Auditors

To authorize the Directors to fix the remuneration of the Auditors and to consider and if thought fit pass the following resolution:

*'THAT the Directors be and are hereby authorized to fix the remuneration of the Auditors'.*

## 7. To transact any other business which may be transacted at an Ordinary General Meeting

**DATED THIS 3RD DAY OF AUGUST, 2011**



MARLENE MCLEAN  
COMPANY SECRETARY

### **NOTE:-**

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a member of the Company. A form of proxy is enclosed and if it is used it should be completed in accordance with the instructions on the form and returned so as to reach the Company's Registrar at the address shown on the form not less than forty-eight (48) hours before the time fixed for the meeting.



## Results of Operations

### Activities

Montego Freeport Limited was incorporated as a public company on February 15, 1966. The prime objective upon incorporation was the reclamation and development of up to 500 acres of land in the Bogue area, now known as Montego Freeport. To do this MFL was granted by the Government of Jamaica, the right to reclaim government submerged land by dredging operations. That land was then to be developed, leased or sold according to a comprehensive development plan.

Flash forward 45 years and Montego Freeport is now home to a booming industrial estate, the Freezone, upscale residential complexes, luxurious resort offerings, a beach club, the Montego Bay Yacht Club and the parish's largest Port. Montego Freeport Limited has just about achieved its incorporated objective.

With the sale almost complete on lots B20, B21, B22 and B68 and full payment received for lot A59; the company now only has four parcels available for disposal. They are, lots A26, A50B, M19 and H51. The Board is currently in negotiations with interested parties for lots A26, M19 and H51 and has started actively marketing Lot A50B.

New issues have arisen regarding lots M80 and M81 and though our Attorneys have collected full payment for these lots, the proceeds will remain in escrow until all title issues have been resolved. Our Attorney-at-Law continues to monitor the situation and feels resolution is impending.

The company continues to ensure shareholders investments are managed as efficiently as possible. To this end an operational review and job audit was conducted in 2010. The inevitable result was a comprehensive redundancy program, through which all staff was made redundant. Contract services of the General Manager, Financial Consultant and Part-time Accountant were retained.

# CHAIRMAN'S STATEMENT

The Accounting Clerk was offered a one year contract to provide support to the General Manager and Financial Consultant.

I take this opportunity to record on behalf of the Directors of the Board, Management and the Shareholders the company's appreciation and sincere gratitude for the years of outstanding service provided by the employees of Montego Freeport Limited and wish them all the best in their future endeavours.

## Financial

The company's financial statements reflect a loss for the period under review, primarily due to a reassessment, based on present market conditions, of the book values for lots M19 and H51.

## Dividend/Capital Distribution

Though the statement published in the previous annual report noted that no dividend or capital distribution would be issued in 2010, the Board decided to conduct further reviews of operations and finances to ensure the possibility of a capital distribution to shareholders. Management executed this review and made provisions for the declaration of a capital distribution of \$0.71 which was paid to stockholders on August 31, 2010. It will however not be prudent to declare any dividend or capital distribution for the 2011/2012 financial year.

## Future

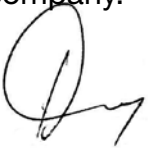
The remainder of the 2011/2012 financial year is expected to see the sale of the remaining MFL owned lots for development, shop 34 Freeport Shopping Centre and Apt G101, Seawind on the Bay. Full realisation of the companies mandate will only be achieved once the company ensures complete execution of all sales agreement stipulations; in essence the company is bound to ensure that all the lots it sold are developed according to the respective approved usage.

In an effort to ensure the company does not exist with no revenue stream to solely monitor the performance clauses contained in the sales agreements, the UDC has proposed to assume the contingent liability of the performance clauses. A resolution on this matter will be requested at the upcoming Annual General Meeting.

A resolution will also have to be passed as to the future of the company once it has sold all its lots.

## Thank You

We take this opportunity to thank management and staff for their dedicated service to the company. To you the stockholders, we thank you for your continued support.



.....  
JOHN GOURZONG  
CHAIRMAN

30TH JUNE 2011

# REPORT OF DIRECTORS

The Directors are pleased to submit their Forty-Third Annual Report, together with the Audited Accounts of the Company for the period under review 1 April 2010 to 31 March 2011. The principal activity of the company is property ownership.

