

# **KINGSTON WHARVES LIMITED**

## **Notes to the Financial Statements**

31 December 1995

### **1. Identification and Principal Activities**

Resulting from the port rationalisation process, the operations of Kingston Wharves Limited and Western Terminals Limited merged; the facilities now operate as Kingston Wharves Limited.

The principal activities of the company and its subsidiaries comprise the operation of public wharves and the provision of cold storage facilities.

The wharfage rates and penal charges billed to customers by the company are subject to regulation by the Port Authority of Jamaica.

All amounts in these financial statements are stated in Jamaican dollars.

2. Summary of Significant Accounting Policies

(a) Consolidation

- (i) The Group financial statements include the results of operations and financial position of the company and the following subsidiaries:

	Percentage Ownership	1995	1994
Harbour Cold Stores Limited		100.0	100.0
Western Terminals Limited		100.0	94.7
Kingston Terminal Operators Limited		100.0	97.3
Security Administrators Limited		100.0	98.2
Caripic Jamaica Limited		100.0	100.0
Western Storage Limited and its subsidiary, Jamaica Cooling Stores Limited		100.0	100.0

During the year the balance of the ordinary shares of Western Terminals Limited, Kingston Terminal Operators Limited and Security Administration Limited was acquired by the issue of shares in Kingston Wharves Limited to shareholders of the above companies.

- (ii) The equity method of accounting is adopted for the associated company Caribbean Freight Forwarders and Customs Brokers Limited in which the interest of Kingston Wharves Limited is 25%. Under this method the group's share of the results of the associated company is included in the group profit and loss account and the tax attributable to the share of profits is included in the group's tax charge.

During the year the group sold its interest in Universal Freight Handlers Limited.

**(b) Depreciation**

Fixed assets are depreciated on the straight line basis at rates which will amortize the cost of the various assets over their expected useful lives. The rates in use are:

Buildings, wall, piers, and dredging	2.5% - 10%
Machinery and equipment	10% - 20%
Furniture and fixtures	10% - 20%
Vehicles	10% - 37%

**(c) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in first-out basis.

**(d) Foreign currencies**

Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the rates of exchange ruling at balance sheet date. Gains and losses on translation are reflected in the profit and loss account.

**(e) Bonus shares**

The par value of shares received is credited to capital reserve. The carrying value of the investments is increased accordingly.

**(f) Revenue**

Handling charges and other revenue items are accounted for on an accrual basis except penal charges which are accounted for on a cash basis.

**(g) Claims**

Claims received are charged against the profit and loss account when they are accepted by the company, except to the extent that claims are recoverable from insurance.

### **3. Turnover**

Turnover consists of charges made for wharfage, storage and warehousing of goods after deduction of discounts and other reductions applicable to such charges.

### **4. Related Party Transactions**

During the year the company and its subsidiaries had normal business transactions with Grace, Kennedy & Company Limited, a major shareholder, and its subsidiaries.

During the year related party transactions were as follows:

	1995 \$'000	1994 \$'000
(a) Income -		
Interest earned	27,380	22,043
Rents	32,382	27,883
(b) Expenditure -		
Fees and other expenditure	<b>37,919</b>	<b>22,380</b>

### **5. Trading Profit**

Trading profit for the year is arrived at after charging/(crediting) the following:

	1995 \$'000	1994 \$'000
Depreciation	24,221	6,597
Auditors' remuneration -		
Current year	1,500	1,194
Prior year	( 52)	12
Directors' emoluments-		
Fees	323	254

Management remuneration	2,880	2,401
Terminal gratuity	-	4,276
Interest expense	1,534	5,396
Provision for doubtful debts	1,479	857
Legal and consultancy fees	<b>22,509</b>	<b>6,067</b>

#### 6. Taxation

(a) Taxation is based on the group profit for the year adjusted for taxation purposes and comprises:

	1995 \$'000	1994 \$'000
Income tax at 33 1/3 %	52,772	26,083
Prior year (over)/ underprovision	( 517)	599
Special credit arising on the issue of bonus shares	(9,465)	( 5,000)
Associated company	282	-
	<b>43,072</b>	<b>21,682</b>

(b) Subject to agreement with the Commissioner of Income Tax, losses of certain subsidiaries available for offset against future taxable profits amount to approximately \$9,875,000 (1994-\$4,588,000) and may be carried forward indefinitely.

