

#5/08

MINISTRY PAPER
Ackendown Newtown Development Company Limited
Annual Reports for years ended March 31, 2005 and 2006

Introduction

1. The matter for tabling in the Honourable House of Representatives is the Annual Report for Ackendown Newtown Development Company Limited (ANDCo) for the financial years ended March 31, 2005 and 2006.
2. ANDCo was incorporated in Jamaica and is owned by Gorstew Limited, the Urban Development Corporation (UDC) and the National Investment Bank of Jamaica Limited (NIBJ) in the ratio of 33%, 37% and 30% respectively. The UDC and the NIBJ are registered in Jamaica and are owned by the Government of Jamaica.
3. Initially, the Company's primary mandate was to undertake the planning, designing, financing, development and construction of the Sandals Whitehouse Hotel in Westmoreland. This activity has been completed and the Company is currently collecting rental income and monitoring the lessee's adherence to performance standards and other terms outlined in the lease agreement. The facility is a first class four (4) star all inclusive couples resort with three hundred and sixty (360) guest rooms. Under the lease agreement, ANDCo has responsibility for insuring the hotel and for supplying all the required furniture, fixtures and equipment. The Sandals Group began overseeing and settling in at the hotel on February 15, 2005. However, the effective date of the 5-year lease was July 1, 2005 when the hotel started receiving guests.

Disclosures
Auditors' Report

4. ANDCo obtained an unqualified report from its auditors Deloitte and Touche for the audits carried out on the Company's financial statements at March 31, 2005 and 2006. The examinations were done in accordance with the International Standards on Auditing and the financial statements complied with the provisions of the Companies Act of Jamaica. The report noted that proper accounting records were kept and the financial statements are in agreement therewith and give a true and fair view of the state of affairs of the Company. The financial statements prepared were also in accordance with the International Financial Reporting Standards.

Compensation of Senior Executives

5. Pursuant to the Second Schedule (Part 1) of the Public Bodies Management and Accountability Act, (2001), that requires details on the entity's compensation package, it should be noted that an accounting officer employed to the UDC prepares Ackendown's financial

reports and was paid salary and allowances of US\$0.03 million for the period ended March 31, 2006.

2004/05 and 2005/06 Operational Overview

6. The lease at the Sandals Whitehouse Hotel commenced on July 1, 2005. The contract is for 5 years with options to renew for three (3) further terms of 5 years each. Since the opening of the hotel, the operations of ANDCo revolve around the collection of rental income and the monitoring of the operator's compliance with the property's lease agreement.

7. The hotel's occupancy level for the 9-month period July 2005 to March 2006 was 81.77% and this factor had a direct impact on ANDCo's financial performance. Income generated is directly influenced by an agreed formula that is linked to fixed and additional rental income generated at the hotel. Fixed rental income is currently US\$2.33 million per annum for the initial 5 year term of the lease. Additional rent is calculated as a percentage of the audited net package revenue linked to year to date (lease year) occupancy levels and based on an established schedule.

8. In 2004/05, Gorstew Limited and Sandal Whitehouse Management Limited instituted a claim against ANDCo, UDC and NIBJ for breach of the Heads of Agreement made by the shareholders. Specifically, the suit makes claim for negligent misstatement, breach of lease, breach of warranty and breach of technical service agreement that was made between Gorstew and the Company. In addition, Gorstew claims that the project cost over-runs ought to be borne entirely by the Urban Development Corporation and the National Investment Bank of Jamaica Limited. The claim specifies special damages in the sum of US\$28.9 million and unspecified general damages of reputation and interest at a commercial rate. The case is currently pending in the courts.

Later, in 2005/06, two (2) additional lawsuits were filed against Ackendown as under:

- Gorstew versus ANDCo for US\$75,432 plus attorney's costs of US\$12,000 for interest on late payment of balance of technical services agreement.
- Appliance Traders Limited versus ANDCo for US\$212,873.99 plus attorney's costs of US\$12,000 representing a claim for balance and interest on late payment of amounts due on Service Agreement.

A negative outcome on these lawsuits could have an adverse material effect on ANDCo's financial statements, which are already in a precarious position.