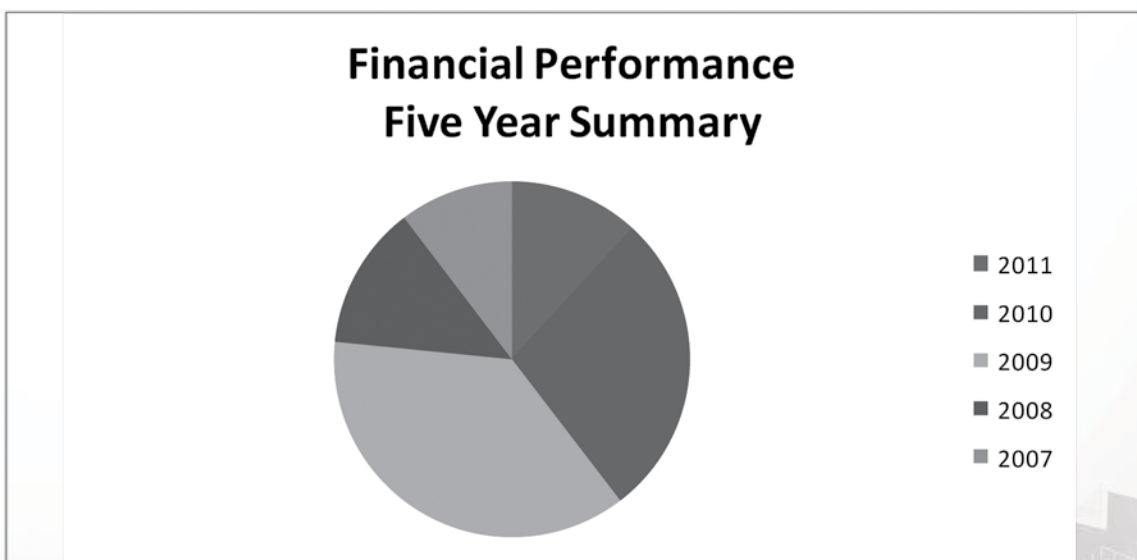
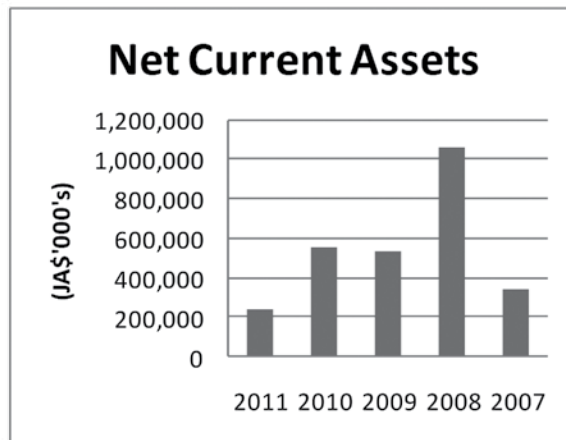
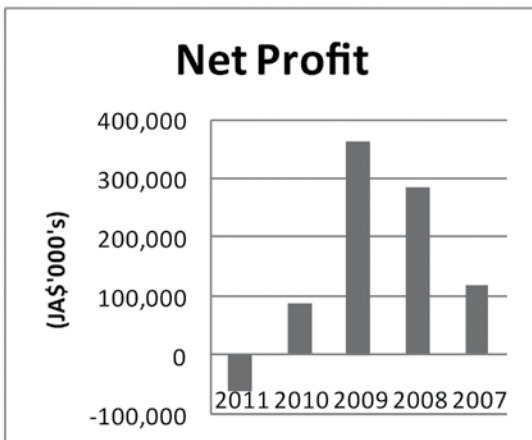
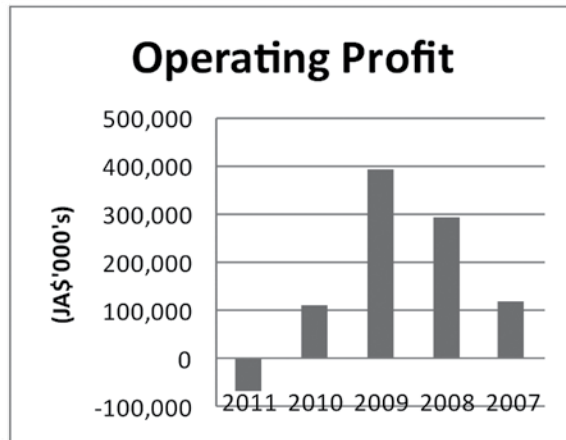
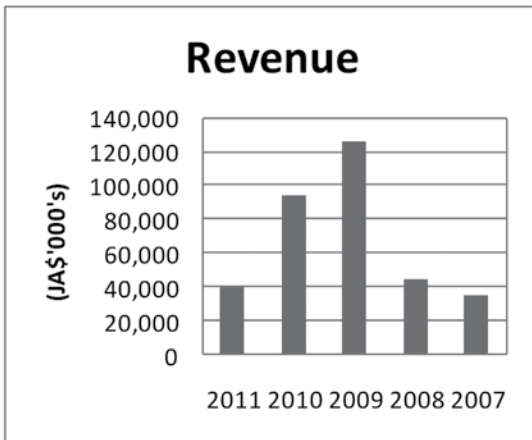
## Financial Results

Operating and other income for the period under review was \$40.186M. Fair value loss on investment property amounted to (\$46.029M). The loss for the period was (\$70.010M) and after accounting for taxation the company had a loss of (\$62.281M). The balance in the Capital Reserve Account as at 31 March 2011 is \$992.434M and in the Retained Earnings Account is \$63.778M.

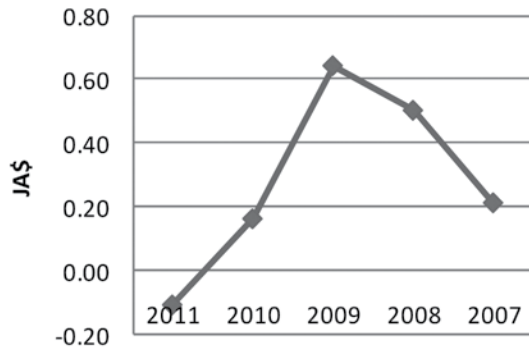
## Historical Review

	2011	2010	2009	2008	2007
<i>Revenue/Operating Income</i>	\$40.186M	\$94.245M	\$125.623M	\$44.374M	\$35.165M (Restated)
<i>Operating (Loss)/Profit</i>	(\$70.010M)	\$107.513M	\$391.409M	\$290.710M	\$118.251M (Restated)
<i>Net (Loss)/Profit</i>	(\$62.281M)	\$88.617M	\$361.798M	\$284.327M	\$118.069M
<i>Net Current Assets</i>	\$251.045M	\$549.611M	\$531.495M	\$1.056B	\$344.572M
<i>Earnings Per Stock Unit</i>	(\$0.11)	\$0.16	\$0.64	\$0.50	\$0.21
<i>Closing Stock Unit Price</i>	\$1.50	\$1.71	\$1.55	\$2.15	\$2.00
<i>P/E Ratio</i>	--	\$10.68	\$2.42	\$4.30	\$9.52
<i>Price to Book Value Ratio</i>	\$0.63	\$0.54	\$0.51	\$0.62	\$0.58

(Shown in Graph Overleaf)



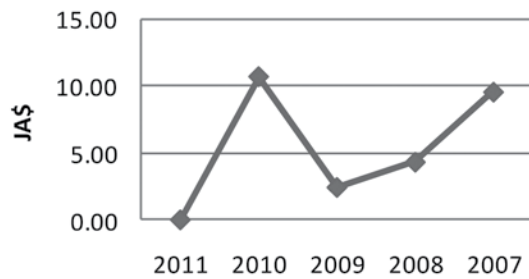
## Earnings per share



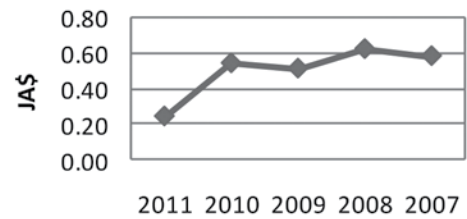
## Closing share price



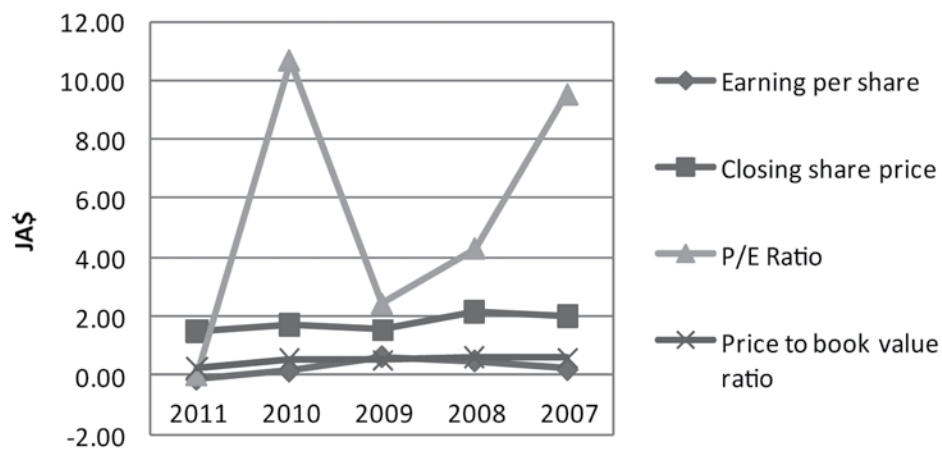
## P/E Ratio



## Price to book value ratio



## 5-Year Stock Market Data



## Capital Distribution

A Capital Distribution of \$0.7104 per stock unit less four percent (4%) percent transfer tax was paid to stockholders on the Register of Members on August 31, 2010. The directors do not recommend a payment at this time.