#### 7. Appropriations

	1995 \$'000	1994 \$'000
Dividends -		
Preference - gross	3	7
Ordinary - interim, paid out of franked income, net	15,632	-
Issue of bonus shares	27,176	9,000
Withholding tax on dividends paid by subsidiary	7,978	-
	<b>50,789</b>	<b>9,007</b>

**8. Earnings Per Share**

The calculation of earnings per ordinary share is based on the net profit and the weighted average number of shares in issue during the year. The prior year calculation has been restated to account for the issue of bonus shares and the split in nominal value during the current year.

**9. Wharfage Levy**

The Port Authority of Jamaica has placed a levy of 6.5% on the revenue of the company in respect of wharfage collected on general cargo. The total accrual for the year amounts to \$3,366,000 (1994 - \$2,431,000).

**10. Pension Scheme**

Resulting from the merger of wharfage facilities employees of Kingston Wharves Limited and Western Terminals Limited were made redundant. The employees of the combined entity became members of the Kingston Wharves Pension Scheme during 1995.

Under the Scheme retirement benefits are based on average salary during the five years preceding retirement; this applies to full time employees.

Included in these financial statements are contributions of \$2,164,000 (1994 - \$1,554,000).

The company's contributory superannuation scheme which provides benefits based on employees' and employer's contributions plus attributable income from investments are terminated during the year.

The subsidiaries participate in a separate defined benefit pension plan and made contributions during the year of \$1,316,000 (1994 - \$893,000).

**11. Fixed Assets**

The Group						
	Freehold Land and Roadways	Leasehold Properties	Freehold Buildings, security walls, Piers, Dredging & Barge	Machinery, Equipment & vehicles	Furniture & Fixtures	Capital Work in Progress
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or Valuation -</b>						
At 1 January 1995	25,199	1,682	66,517	22,003	16,524	-
Additions	1,123	19,845	-	14,122	8,303	6,174
Disposals	-	-	-	( 435)	( 35)	-
Revaluation	1,137,140	3,731	834,735	152,556	-	-
At 31 December 1995	<b>1,163,462</b>	<b>25,258</b>	<b>901,252</b>	<b>188,246</b>	24,792	6,174
<b>Accumulated Depreciation-</b>						
At 1 January 1995	367	1,118	9,338	8,394	4,251	-
Charge for the year	2,385	2,544	8,519	8,201	2,572	-
On disposals	-	-	-	( 258)	( 24)	-
Revaluation	-	-	205,945	66,829	-	-
At 31 December 1995	<b>2,752</b>	<b>3,662</b>	<b>223,802</b>	<b>83,166</b>	<b>6,799</b>	<b>-</b>
<b>Net Book Value -</b>						
31 December 1995	1,160,710	21,596	677,450	105,080	17,993	6,174
31 December 1994	<b>24,832</b>	<b>564</b>	<b>57,179</b>	<b>13,609</b>	12,273	-
						1,989,003
						108,457

	The Company						
	Freehold Land and Roadways	Leasehold Properties	Dredging & Barge	Machinery, Equipment & vehicles	Furniture & Fixtures	Capital Work in Progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Cost or Valuation-</b>							
At 1 January 1995	5,930	1,675	11,156	4,619	13,536	-	36,916
Additions	754	19,843	-	938	7,674	6,174	35,383
Disposals	-	-	-	( 66)	-	-	( 66)
Revaluation	698,893	-	475,229	9,130	-	-	1,183,252
At 31 December 1995	<b>705,577</b>	<b>12,518</b>	<b>486,385</b>	<b>14,621</b>	<b>21,210</b>	<b>6,174</b>	<b>1,255,485</b>
<b>Accumulated Depreciation-</b>							
At 1 January 1995	392	1,116	5,230	3,359	3,682	-	13,779
Charge for the year	24	2,542	4,287	1,204	2,171	-	10,228
On disposals	-	-	-	( 66)	-	-	( 66)
Revaluation	-	-	157,370	3,282	-	-	160,652
At 31 December 1995	<b>416</b>	<b>3,658</b>	<b>166,887</b>	<b>7,779</b>	<b>5,853</b>	<b>-</b>	<b>184,593</b>
<b>Net Book Value-</b>							
31 December 1995	705,161	17,860	319,498	6,842	15,357	6,174	1,070,892
31 December 1994	<b>5,538</b>	<b>559</b>	<b>5,926</b>	<b>1,260</b>	<b>9,854</b>	<b>-</b>	<b>23,137</b>

