

TRANS-JAMAICAN AIRLINES LIMITED

FINANCIAL REPORT 1977

Attached for the information of the House is a copy of the Annual Financial Report in respect of Trans-Jamaican Airlines Limited for the year ended 31st December, 1977.

The Company commenced operations on 1st March, 1975. The Government of Jamaica owns 75% of its equity while the remaining 25% is held by the former owner of Jamaica Air Taxi Limited, Mr. Rudy Mantel.

Trans-Jamaican Airlines Limited operates scheduled air services within the Island, and also international services by fortnightly scheduled flights between Kingston and Grand Turks. Its other activities include:

- (a) the operation of Charter Services both inland and overseas;
- (b) the management of a Fuel Concession at Tinson Pen Aerodrome for sale of fuel to light aircraft;
- (c) the dealership for Cessna Aircraft Corporation, which was acquired with the business of Jamaica Air Taxi Limited.

The year 1977 was a difficult year for the Company. The reduction in the level of economic activities was no doubt responsible for a decrease in the demand for internal air services by local residents and the low level of Tourism in that year also decreased the demand by visitors. Nevertheless, the Company continued to operate its charter flights inland and overseas and maintained service on existing routes as well as introducing a new one, which linked Negril to the existing internal network.

The Company has its long term debts expressed in foreign currencies, and during the year under review this accounted for a loss of over \$200,000 due to devaluation. This loss was covered by operating profits and by retained profits of the previous years, and left a deficit of \$10,990.

The Auditors' Report is at Statement I and the Balance Sheet and Profit and Loss Accounts are shown at Statements II and III, respectively.

Carlyle Dunkley
Minister of Public Utilities and Transport
8th May, 1979

TRANS-JAMAICAN AIRLINES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER, 1977

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MAIR, RUSSELL & PARTNERS

CHARTERED ACCOUNTANTS
INTERNATIONAL FIRM
ALEXANDER GRANT, TANSLEY WITT
CHARTERED ACCOUNTANTS

STATEMENT 1

IAN F. MAIR F.C.A.
ANNETH L. LEWIS C.A.
WYTON H. FOSTER F.C.A.
HENRY D. REDWOOD C.A.

ASSOCIATES:

BERT S. ANDERSON
PERT NASH
E. E. TAPPER
WINCESTER E.G. HENRY C.A.

Kingston Office:
2 West Arcadia Avenue,
Kingston 5, Jamaica.
Cable: RIAM
Tel: 92-62597, 64771
64513, 64514, 61340.

AUDITORS' REPORT

TO THE MEMBERS OF

TRANS-JAMAICAN AIRLINES LIMITED

We have examined the financial statements set out on Statements II-V and have obtained all the information and explanations which we required. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary.

In our opinion, proper accounting records have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the state of the company's affairs at 31st December, 1977 and of the loss and changes in financial position for the year then ended and comply with the provisions of the Companies Act.

Mair Russell & Partners
CHARTERED ACCOUNTANTS

10th November, 1978

TRANS-JAMAICAN AIRLINES LIMITED

BALANCE SHEET

31ST DECEMBER, 1977

	<u>Note</u>	<u>\$</u>	<u>1977</u> <u>\$</u>	<u>1976</u> <u>\$</u>
FIXED ASSETS	(2)		948,154	1,086,302
INVESTMENTS				
Shares in Air Turks and Caicos Limited (3)			31,938	31,938
Subsidiary company:				
Shares at cost		300,000		300,000
Less: Amount owing		<u>300,000</u>		<u>300,000</u>
CURRENT ASSETS				
Inventories		142,008		134,147
Receivables and prepayments	(4)	173,594		125,424
Deposit on aircraft	(5)	33,000		-
Bank and cash		78,340		53,857
		<u>426,940</u>		<u>313,428</u>
CURRENT LIABILITIES				
Bank overdraft		-		15,226
Payables and accruals		211,077		149,504
Current portion of long term liabilities (secured)	(6)	273,689		252,756
Proposed dividend (gross)		-		6,000
		<u>484,766</u>		<u>423,486</u>
NET CURRENT LIABILITIES			(57,826)	(110,188)
LONG TERM RECEIVABLE	(7)		23,008	12,127
DEFERRED EXPENDITURE			101,667	150,942
PRELIMINARY AND FORMATION EXPENSES			-	3,659
			<u>1,046,939</u>	<u>1,174,859</u>
<u>FINANCED BY</u>				
SHARE CAPITAL AND RESERVES				
Share capital	(8)		600,000	600,000
Capital reserve	(9)		9,282	9,282
Profit and loss account - (Deficit)/ retained profit			(10,990)	46,885
			<u>598,292</u>	<u>656,243</u>
LONG TERM LIABILITIES				
Loans (secured)	(6)		448,647	518,615
			<u>1,046,939</u>	<u>1,174,859</u>