## Governance

### Directors

The Board of Directors as at March 31, 2011 are:-

John Gourzong  
Barrington Baugh  
Melissa Chang  
Joy Douglas  
Methelina Scarlett-Jones  
Dale Sinclair  
Robert Russell  
Michael Subratie

Mr. Vivion Scully was appointed to serve as a Director of the Company effective June 15, 2011.

Under Articles 91 to 93 of the Articles of Association of the company, the retiring Directors are Messrs. John Gourzong and Barrington Baugh and Miss Melissa Chang. Under Article 97 of the Articles of Association of the Company, Mr. Vivion Scully retires at this meeting and being eligible offer himself for re-election.

### Audit Committee

During the period under review, Mr. Dale Sinclair was appointed a member of the Audit Committee. Mr. Barrington Baugh was appointed as Chairman of the Committee. The Audit Committee now comprises three (3) non-executive directors, considered by the Board to be independent. They are Barrington Baugh—Chairman, Melissa Chang and Dale Sinclair.

The Committee met twice and the following were discussed:-

- Redundancy Programme
- Sale of Lands/Review of Bids
- Quarterly Reports for the Jamaica Stock Exchange
- Review of the company's investments/operations
- Review of the Company's Budget for 2011/2012

The General Manager and Financial Consultant attended these meetings on the invitation of the committee's Chairman.

The main role and responsibilities of the Audit Committee are set out in written terms of reference and include:-

- Monitoring the integrity of the company's financial statements, including its annual and interim reports, formal announcements relating to its financial performance and reviewing significant reporting issues
- Reviewing the company's systems of financial control and risk management
- Monitoring and reviewing the effectiveness of the company's internal audit function

## **Auditors**

PricewaterhouseCoopers have expressed their willingness to continue as Auditors of the Company and a resolution will be proposed authorizing the Directors to fix their remuneration.

BY ORDER OF THE BOARD



COMPANY SECRETARY

DATED THIS 30TH DAY OF JUNE 2011



## Vision

Realising Montego Freeport Limited's incorporated mandate whilst protecting the interest of its shareholders.

## Core Business

Montego Freeport Limited was incorporated with an objective of reclaiming submerged land in the Bogue area now known as Montego Freeport. That land was to be developed, leased and/or sold in accordance with a comprehensive development plan.

With the Freeport area almost totally developed, the company's core functions are limited to:

- Sale of land for development purposes according to the development plan for the area.
- Monitoring the performance clauses contained in previous and current sales agreement to ensure conformity.

## Long-term Vision and Future

With the company's vision nearly realized, Montego Freeport Limited is approaching the inevitable end. Whilst the Articles of Association may make provision for continuity through other forms of ventures the current unpredictable and uncertain nature of the economy may not permit any such ventures.

As it stands the company has no long-term vision and awaits a firm decision from shareholders as to the future of the company.

## Strategies for Growth

Until shareholders arrive at a firm consensus as to the future of Montego Freeport Limited, management has no base from which to formulate strategies for growth. Management continues to focus its efforts on effecting the company's core business with efficiency, transparency and in accordance with the laws of the government of Jamaica.

## Performance Drivers and capability to achieve vision

Montego Freeport Limited is governed by a Board of Directors comprising of representation from relevant sectors. The Board's decisions and policies are executed and monitored by a Management team with expertise in Management and Finance.

The company's operations are funded from interest gained on investment. One feature of MFL's popularity on the stock market is its ability to manage a relatively large portfolio with minimal operational cost. The Board of Directors and senior management continually review business processes to ensure efficiency and low cost.

Full realisation of its vision will be driven by the dedication of the Board of Directors, management/staff and the prime nature of assets under its ownership.

## Results

Despite unstable and uncertain market conditions the company is at an advanced stage of completing its vision.

The company currently has four (4) parcels of land available for sale. Interested parties have been identified for three (3) of those lots through multiple public calls for an invitation to bid. The fourth lot is actively being marketed and has received multiple expressions of interest.

## Future

The Board and Management will be making suggestions and the shareholders of the company will decide whether they wish to dissolve the company or whether to operate as a going concern.

## Risks

The company's risk policies are designed to identify and analyse the variety of financial risks it is exposed to. This is monitored by the Board through regular reviews of the company's management policies and systems to reflect changes in the market conditions which might affect the company's activities. The Board provides principles for overall risk management, as well as policies covering areas such as:

## Credit Risk

This is the risk of financial loss that can be caused by the company's customers and clients who fail to honour their contractual obligations. The company carefully manages its exposure to credit risk by placing limits on the amount of risk accepted in relation to its customers and clients and by regularly analyzing the ability of said customers and clients to meet their payment obligations.

## Liquidity Risks

Liquidity risk is the risk that the company 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.

The company's liquidity management process includes:

1. Monitoring future cash flows and liquidity on an ongoing basis
2. Maintaining a portfolio of short-term deposits that can easily be liquidated as protection against any unforeseen interruptions to cash flows
3. Optimising cash returns on investments

## Market Risk

The company is exposed to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market conditions and prices. The Board of Directors, through management, monitors the market risk which mainly arises from changes in foreign currency exchange rates and interest rates.

## 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 company manages its foreign exchange risks by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions.

## 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. The company manages its interest rate risk by maintaining a portfolio of highly liquid short-term instruments.

## Reasons for Proposal

- Sale of lots are almost completed
- Montego Freeport Limited has fulfilled its purpose of developing the Freeport Peninsula
- Operational plans and objectives for the company are now at a minimum
- Current operational expenses are out of proportion with current activities

## Rules of the Jamaica Stock Exchange (JSE)

1. A listed company may make an application to the Exchange to be delisted. Any such application must be in writing, stating in as much detail as possible the reason for the application, and accompanied by a certified copy of the Board authorizing the application for delisting,
2. In situations where the majority shareholder(s) makes an application to delist, he shall be required to make an offer to buy out the minority shareholders, unless a majority of the minority shareholders present at a general meeting approve the application to delist.
3. The company must be current in all its financial reporting to the Exchange.
4. In the event of a delisting of the company's securities, no portion of the listing fee is refundable. However, if during the calendar year of delisting a company is relisted, no further fee is payable for the balance of that calendar year.

