

MONTEGO FREEPORT LIMITED



ANNUAL REPORT 2012

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CONTENTS

	<u>Pages</u>
1. Notice of Annual General Meeting with Ordinary Resolutions.....	2 - 3
2. Chairman's Statement.....	4 - 5
3. Report of Directors.....	6
4. Auditors' Report to Members.....	7 - 8
5. Consolidated Statement of Comprehensive Income.....	9
6. Consolidated Statement of Financial Position.....	10
7. Consolidated Statement of Changes in Equity.....	11
8. Consolidated Statement of Cash Flows.....	12
9. Proxy	

NOTICE OF FORTY-FOURTH ANNUAL GENERAL MEETING

NOTICE is hereby given that the Forty-Fourth 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 on Thursday, November 22, 2012 at 11:00 a.m. for the purpose of transacting the following businesses:-

1. Audited Accounts for the Year Ended March 31, 2012

To receive and adopt the accounts for the year ended March 31, 2012, 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, 2012 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, 2012 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, the Directors who were appointed since the last Annual General Meeting, retire at this Annual General Meeting, and being eligible, offer themselves for re-election:

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

'THAT Messrs. Lambert Brown, Richard Clarke, George Duncan, Sonia Hyman, Mark Nelson, Cedric Stewart and Helez Glen be and are hereby re-elected Directors of the Company for the ensuing year'.

3. 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'.

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

DATED THIS 1ST DAY OF NOVEMBER 2012



.....
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 hours before the time fixed for the meeting.

CHAIRMAN'S STATEMENT

I am pleased to be granted the opportunity to Chair the Board of Directors of Montego Freeport Limited (MFL). My appointment commenced on June 25, 2012. As Chairman of Montego Freeport Limited, I intend to serve diligently and I am committed to ensuring the wishes and interests of the company's shareholders are efficiently effected.

Update on Operations

At the last Annual General Meeting held in August 2011, shareholders passed resolutions to:

- 1) Make an application to the Jamaica Stock Exchange to have the company delisted
- 2) Upon the sale of all remaining properties owned by Montego Freeport Limited and upon MFL having satisfied its mandate, take the necessary steps to wind up the company
- 3) Permit the company to enter into an Agreement with the Urban Development Corporation (UDC) to assume the contingent liability of the performance clause contained in MFL's Sales Agreements

Delisting of the Company from the Jamaica Stock Exchange

An application was made to the Jamaica Stock Exchange on December 8, 2011 to have the company delisted. As at January 6, 2012, Montego Freeport Limited was delisted from the Jamaica Stock Exchange.

Sale of Remaining Properties owned by MFL

Sale Agreements were signed for Lots A26, M19 and H51. Lot A50B, the Apartment at Seawind-on-the-Bay, and Shops Nos. 34 and 42A in the Freeport Shopping Centre remain under the ownership of Montego Freeport Limited. The company is currently ensuring that valuations on these properties are updated with a view to inviting the public to bid on the properties. Once these assets have been sold, proceedings will commence to have the company wound up.

Agreement with UDC to assume contingent liability

The Board of Directors is currently reviewing this proposal. The necessary due diligence is being exercised to ensure that UDC's intention remains and that the interest of the company's shareholders are adequately protected.

Financial

The company, despite economic difficulties managed to make a small profit of \$4.892M for the period ended March 31, 2012. This is in part due to the continued efforts to maintain operations whilst keeping costs at a minimum.

Dividend/Capital Distribution

No dividend or capital distribution will be declared at this time.

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.



.....
LAMBERT BROWN
CHAIRMAN

OCTOBER 29, 2012

REPORT OF DIRECTORS

The Directors are pleased to submit their Forty-Fourth Annual Report, together with the Audited Accounts of the Company for the period 1 April 2011 to 31 March 2012.

Financial Results

	<u>2012</u>	<u>2011</u>
Operating and Other Income	\$31.397M	\$40.186M
Expenditures	\$24.856M	\$110.196M
Profit/(Loss) Before Taxation	\$6.541M	(\$70.010M)
Taxation	\$1.649M	\$7.729M
Net (Loss)/Profit	\$4.892M	(\$62.281M)

Capital Reserve	\$994.705M	\$992.434M
Retained Earnings	\$ 66.399M	\$ 63.778M
Earnings Per Stock Unit	\$0.01	\$(0.11)

Capital Distribution

The Directors do not recommend a payment at this time.

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 29TH DAY OF OCTOBER 2012



Independent Auditors' Report

To the Members of
Montego Freeport Limited

Report on the Consolidated and Company Stand Alone Financial Statements

We have audited the accompanying consolidated financial statements of Montego Freeport Limited and its subsidiary, set out on pages 1 to 30, which comprise the consolidated statement of financial position as at 31 March 2012 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of Montego Freeport Limited standing alone, which comprise the statement of financial position as at 31 March 2012 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements

Management is responsible for the preparation of consolidated and company stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and company stand alone financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and company stand alone 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 about whether the consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 consolidated and company stand alone financial statements.