The attached notes on Statement V form an integral part of these financial statements.

APPROVED BY THE BOARD:

.....*[Signature]*.....
*[Signature]*.....

DIRECTORS

TRANS-JAMAICAN AIRLINES LIMITEDPROFIT AND LOSS ACCOUNTYEAR ENDED 31ST DECEMBER, 1977

	<u>Note</u>	<u>\$</u>	<u>1977</u> <u>\$</u>	<u>1976</u> <u>\$</u>
GROSS INCOME			<u>1,431,086</u>	<u>1,375,304</u>
OPERATING PROFIT FOR THE YEAR			115,173	21,198
After charging:-				
Depreciation and amortization		135,802		137,011
Directors' emoluments:				
fees	0	-		-
salaries		34,000		34,000
Auditors' remuneration		4,500		3,500
Loan interest		49,880		48,778
Keyman insurance written off		<u>770</u>		<u>994</u>
PROFIT ON SALE OF FIXED ASSETS			<u>41,094</u>	<u>11,188</u>
Loss on devaluation	(10)		<u>156,267</u>	<u>32,386</u>
			(<u>204,567</u>)	-
			(48,300)	32,386
Preliminary expenses written off			<u>3,653</u>	<u>3,653</u>
(LOSS)/RETAINED PROFIT FOR THE YEAR			(51,953)	28,733
DIVIDENDS	(11)			
Proposed			-	6,000
Paid			(<u>6,000</u>)	-
			(57,953)	<u>22,733</u>
RETAINED PROFITS AT BEGINNING OF YEAR			<u>46,963</u>	<u>24,230</u>
(DEFICIT)/RETAINED PROFITS AT END OF YEAR			(<u>10,990</u>)	<u>46,963</u>

The attached notes on Statement V form an integral part of these financial statements.

TRANS-JAMAICAN AIRLINES LIMITEDSTATEMENT OF CHANGES IN FINANCIAL POSITIONYEAR ENDED 31ST DECEMBER, 1977

	<u>1977</u>	<u>1976</u>
	\$	\$
FINANCIAL RESOURCES WERE PROVIDED BY:		
(Loss)/profit after taxation	(48,300)	32,386
Items not requiring outlay of working capital:		
Depreciation and amortization of fixed assets	135,802	137,011
Deferred expenditure written off	49,275	52,637
Profit on sale of fixed assets	(41,094)	(11,188)
Working capital provided by operations	95,683	210,846
Other sources:		
Proceeds from sale of fixed assets	109,971	120,743
	<u>205,654</u>	<u>331,589</u>
FINANCIAL RESOURCES WERE USED FOR:		
Repayment of long term liabilities	69,966	245,145
Purchase of fixed assets	66,452	84,843
Investments in Air Turks & Caicos Limited	-	31,938
Dividends	6,000	6,000
National Housing Trust Contributions	10,879	12,127
	<u>153,297</u>	<u>380,053</u>
Increase/(decrease) in working capital	<u>52,357</u>	(<u>48,464</u>)
CHANGES IN WORKING CAPITAL		
Increase/(decrease) in current assets		
Inventories	7,859	25,282
Receivables and prepayments	48,100	(29,417)
Deposit on aircraft	33,000	-
Bank and cash	24,681	(80,393)
	<u>113,640</u>	(<u>84,528</u>)
Increase/(decrease) in current liabilities		
Bank overdraft	(15,223)	15,223
Payables and accruals	61,573	26,649
Current portion of long term liabilities	20,933	(83,936)
Proposed dividend (gross)	(6,000)	6,000
	<u>61,283</u>	<u>36,064</u>
Increase/(decrease) in working capital	<u>52,357</u>	<u>48,464</u>