## Reasons for Delisting

1. A company going private in a private equity transaction.
2. A company going private following a merger or acquisition.
3. A company considering winding up procedures
4. The avoidance of full disclosure obligations of listed companies
5. Less regulatory reporting obligations.
6. The stock volumes on the Exchange may be too insignificant to warrant participation
7. Cost savings e.g. listing fees and operational expenses

## Advantages of Delisting

1. The company is no longer liable to follow the rules of the Exchange.
2. No additional costs of maintaining a listing on the Exchange, such as listing fees.
3. No additional human resource requirement to meet the continuing obligation of the Exchange
4. Less time spent by management in satisfying corporate governance best practice which would give more time for the running of the inside operations of the company

## Disadvantages of Delisting

1. The shares will not enjoy the benefits of trading across the floor of the Exchange, therefore, their marketability on the Exchange will be lost.
2. Transfer of shares will no longer be exempt from the payment of transfer tax and stamp duties
3. The company will become less attractive to minority shareholders as they no longer have the possibility of exiting the company under favourable conditions by selling their shares on the Exchange
4. The company will no longer have the ability to raise finance through debt and equity

## If delisted, how would the shares of the Company be traded?

- Shares of the company can be bought and sold through the Registered Stockbrokers

## How would the value of the shares be determined?

- This would be based on the value of the assets of the company and stockholders' equity



2011

# Financial Statements

March 31, 2011

## 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 33, which comprise the consolidated and company statements of financial position as of 31 March 2011 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.



Members of Montego Freeport Limited  
Independent Auditors' Report  
Page 2

## 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 2011, 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

13 June 2011  
Montego Bay, Jamaica

# FINANCIAL STATEMENTS

## Montego Freeport Limited

Consolidated Statement of Comprehensive Income  
Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Operating Income</b>	6	286	247
Other income	7	39,900	93,998
Fair value (loss)/gain on investment property	13	(46,029)	74,193
Loss on the disposal of investment property		(12,650)	-
Administrative expenses		(13,222)	(12,899)
Other operating expenses		(38,295)	(48,026)
<b>(Loss)/Profit before Taxation</b>		(70,010)	107,513
Taxation	10	7,729	(18,896)
<b>Net (Loss)/Profit</b>	11	(62,281)	88,617
<b>Other Comprehensive Income:</b>			
Gains on revaluation of land and buildings		5,787	-
Deferred tax arising on revaluation of land and buildings		(1,841)	-
<b>Total Comprehensive Income</b>		(58,335)	88,617
<b>EARNINGS PER STOCK UNIT</b>	12	\$(0.11)	\$0.16

## Montego Freeport Limited

Consolidated Statement of Financial Position

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Non-Current Assets</b>			
Investment property	13	1,051,393	1,221,961
Property, plant and equipment	14	46,786	42,181
<b>Current Assets</b>			
Receivables	15	380,823	162,374
Taxation recoverable		35,579	27,895
Cash and short-term deposits	16	319,416	601,452
		735,818	791,721
<b>Current Liabilities</b>			
Payables	17	478,566	235,910
Taxation payable		6,207	6,200
		484,773	242,110
<b>Net Current Assets</b>			
		251,045	549,611
		1,349,224	1,813,753
<b>Stockholders' Equity</b>			
Share capital	18	281,533	281,533
Capital reserve	19	992,434	1,434,518
Retained earnings		63,778	80,030
		1,337,745	1,796,081
<b>Non-Current Liability</b>			
Deferred tax liabilities	20	11,479	17,672
		1,349,224	1,813,753

Approved for issue by the Board of Directors on 13 June 2011 and signed on its behalf by:



John Gourzong

Director



Barrington Baugh

Director

# FINANCIAL STATEMENTS

## Montego Freeport Limited

Consolidated Statement of Changes in Equity

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 April 2009</b>		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)	-
<b>Balance at 31 March 2010</b>		281,533	1,434,518	80,030	1,796,081
Total comprehensive income	11	-	3,946	(62,281)	(58,335)
Transfer to capital reserve		-	(46,029)	46,029	-
Transactions with owners -					
Capital distribution		-	(400,001)	-	(400,001)
<b>Balance at 31 March 2011</b>		281,533	992,434	63,778	1,337,745

## Montego Freeport Limited

Consolidated Statement of Cash Flows

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Cash Flows From Operating Activities</b>			
Net profit		(62,281)	88,617
Items not affecting cash:			
Depreciation		1,160	1,198
Gain on disposal of property, plant and equipment		(96)	-
Loss on disposal of investment property		12,650	-
Decrease/(increase) in fair value of investment property		46,029	(74,193)
Exchange loss/(gain) on foreign exchange balances		6,924	(393)
Interest income		(39,600)	(89,171)
Taxation		(7,729)	18,896
		<u>(42,943)</u>	<u>(55,046)</u>
Changes in operating assets and liabilities			
Receivables		(214,522)	53,312
Payables		216,137	20,997
Cash used in operating activities		<u>(41,328)</u>	<u>19,263</u>
Tax paid		(7,982)	(20,855)
Net cash used in operating activities		<u>(49,310)</u>	<u>(1,592)</u>
<b>Cash Flows From Investing Activities</b>			
Purchase of property, plant and equipment		-	(37)
Proceeds from disposal of property, plant and equipment		118	-
Interest received		40,906	89,171
Proceeds from disposal of investment property		111,889	-
Net cash provided by investing activities		<u>152,913</u>	<u>89,134</u>
<b>Cash Flows From Financing Activity</b>			
Capital distribution and dividends payable		(378,908)	(1,929)
Net cash used in financing activity		<u>(378,908)</u>	<u>(1,929)</u>
Exchange and translation gains on net foreign cash balances		(6,731)	-
Net (decrease)/increase in cash and cash equivalents		(282,036)	85,613
Cash and cash equivalents at beginning of year		601,452	515,839
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	16	<u>319,416</u>	<u>601,452</u>

The following non-cash movements were excluded from the statement of cash flows:

- Revaluation gains on property, plant and equipment of \$5,787,000 (2010 – Nil) (Page 1)
- Deferred tax on revaluation gains on property, plant and equipment of \$1,841,000 (2010 – Nil) Note 20
- Movement in fair value of investment property of \$46,029,000 (2010 - \$74,193,000) Note 13
- Undistributed dividends payable of \$21,093,000 (2010 – Nil) Note 17.