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

*PricewaterhouseCoopers, Fairview Office Park, Unit C2, 10 Alice Eldemire Drive, Box 180, Montego Bay, Jamaica
T: (876) 952 5065, F: (876) 952 1273, www.pwc.com/jm*



**Members of Montego Freeport Limited
Independent Auditors' Report
Page 2**

Opinion

In our opinion, the consolidated financial statements of Montego Freeport Limited and its subsidiary, and the financial statements of Montego Freeport Limited standing alone give a true and fair view of the financial position of Montego Freeport Limited and its subsidiary and Montego Freeport Limited standing alone as at 31 March 2012, and of their financial performance and cash flows for the year then ended, so far as concerns the members of Montego Freeport Limited, 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 consolidated and company stand alone financial statements are in agreement therewith and give the information required by the Jamaican Companies Act, in the manner so required.

A handwritten signature in cursive script that reads 'Pinatchon Cooper'.

Chartered Accountants
29 October 2012
Montego Bay, Jamaica

Montego Freeport Limited

Consolidated Statement of Comprehensive Income

Year ended 31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Operating Income	6	265	286
Other income	7	28,861	39,900
Fair value gain/(loss) on investment property	13	2,271	(46,029)
Loss on the disposal of investment property		-	(12,650)
Administrative expenses		(10,489)	(13,222)
Other operating expenses		(14,367)	(38,295)
Profit/(Loss) before Taxation		6,541	(70,010)
Taxation	10	(1,649)	7,729
Net Profit/(Loss)	11	4,892	(62,281)
Other Comprehensive Income:			
Gains on revaluation of land and buildings		-	5,787
Deferred tax arising on revaluation of land and buildings		-	(1,841)
Total Comprehensive Income		4,892	(58,335)
EARNINGS PER STOCK UNIT	12	\$0.01	\$(0.11)

Montego Freeport Limited

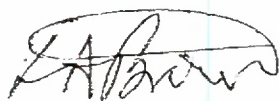
Consolidated Statement of Financial Position

31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Non-Current Assets			
Investment property	13	1,053,664	1,051,393
Property, plant and equipment	14	45,573	46,786
Current Assets			
Receivables	15	483,813	380,823
Taxation recoverable		40,221	35,579
Cash and short term deposits	16	310,998	319,416
		835,032	735,818
Current Liabilities			
Payables	17	572,557	478,566
Taxation payable		6,211	6,207
		578,768	484,773
Net Current Assets			
		256,264	251,045
		1,355,501	1,349,224
Stockholders' Equity			
Share capital	18	281,533	281,533
Capital reserve	19	994,705	992,434
Retained earnings		66,399	63,778
		1,342,637	1,337,745
Non-Current Liability			
Deferred tax liabilities	20	12,864	11,479
		1,355,501	1,349,224

Approved for issue by the Board of Directors on 29 October 2012 and signed on its behalf by:



Director



Director

Montego Freeport Limited

Consolidated Statement of Cash Flows

Year ended 31 March 2012

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2012 \$'000	2011 \$'000
Cash Flows From Operating Activities			
Net profit/(loss)		4,892	(62,281)
Items not affecting cash:			
Depreciation		1,216	1,160
Gain on disposal of property, plant and equipment		(34)	(96)
Loss on disposal of investment property		-	12,650
(Increase)/decrease in fair value of investment property		(2,271)	46,029
Exchange loss on foreign exchange balances		(18)	6,924
Interest income		(28,791)	(39,600)
Taxation		1,649	(7,729)
		<u>(23,357)</u>	<u>(42,943)</u>
Changes in operating assets and liabilities			
Receivables		(100,646)	(214,522)
Payables		97,353	216,137
Cash used in operating activities		<u>(26,650)</u>	<u>(41,328)</u>
Tax paid		<u>(4,902)</u>	<u>(7,982)</u>
Net cash used in operating activities		<u>(31,552)</u>	<u>(49,310)</u>
Cash Flows From Investing Activities			
Purchase of property, plant and equipment		(8)	-
Proceeds from disposal of property, plant and equipment		39	118
Interest received		24,234	40,906
Proceeds from disposal of investment property		-	111,889
Net cash provided by investing activities		<u>24,265</u>	<u>152,913</u>
Cash Flows From Financing Activity			
Capital distribution and dividends paid		<u>(1,124)</u>	<u>(378,908)</u>
Net cash used in financing activity		<u>(1,124)</u>	<u>(378,908)</u>
Exchange and translation losses on net foreign cash balances		<u>(7)</u>	<u>(6,731)</u>
Net decrease in cash and cash equivalents		<u>(8,418)</u>	<u>(282,036)</u>
Cash and cash equivalents at beginning of year		319,416	601,452
CASH AND CASH EQUIVALENTS AT END OF YEAR	16	<u>310,998</u>	<u>319,416</u>

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

- (a) Revaluation gains on property, plant and equipment of \$ - (2011 – \$5,787,000) (Page 1)
- (b) Deferred tax on revaluation gains on property, plant and equipment of \$ - (2011 – \$1,841,000) Note 20
- (c) Movement in fair value of investment property of \$2,271,000 (2011 - \$46,029,000) Note 13
- (d) Undistributed dividends payable of \$ - (2011 – 21,093,000) Note 17

FORM OF PROXY

I/We.....of.....

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

or failing him/her the Chairman as my/our proxy to vote for me/us on my/our behalf at the 44th Annual General Meeting of the Company to be held on Thursday, 22nd November, 2012 and at any adjournment thereof.

Signed this.....day of.....2012.

.....
(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

	FOR	AGAINST
Resolution 1 (i)		
Resolution 1 (ii)		
Resolution 2		
Resolution 3		

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.