The attached notes on Statement V form an integral part of these financial statements.

TRANS-JAMAICAN AIRLINES LIMITEDNOTES TO FINANCIAL STATEMENTSYEAR ENDED 31ST DECEMBER, 1977

1. ACCOUNTING POLICIES

- (a) Depreciation is provided on the straight line basis at such rates as will write off the cost of the various assets over the period of their expected useful lives. The useful lives approximate to 12½ years for Islander and Trislander aircrafts, five (5) years for other aircrafts, forty (40) years for building, five (5) years for motor vehicles and ten (10) years for tools, radios, office and other equipment.
- (b) Amortization - Leasehold improvements are amortized over the period of the leases, being five (5) years for Marlborough Aerodrome and ten (10) years for others.
- (c) Inventories - Stores and spare parts are stated at average cost.
- (d) Foreign currencies - Foreign currency balances have been included at the applicable rates of exchange ruling at the balance sheet date.
- (e) Deferred expenditure - This represents finance charges on loans relating to aircrafts and parts. These charges are written off to revenue over the period of the loans, the majority of which are over a period of five (5) years.
- (f) Formation expenses - This is stated at cost and is written off over a period of two (2) years.
- (g) Subsidiary - The wholly owned subsidiary has not traded during the year and has not been consolidated with the parent company as no useful purpose would be served.

2. FIXED ASSETS COMPRISE:

	<u>Cost</u>	<u>Depreciation/ Amortization</u>	<u>1977 Net</u>	<u>1976 Net</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Buildings	44,235	3,131	41,104	42,210
Radios, office and other equipment	76,685	19,534	57,151	59,145
Tools and equipment	12,017	3,366	8,651	10,000
Motor vehicles	29,444	7,629	21,815	15,413
	<u>162,381</u>	<u>33,660</u>	<u>128,721</u>	<u>126,768</u>

TRANS-JAMAICAN AIRLINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER, 1977

2. FIXED ASSETS COMPRISE: (Cont'd)

	<u>Cost</u>	<u>Depreciation/ Amortization</u>	<u>1977 Net</u>	<u>1976 Net</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
Aircraft				
1977 Cessna 182	44,607	3,981	40,626	-
1970 Cessna 182	-	-	-	11,353
1974 Cessna 337	58,000	38,533	29,467	43,067
1975 Cessna 337	66,779	33,387	33,392	46,746
1975 Cessna 206	35,000	19,833	15,167	22,167
1972 Islander BN2A	91,000	20,627	70,373	77,653
1974 Islander BN2A	115,000	26,066	88,934	98,134
1975 Trislander	317,861	64,098	253,763	279,192
1975 Trislander	316,679	53,960	262,719	288,053
1975 Cessna	-	-	-	37,946
1975 Cessna 182	-	-	-	20,800
	<u>1,054,926</u>	<u>260,485</u>	<u>794,441</u>	<u>925,411</u>
Leasehold improvements:				
Marlborough Aerodrome	43,410	24,350	19,060	27,742
Others	8,278	2,346	5,932	6,761
	<u>51,688</u>	<u>26,696</u>	<u>24,992</u>	<u>34,503</u>
	<u>1,268,995</u>	<u>320,841</u>	<u>948,154</u>	<u>1,086,382</u>

Motor vehicles with a net book value of \$4,745 are still registered in the name of Jamaica Air Taxi Limited.