# FINANCIAL STATEMENTS

## Montego Freeport Limited

Company Statement of Comprehensive Income

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Operating Income</b>	6	286	211
Other income	7	39,051	92,355
Fair value (loss)/gain on investment property	13	(46,029)	74,193
Loss on disposal of investment property		(12,650)	-
Administrative expenses		(12,584)	(12,246)
Other operating expenses		(38,494)	(48,017)
<b>(Loss)/ Profit before Taxation</b>		(70,420)	106,496
Taxation	10	7,865	(18,557)
<b>Net (Loss)/Profit</b>	11	(62,555)	87,939
<b>Other Comprehensive Income:</b>			
Gains on revaluation of buildings		2,447	-
Deferred tax arising on revaluation of buildings		(816)	-
<b>Total Comprehensive Income</b>		(60,924)	87,939

## Montego Freeport Limited

Company Statement of Financial Position

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

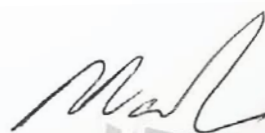
	Note	2011 \$'000	2010 \$'000
<b>Non-Current Assets</b>			
Investment property	13	1,051,393	1,221,961
Property, plant and equipment	14	20,957	19,169
Investment in subsidiary		7	7
<b>Current Assets</b>			
Receivables	15	380,419	162,036
Taxation recoverable		35,579	27,896
Cash and short-term deposits	16	309,032	591,011
		725,030	780,943
<b>Current Liabilities</b>			
Payables	17	478,044	235,368
Taxation payable		6,105	6,105
		484,149	241,473
<b>Net Current Assets</b>			
		240,881	539,470
		1,313,238	1,780,607
<b>Stockholders' Equity</b>			
Share capital	18	281,533	281,533
Capital reserve	19	956,165	1,400,564
Retained earnings		57,840	74,366
		1,295,538	1,756,463
<b>Non-Current Liabilities</b>			
Deferred tax liabilities	20	4,334	11,383
Due to subsidiary	21	13,366	12,761
		17,700	24,144
		1,313,238	1,780,607

Approved for issue by the Board of Directors on 13 June 2011 and signed on its behalf by:



John Gourzong

Director



Barrington Baugh

Director

# FINANCIAL STATEMENTS

## Montego Freeport Limited

Company Statement of Changes in Equity

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Total \$'000
<b>Balance at 1 April 2009</b>		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)	-
<b>Balance at 31 March 2010</b>		281,533	1,400,564	74,366	1,756,463
Total comprehensive income	11	-	1,631	(62,555)	(60,924)
Transfer to capital reserve		-	(46,029)	46,029	-
Transactions with owners -					
Capital distribution		-	(400,001)	-	(400,001)
<b>Balance at 31 March 2011</b>		<b>281,533</b>	<b>956,165</b>	<b>57,840</b>	<b>1,295,538</b>



## Montego Freeport Limited

Company Statement of Cash Flows

Year ended 31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
<b>Cash Flows From Operating Activities</b>			
Net profit		(62,555)	87,939
Items not affecting cash:			
Depreciation		637	676
Loss on disposal of investment property		12,650	-
Decrease /(increase) in fair value of investment property		46,029	(74,193)
Gain on disposal of property, plant and equipment		(96)	-
Exchange loss/(gain) on foreign exchange balances		6,924	(393)
Interest income		(38,785)	(87,528)
Taxation		(7,865)	18,557
		<u>(43,061)</u>	<u>(54,942)</u>
Changes in operating assets and liabilities			
Receivables		(214,456)	53,341
Payables		<u>216,157</u>	<u>20,937</u>
		(41,360)	19,336
Tax paid		<u>(7,683)</u>	<u>(20,308)</u>
Net cash used in operating activities		<u>(49,043)</u>	<u>(972)</u>
<b>Cash Flows From Investing Activities</b>			
Purchase of property, plant and equipment		-	(37)
Proceeds from disposal of property, plant and equipment		118	-
Proceeds from sale of investment property		111,889	-
Interest received		<u>40,091</u>	<u>87,528</u>
Net cash provided by investing activities		<u>152,098</u>	<u>87,491</u>
<b>Cash Flows From Financing Activities</b>			
Capital distribution and dividends payable		(378,908)	(1,929)
Due to subsidiary		<u>605</u>	<u>974</u>
Net cash used in financing activities		<u>(378,303)</u>	<u>(955)</u>
Exchange and translation gains on net foreign cash balances		<u>(6,731)</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(281,979)	85,564
Cash and cash equivalents at beginning of year		<u>591,011</u>	<u>505,447</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	16	<u>309,032</u>	<u>591,011</u>

The following non-cash movements were excluded from the statement of cash flows:

- Revaluation gains on property, plant and equipment of \$5,787,000 (2010 – Nil) (Page 1)
- Deferred tax on revaluation gains on property, plant and equipment of \$1,841,000 (2010 – Nil) Note 20
- Movement in fair value of investment property of \$46,029,000 (2010 - \$74,193,000) Note 13
- Undistributed dividends payable of \$21,093,000 (2010 – Nil) Note 17.

## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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### 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 2010:

**IAS 1 (Amendment) - Presentation of financial statements** (effective from 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 applied IAS 1 (Amendment) from 1 April 2010. It did not have a material impact on the Group's financial statements.

## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(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**

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:

**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 April 2011. It is not expected to have a material impact on the Group's financial statements.

#### (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.

## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

#### (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.

#### (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 or control 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.

## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Significant Accounting Policies (Continued)

#### (g) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Land and buildings are subsequently shown at fair value, based on periodic, but at least triennial valuations by external 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 are 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.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. 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 income in the statement of comprehensive income.

Repairs and maintenance are charged to other operating expenses 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.

## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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### 2. Significant Accounting Policies (Continued)

**(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 as a part of net profit 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 carried at original invoice amount (which represents fair value) 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 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.

**(l) Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position 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 obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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 statement of financial position date.

## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 2. Significant Accounting Policies (Continued)

#### (o) Income taxes (continued)

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 to net profit, except where it relates to items charged or credited to other comprehensive income, in which case deferred tax is also dealt with in other comprehensive income.

#### (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.

#### (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 and Key Sources of Estimation Uncertainty

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.

#### Key sources of estimation uncertainty

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.

## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

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### 3. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

#### 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 the directors 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.

### 4. Financial Risk Management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, fair value interest rate 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.

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 regularly reviews risk management policies and systems to reflect changes in market conditions which might affect its activities and in emerging best practices.

The Board of Directors (The Board) 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.



## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (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. The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to a single counterparty or groups of counterparties.

#### 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.

The Group establishes an allowance for impairment that represents its estimate in respect of receivables. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

#### 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.

#### 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.

#### Worst case scenario of credit risk exposure

The worst case scenario of the Group's exposure to credit risk is as follows:

	The Group		The Company	
	2011	2010	2011	2010
	\$'000	\$'000	\$'000	\$'000
Receivables	379,382	161,048	379,436	161,048
Cash and cash equivalents (excluding cash on hand)	319,385	601,374	309,002	590,981
	<u>698,767</u>	<u>762,422</u>	<u>688,438</u>	<u>752,029</u>

## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

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### 4. Financial Risk Management (Continued)

#### (a) Credit risk (continued)

##### Worst case scenario of credit risk exposure (continued)

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.

##### Liquidity risk management process

The Group's liquidity management process, as carried out within the Group and monitored by the Board 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 tables below summarise the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted payments:

	The Group			Total \$'000
	Within 1 Month \$'000	1 to 3 Months \$'000	3 to 12 Months \$'000	
<b>As at 31 March 2011:</b>				
Trade payables and deposits	812	-	378,924	379,736
Accruals and other payables	96,160	2,580	90	98,830
	96,972	2,580	379,014	478,566
<b>As at 31 March 2010:</b>				
Trade payables and deposits	812	-	157,346	158,158
Accruals and other payables	75,001	2,660	91	77,752
	75,813	2,660	157,437	235,910

## Montego Freeport Limited

Notes to the Financial Statements

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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	
<b>As at 31 March 2011:</b>					
Trade payables and deposits	812	-	378,924	-	379,736
Accruals and other payables	96,159	2,100	48	-	98,307
Due to subsidiary	-	-	-	13,366	13,366
	<u>96,971</u>	<u>2,100</u>	<u>378,972</u>	<u>13,366</u>	<u>491,409</u>
<b>As at 31 March 2010:</b>					
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
	<u>75,813</u>	<u>2,160</u>	<u>157,395</u>	<u>12,761</u>	<u>248,129</u>

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 risk, 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 risk mainly arises from changes in foreign currency exchange rates and interest rates. Market risk is monitored by the Board of Directors. Market risk exposures are measured using sensitivity analysis. There has been no change to the Group's exposure to market risk 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. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. 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.

## Montego Freeport Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### Currency risk (continued)

The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

##### *Concentrations of currency risk*

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

	The Group		
	J\$ J\$'000	US\$ J\$'000	Total J\$'000
<b>At 31 March 2011:</b>			
<b>Financial Assets</b>			
Receivables	237,724	141,658	379,382
Cash and short-term deposits	318,790	626	319,416
Total financial assets	556,514	142,284	698,798
<b>Financial Liabilities</b>			
Payables	336,401	142,165	478,566
<b>Net financial position</b>	<b>220,113</b>	<b>119</b>	<b>220,232</b>
<b>At 31 March 2010:</b>			
<b>Financial Assets</b>			
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
<b>Financial Liabilities</b>			
Payables	78,564	157,346	235,910
<b>Net financial position</b>	<b>433,810</b>	<b>93,491</b>	<b>527,301</b>

## Montego Freeport Limited

Notes to the Financial Statements

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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
<b>At 31 March 2011:</b>			
<b>Financial Assets</b>			
Receivables	237,724	141,658	379,382
Cash and short-term deposits	308,406	626	309,032
<b>Total financial assets</b>	<b>546,130</b>	<b>142,284</b>	<b>688,414</b>
<b>Financial Liabilities</b>			
Payables	335,879	142,165	478,044
Due to subsidiary	13,366	-	13,366
<b>Total financial liabilities</b>	<b>349,245</b>	<b>142,165</b>	<b>491,410</b>
<b>Net financial position</b>	<b>196,885</b>	<b>119</b>	<b>197,004</b>
<b>At 31 March 2010:</b>			
<b>Financial Assets</b>			
Receivables	835	160,924	161,759
Cash and short-term deposits	501,098	89,913	591,011
<b>Total financial assets</b>	<b>501,933</b>	<b>250,837</b>	<b>752,770</b>
<b>Financial Liabilities</b>			
Payables	78,022	157,346	235,368
Due to subsidiary	12,761	-	12,761
<b>Total financial liabilities</b>	<b>90,783</b>	<b>157,346</b>	<b>248,129</b>
<b>Net financial position</b>	<b>411,150</b>	<b>93,491</b>	<b>504,641</b>

## Montego Freeport Limited

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### 4. Financial Risk Management (Continued)

#### (b) Market risk (continued)

##### Currency risk (continued)

##### *Foreign currency sensitivity*

The following table indicates the effect on profit or loss arising from changes in foreign currency rates, primarily with respect to the US dollar. There is no direct impact on equity resulting from changes in foreign currency rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 0.5% (2010 – 2% depreciation and a 1% (2010 – 4%) appreciation of the Jamaican dollar against the US dollar, which represents managements assessment of a reasonably possible change in foreign exchange 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. It should be noted that movement in these variables are non-linear.

	% Change in USD Rate 2011	Effect on Net Profit 2011 \$'000	% Change in USD Rate 2010	Effect on Net Profit 2010 \$'000
<b>The Group and the Company</b>				
Depreciation	0.5	2	2	1,247
Appreciation	1	4	1	623

##### **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.

## Montego Freeport Limited

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### 4. Financial Risk Management (Continued)

#### (c) Market risk (continued)

##### *Interest rate risk (continued)*

The Group and Company have exposure to cash flow interest rate risk in relation to receivables from deposits held in an escrow account relating to the disposal of land and cash and short-term deposits of \$542,021,000 (2010 - \$589,473,000) for the Group and \$532,023,000 (2010 - \$579,504,000) for the Company. There were no other interest bearing financial assets and no interest bearing liabilities.

##### *Interest rate sensitivity*

The Group's interest rate risk arises from short-term investments. The sensitivity of the profit or loss is attributed to the assumed change in interest rates on short-term deposits. 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 on an individual basis. It should be noted that movements in variables are non-linear.

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.

The Group			
Change in Basis Points 2011	Effect on Net Profit 2011 \$'000	Change in Basis Points 2010	Effect on Net Profit 2010 \$'000
<b>J\$ instruments</b>			
-100	(3,609)	-600	(3,892)
+50	1,804	+200	1,297
<b>US\$ instruments</b>			
-50	(2)	-200	(1,101)
+50	2	+100	551

The Company			
Change in Basis Points 2011	Effect on Net Profit 2011 \$'000	Change in Basis Points 2010	Effect on Net Profit 2010 \$'000
<b>J\$ instruments</b>			
-100	(3,543)	-600	(3,492)
+50	1,771	+200	1,164
<b>US\$ instruments</b>			
-50	(2)	-200	(1,079)
+50	2	+100	540

## Montego Freeport Limited

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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 statement of financial position 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Lease income	242	158	242	158
Miscellaneous	44	89	44	53
	<u>286</u>	<u>247</u>	<u>286</u>	<u>211</u>

### 7. Other Income

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest income	39,600	89,171	38,785	87,528
Net foreign exchange gains	-	480	-	480
Encroachment fee	-	4,347	-	4,347
Gain on disposal of property, plant and equipment	96	-	96	-
Other	204	-	170	-
	<u>39,900</u>	<u>93,998</u>	<u>39,051</u>	<u>92,355</u>