3. INVESTMENTS-SHARES IN AIR TURKS AND CAICOS LIMITED

The above has been purchased by payment in cash of \$9,125 and by the granting of management services of \$22,813. Of this amount \$8,555 of these services have not been earned at 31st December, 1977 and is included in accounts payable.

Cont'd.../2

TRANS-JAMAICAN AIRLINES LIMITEDNOTES TO FINANCIAL STATEMENTSYEAR ENDED 31ST DECEMBER, 1977

4. RECEIVABLES AND PREPAYMENTS COMPRISE:

	<u>1977</u>	<u>1976</u>
	\$	\$
Trade debtors	123,992	105,891
Sundry debtors	29,244	32,163
Prepayments	<u>32,428</u>	<u>1,882</u>
	185,664	139,936
Less Specific provision for doubtful accounts	<u>12,070</u>	<u>14,442</u>
	<u>173,594</u>	<u>125,494</u>

5. DEPOSIT ON AIRCRAFT

The company has entered into an agreement to purchase a Skylane aircraft for approximately \$61,701. At balance sheet date \$33,000 has been deposited on the purchase price.

6. LOANS (SECURED)

This represents amounts advanced for the financing of aircraft and spare parts acquired and are secured thereon. The outstanding amounts excepting \$8,250 are all payable in foreign currencies.

7. LONG TERM RECEIVABLE:

National Housing Trust Contributions:

This represents contributions made to the Trust as follows:-

Current year	\$ 10,879
Year to 31st December, 1976	<u>12,127</u>
	<u>23,006</u>

8. SHARE CAPITAL

	<u>1977</u>	<u>1976</u>
	\$	\$
Authorised, issued and fully paid:		
600,000 ordinary shares of \$1 each	<u>600,000</u>	<u>600,000</u>

9. CAPITAL RESERVE

This represents surplus arising from the acquisition of assets less liabilities from the wholly owned subsidiary.

TRANS-JAMAICAN AIRLINES LIMITED

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED 31ST DECEMBER, 1977

10. LOSS ON DEVALUATION

On the 22nd April and 14th October, 1977 the Jamaican dollar was devalued by 37½ and 2½% respectively. As a result there has been a loss on exchange of \$204,567 arising on translation of foreign liabilities.

11. DIVIDENDS

The above represents capital distributions out of net surplus arising from the disposal of fixed assets.

12. TAXATION

Subject to the agreement of the Commissioner of Income Tax losses of approximately \$89,848 are available to be set off against future taxable profits. This loss will lapse in year of assessment 1981.

TRANS-JAMAICAN AIRLINES LIMITED

ADDITIONAL INFORMATION

YEAR ENDED 31ST DECEMBER, 1977

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DETAILED OPERATING ACCOUNT

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SUPPORTING SCHEDULE OF EXPENSES

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AUDITORS' REPORT TO THE DIRECTORS OF
TRANS-JAMAICAN AIRLINES LIMITED
ON
ADDITIONAL INFORMATION

The additional information presented on the following pages 2 to 4 has been taken from the accounting records of the company and has been subjected to the tests and other auditing procedures applied in our examination of the financial statements of the company for the year ended 31st December, 1977.

In our opinion, the said information is fairly presented in all material respects in relation to the financial statements taken as a whole although it is not necessary for a fair presentation of the state of affairs of the company at 31st December, 1977 or the loss or changes in its financial position for the year then ended.

MAIR, RUSSELL & PARTNERS



CHARTERED ACCOUNTANTS

Kingston, Jamaica
10th November, 1978.