## Montego Freeport Limited

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### 8. Expenses by Nature

Total administration and other operating expenses:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Auditors' remuneration -				
Current year	2,580	2,700	2,100	2,200
Prior year	530	321	475	266
Depreciation	1,160	1,198	637	676
Directors' expenses	1,898	1,579	1,898	1,579
General Consumption Tax	1,689	1,513	1,689	1,513
Insurance	986	733	986	733
Legal and professional fees	4,593	4,382	4,521	4,320
Loss on exchange	6,755	-	6,755	-
Motor vehicle	1,006	993	1,006	993
Office	1,101	1,000	1,101	1,000
Other	2,341	2,203	2,312	2,167
Property expenses	5,677	6,223	6,397	6,736
Reclamation costs (Note 23)	-	21,449	-	21,449
Staff costs (Note 9)	19,791	15,254	19,791	15,254
Travel and entertainment	147	147	147	147
Utilities	1,263	1,230	1,263	1,230
	<u>51,517</u>	<u>60,925</u>	<u>51,078</u>	<u>60,263</u>

### 9. Staff Costs

	The Group and The Company	
	2011 \$'000	2010 \$'000
Salaries and wages	12,161	12,378
Statutory contributions	1,127	1,202
Termination	4,828	-
Other	1,675	1,674
	<u>19,791</u>	<u>15,254</u>

The number of persons employed full-time by the Group and the Company at year end was 3 (2010 - 12).

## Montego Freeport Limited

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### 10. Taxation

Taxation is based on the profit for the year adjusted for taxation purposes for the Group and the Company and comprises income tax at 33<sup>1</sup>/<sub>3</sub>%:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current taxation	305	16,365	-	15,859
Deferred taxation (Note 20)	(8,034)	2,531	(7,865)	2,698
	<u>(7,729)</u>	<u>18,896</u>	<u>(7,865)</u>	<u>18,557</u>

Reconciliation of applicable tax charge to effective tax charge:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(Loss)/profit before tax	<u>(70,010)</u>	<u>107,513</u>	<u>(70,420)</u>	<u>106,496</u>
Tax calculated at 33 <sup>1</sup> / <sub>3</sub> %	(23,337)	35,838	(23,473)	35,499
Adjusted for the effects of:				
Income not subject to tax	(3,798)	(27,727)	(3,798)	(27,727)
Expenses deductible for tax purposes	23,763	8,451	23,763	8,277
Other (credits)/charges and allowances	<u>(4,357)</u>	<u>2,334</u>	<u>(4,357)</u>	<u>2,508</u>
Tax (credit)/charge	<u>(7,729)</u>	<u>18,896</u>	<u>(7,865)</u>	<u>18,557</u>

Subject to agreement with the Taxpayer Audit and Assessment Department, the Company has tax losses amounting to approximately \$9,844,000 (2010 – nil) available for offset against future taxable profits, which may be carried forward indefinitely.

### 11. Profit Attributable to Stockholders

	2011 \$'000	2010 \$'000
(a) Net (loss)/profit is dealt with as follows in the financial statements of:		
The Company	(62,555)	87,939
Subsidiary	<u>274</u>	<u>678</u>
	<u>(62,281)</u>	<u>88,617</u>

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### 11. Profit Attributable to Stockholders (Continued)

	2011 \$'000	2010 \$'000
(b) Retained earnings are dealt with as follows in the financial statements of:		
The Company	57,840	74,366
Subsidiary	5,938	5,664
	<u>63,778</u>	<u>80,030</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.

	2011 \$	2010 \$
Net profit attributable to stockholders (\$'000)	<u>(62,281)</u>	<u>88,617</u>
Weighted average number of stock units in issue ('000)	<u>563,065</u>	<u>563,065</u>
Earnings per stock unit (\$)	<u>(0.11)</u>	<u>0.16</u>

### 13. Investment Property

	<u>The Group and The Company</u>	
	2011 \$'000	2010 \$'000
At beginning of year	1,221,961	1,165,768
Disposal	(124,539)	-
Transfer	-	(18,000)
Fair value (loss)/gain	<u>(46,029)</u>	<u>74,193</u>
At end of year	<u>1,051,393</u>	<u>1,221,961</u>

The Group earned lease income of \$242,000 (2010 – \$158,000) on investment property. No repairs and maintenance expenditure was incurred in relation to investment property.

Land and buildings included in investment property were valued on the basis of current market values by the directors.

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## Montego Freeport Limited

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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
<b>2011</b>						
At Cost or Valuation -						
1 April 2010	3,480	38,983	2,552	996	1,005	47,016
Revaluation	265	3,084	-	-	-	3,349
Disposals	-	-	(135)	(996)	-	(1,131)
31 March 2011	3,745	42,067	2,417	-	1,005	49,234
Accumulated Depreciation -						
1 April 2010	-	1,801	1,739	996	299	4,835
Charge for the year	-	976	159	-	25	1,160
Revaluation	-	(2,438)	-	-	-	(2,438)
Disposals	-	-	(113)	(996)	-	(1,109)
31 March 2011	-	339	1,785	-	324	2,448
Net Book Value -						
31 March 2011	3,745	41,728	632	-	681	46,786
<b>2010</b>						
At Cost or Valuation-						
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

The Group's land and buildings were revalued on 31 March 2011 based on an assessment made by the directors. The surplus on revaluation, net of deferred income taxes in the case of buildings, was credited to capital reserve.

## Montego Freeport Limited

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### 14. Property, Plant and Equipment (Continued)

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

	2011			2010		
	Land \$'000	Buildings & Car Park \$'000	Total \$'000	Land \$'000	Buildings & Car Park \$'000	Total \$'000
Cost	150	2,007	2,157	150	2,007	2,157
Accumulated depreciation	-	(1,141)	(1,141)	-	(1,085)	(1,085)
Net book value	150	866	1,016	150	922	1,072

### The Company

	Land	Buildings & Car Park	Furniture, Fixtures and Equipment	Motor Vehicles	Jetty	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2011</b>						
At Cost or Valuation -						
1 April 2010	-	18,464	2,429	995	1,005	22,893
Disposals	-	-	(136)	(995)	-	(1,131)
Revaluation	-	1,547	-	-	-	1,547
31 March 2011	-	20,011	2,293	-	1,005	23,309
Accumulated Depreciation -						
1 April 2010	-	775	1,654	995	300	3,724
Charge for the year	-	462	150	-	25	637
Disposal	-	-	(114)	(995)	-	(1,109)
Revaluation	-	(900)	-	-	-	(900)
31 March 2011	-	337	1,690	-	325	2,352
Net Book Value -						
31 March 2011	-	19,674	603	-	680	20,957
<b>2010</b>						
At Cost or Valuation-						
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

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### 14. Property, Plant and Equipment (Continued)

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

	2011			2010		
	Land \$'000	Buildings & Car Park \$'000	Total \$'000	Land \$'000	Buildings & Car Park \$'000	Total \$'000
Cost	8	540	548	8	540	548
Accumulated depreciation	-	(342)	(342)	-	(327)	(327)
Net book value	<u>8</u>	<u>198</u>	<u>206</u>	<u>8</u>	<u>213</u>	<u>221</u>

### 15. Receivables

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade	53	53	53	53
Deposits held in escrow	374,313	154,628	374,313	154,628
Interest receivable on land sale deposits	4,998	6,296	4,998	6,296
Prepayments	219	224	219	224
Other	1,240	1,173	836	835
	<u>380,823</u>	<u>162,374</u>	<u>380,419</u>	<u>162,036</u>

### 16. Cash and Short-term Deposits

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cash at bank and in hand	28,390	12,885	28,004	12,441
Short-term deposits	291,026	588,567	281,028	578,570
Cash and cash equivalents	<u>319,416</u>	<u>601,452</u>	<u>309,032</u>	<u>591,011</u>

The weighted average effective interest rate on cash and short-term deposits was 6.5% (2010 – 10.3%) the Group and the Company. These deposits have an average maturity of under 90 days.

### 17. Payables

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade	812	812	812	812
Deposits on disposal of investment property	378,924	157,346	378,924	157,346
Accruals	3,529	3,544	3,007	3,002
Capital distribution and dividends payable	95,301	74,208	95,301	74,208
	<u>478,566</u>	<u>235,910</u>	<u>478,044</u>	<u>235,368</u>

## Montego Freeport Limited

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### 18. Share Capital

The total authorised number of ordinary shares is 564,000,000 (2010 – 564,000,000).

	2011 \$'000	2010 \$'000
Issued and fully paid – 563,065,000 ordinary shares without nominal or par value	281,533	281,533

### 19. Capital Reserve

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Surplus from fair value gains and sale of investment property	2,263,223	2,309,252	2,249,808	2,295,837
Unrealised surplus on revaluation of property, plant and equipment	24,485	20,539	1,631	-
Capital distributions	(1,295,274)	(895,273)	(1,295,274)	(895,273)
	<u>992,434</u>	<u>1,434,518</u>	<u>956,165</u>	<u>1,400,564</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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net liabilities at beginning of year	17,672	15,141	11,383	8,685
(Credited)/charged to net profit	(8,034)	2,531	(7,865)	2,698
Charged to other comprehensive income	1,841	-	816	-
Net liabilities at end of year	<u>11,479</u>	<u>17,672</u>	<u>4,334</u>	<u>11,383</u>

Deferred income tax liabilities are due to the following items:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Unrealised foreign exchange gains/(losses)	(169)	9,127	(169)	9,127
Interest receivable on deposits	1,666	2,099	1,666	2,099
Accelerated tax depreciation	13,263	6,446	6,118	157
Tax losses carried forward	(3,281)	-	(3,281)	-
	<u>11,479</u>	<u>17,672</u>	<u>4,334</u>	<u>11,383</u>

## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 20. Deferred Taxation (Continued)

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

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Accelerated tax depreciation	4,976	(202)	5,145	(35)
Unrealised exchange (losses)/gains	(9,296)	1,731	(9,296)	1,731
Interest receivable	(433)	1,002	(433)	1,002
Tax losses carried forward	(3,281)	-	(3,281)	-
	<u>(8,034)</u>	<u>2,531</u>	<u>(7,865)</u>	<u>2,698</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 statement of financial position include the following:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred income tax liabilities to be extinguished -				
After more than 12 months	12,025	6,446	5,947	157
Within 12 months	<u>2,904</u>	<u>11,226</u>	<u>1,837</u>	<u>11,226</u>
	<u>14,929</u>	<u>17,672</u>	<u>7,784</u>	<u>11,383</u>
Deferred income tax assets to be recovered -				
After more than 12 months	169	-	169	-
Within 12 months	<u>3,281</u>	<u>-</u>	<u>3,281</u>	<u>-</u>
	<u>3,450</u>	<u>-</u>	<u>3,450</u>	<u>-</u>
	<u>11,479</u>	<u>17,672</u>	<u>4,334</u>	<u>11,383</u>

Deferred tax assets of the Company amounting to approximately \$3,281,000 (2010 – nil) at the year end were recognised in these financial statements on the basis that it is probable that future tax profits will be available against which the temporary differences can be utilised in the foreseeable future.



## Montego Freeport Limited

Notes to the Financial Statements

31 March 2011

(expressed in Jamaican dollars unless otherwise indicated)

### 21. Related Party Transactions and Balances

The following transactions were carried out with related parties:

#### (i) Transactions in the normal course of business

	2011 \$'000	2010 \$'000
Rental and maintenance paid to subsidiary	1,151	1,078
Professional services rendered by related parties	161	36

#### (ii) Key management compensation

	2011 \$'000	2010 \$'000
Salaries and other short-term employee benefits	5,045	4,529
Statutory contributions	1,796	1,575
	<u>6,841</u>	<u>6,104</u>

Directors' emoluments -  
Fees

647	821
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#### (iii) Loans/advances from subsidiary (net) -

	2011 \$'000	2010 \$'000
At beginning of year	12,761	11,787
Additions	605	974
At end of year	<u>13,366</u>	<u>12,761</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.

#### (iv) Loans/advances to parent company

During the year the Company advanced amounts totaling \$500,000,000 to the parent company, on which interest of \$2,990,000 (2010- nil) was earned. The loan was fully repaid during the year.



**FORM OF PROXY**

I/We.....

of.....

being a member/members of the above-named company hereby appoint  
.....

or failing him/her.....

of.....

as my/our Proxy to vote for me/us on my/our behalf at the **43rd Annual General Meeting** of the Company to be held at **The Jamaica Grandiosa Resort, 3 Ramparts Close, Montego Bay, St. James** on **Thursday, August 25, 2011** and at any adjournment thereof.

Signed this.....day of.....2011.

.....

(Signature of Member/Members)

**This Form is to be used as instructed. (Please tick appropriate box). Unless otherwise instructed the Proxy Form will be used as he/she thinks fit.**

Ordinary Business

	<b>FOR</b>	<b>AGAINST</b>
Resolution 1 (i)		
Resolution 1 (ii)		
Resolution 2 (i)		
Resolution 2 (ii)		
Resolution 2 (iii)		
Resolution 2 (iv)		
Resolution 3		
Resolution 4		
Resolution 5		
Resolution 6		

**(See Notes Overleaf)**

## NOTES: -

1. On a poll, votes may be given either personally or by proxy.
2. To be effective, this proxy must reach the Company's Registered Office, P.O. Box 303, Montego Freeport, Montego Bay, Jamaica, W.I., not less than forty-eight (48) hours before the time appointed for holding of the meeting.
3. To this form of proxy must be affixed a one hundred dollar (\$100.00) stamp in payment of stamp duty.
4. To be effective this form of proxy must be signed by the appointer or his attorney duly authorized in writing, or, if the appointer is a corporation, either under seal or under the hand of an officer or attorney duly authorized.
5. In the case of joint holders a proxy by the senior shall be accepted to the exclusion of the proxies of the junior holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.