TRANS-JAMAICAN AIRLINES LIMITEDDETAILED OPERATING ACCOUNTYEAR ENDED 31ST DECEMBER, 1977

	<u>Scheduled Services</u>	<u>Charter Services</u>	<u>1977</u>	<u>1976</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
INCOME	1,076,117	354,969	1,431,086	1,375,304
DIRECT EXPENSES (Page 3)	<u>789,298</u>	<u>287,501</u>	<u>1,076,799</u>	<u>993,449</u>
GROSS PROFIT	<u>286,819</u>	<u>67,468</u>	<u>354,287</u>	<u>381,855</u>
OTHER INCOME				
Aircraft rental			100,003	20,926
Interest on fixed deposits			1,168	9,911
Miscellaneous			3,562	14,692
Management fees			<u>11,406</u>	<u>2,852</u>
			<u>116,139</u>	<u>48,381</u>
			<u>470,426</u>	<u>430,236</u>
ADMINISTRATIVE AND OTHER OVERHEAD EXPENSES (Page 4.)				
Administrative and general			233,186	240,196
Selling and promotion			48,902	70,074
Finance and policy			<u>73,165</u>	<u>98,768</u>
			<u>355,253</u>	<u>409,038</u>
OPERATING PROFIT FOR THE YEAR			<u>115,173</u>	<u>21,198</u>

TRANS-JAMAICAN AIRLINES LIMITEDSUPPORTING SCHEDULE OF EXPENSESYEAR ENDED 31ST DECEMBER, 1977

	<u>Scheduled Services</u>	<u>Charter Services</u>	<u>1977</u>	<u>1976</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
DIRECT EXPENSES				
Operations:				
Pilots' salaries and allowances	91,512	40,632	132,144	157,499
Fuel and oil	134,012	98,500	232,512	220,596
Maintenance:				
Engine change	57,268	26,029	83,297	61,668
Parts	78,685	15,156	93,841	62,046
Engineering salaries and allowances	75,364	28,800	104,164	106,926
Cleaning materials and miscellaneous	4,951	1,919	6,870	4,944
Radio maintenance	542	991	1,533	2,759
Rental of aircraft	9,716	10,771	20,487	-
Aircraft insurance	24,168	7,884	32,052	30,970
Customer service (see below)	235,541	6,460	242,001	214,160
Miscellaneous	10,109	4,748	14,857	18,072
Depreciation	67,430	45,611	113,041	113,809
	<u>789,298</u>	<u>287,501</u>	<u>1,076,799</u>	<u>993,449</u>
CUSTOMERS SERVICE				
Salaries and allowances	195,016	-	195,016	179,132
Uniforms and laundry	2,803	-	2,803	1,831
Radio, telephone and electricity	26,817	-	26,817	16,327
Repairs and maintenance - stations	1,937	-	1,937	972
Rent	7,254	-	7,254	4,439
Miscellaneous	1,714	6,460	8,174	11,459
	<u>235,541</u>	<u>6,460</u>	<u>242,001</u>	<u>214,160</u>

TRANS-JAMAICAN AIRLINES LIMITED
SUPPORTING SCHEDULE OF EXPENSES
YEAR ENDED 31ST DECEMBER, 1977

	<u>1977</u>	<u>1976</u>
	\$	\$
ADMINISTRATIVE AND GENERAL		
Salaries, wages and national insurance	106,581	119,725
Uniforms, medical and other staff benefits	6,982	7,427
Rent	6,601	6,837
Electricity and water	7,181	6,833
Telephones, postage and cables	21,699	22,772
Travelling and entertainment	27,973	18,308
Motor vehicles	7,570	6,857
Repairs, replacement and maintenance	7,149	6,412
Printing and stationery	20,713	18,594
Audit fees	4,500	3,500
Legal and professional fees	1,842	2,411
Insurance	5,500	5,192
Donations and subscriptions	1,631	1,738
Miscellaneous office expenses	2,188	9,975
Staff recruitment expenses	5,076	3,615
	<u>233,186</u>	<u>240,196</u>
SELLING AND PROMOTION		
Advertising	7,939	21,574
Landing fees	25,565	32,891
Commission	15,398	15,609
	<u>48,902</u>	<u>70,074</u>
FINANCE AND POLICY		
Interest on fixed loans	49,880	48,778
Bank charges and interest	1,560	10,437
Bad debts incurred, less recovered	(1,806)	15,358
Depreciation and amortization	22,761	23,202
Keyman insurance	770	993
	<u>73,165</u>	<u>98,768</u>