(a) The freehold land and buildings of the group were revalued as at May 1993 on the basis of market value and depreciated replacement cost, respectively, by Stoppi, Cairney & Bloomfield, whilst machinery and equipment were revalued as at the same date on the basis of depreciated replacement cost by Delano Reid and Associates.

The revaluation surplus has been credited to capital reserve (Note 17).

(b) Machinery and equipment for the group include an amount of \$6,921,000 representing assets acquired under finance leases by a subsidiary (Note 19).

**12. National Housing Trust**

This amount is refundable in the years 2001 to 2004.

**13. Long Term Receivables**

The Port Authority of Jamaica requires the company to allocate 16% of wharfage collected to a special reserve. The reserve can only be utilised in accordance with directions from the Port Authority of Jamaica and must be represented by cash, deposits or easily realisable securities, the interest on which may be used by the company.

During 1994 a redundancy exercise was undertaken in order to rationalise the operations of the wharfage facilities resulting in redundancy costs of approximately \$83m being incurred. The Port Authority of Jamaica has given permission for the special reserve, present and future amounts, to be used to defray the redundancy cost. The long term receivables balance represents the total amount recoverable from the special reserve.

**14. Bank Overdraft**

The Group's bank overdraft facilities are secured by a mortgage over the company's properties at Berths 5 through 9 and debentures over other fixed assets within the group. The bank also has the option to upstamp the debentures and mortgage whenever deemed necessary.

**15. Share Capital**

	1995 \$'000	1994 \$'000
Authorised -		
Ordinary shares of 325,000,000 of 20c each (1994 20,000,000 of \$1 each	65,000	20,000
10% Cumulative preference shares of \$2 each	-	118
	<b>65,000</b>	<b>20,118</b>

Issued and fully paid -			
Ordinary stock units of 312,638,860 of 20c each	62,528	15,618	
(1994-15,618,000 of \$1 each			
10% Cumulative preference shares of \$2 each	-	72	
	<b>62,528</b>	<b>15,690</b>	

During the year the company increased its authorised ordinary share capital by \$45,000,000 with the creation of 44,882,000 ordinary shares of \$1.00 each and the conversion of 59,000 preference shares of \$2.00 each. Subsequently, 19,542,695 ordinary shares were issued at par value to existing shareholders as a rights issue, 71,902 were issued at par value to the holders of preference shares and 119,939 to minority shareholders in certain subsidiaries, as described in note 2, at a premium of \$1,413,000 (Note 16). Additionally, 27,175,641 ordinary shares were issued from retained earnings as fully paid bonus shares.

The authorised capital was also split into shares of 20 cents each and the issued capital converted to stock units of 20 cents each.

#### 16. Share Premium

	Group & Company	
	1995 \$'000	1994 \$'000
Balance at 1 January 1995	72,988	-
Premium on issue of shares (Note 15)	1,413	72,988
Balance at 31 December 1995	<b>74,401</b>	<b>72,988</b>

<b>17. Capital Reserve</b>	<b>Group</b>	<b>Company</b>	
	1995	1994	1995
	\$'000	\$'000	\$'000
Balance at 1 January 1995	17,264	3,829	14,617
Movements during the year-			3,617
Transfer (to)/ from profit and loss account:			
Capitalisation of profits in subsidiary	10,667	11,000	-
Gain on sale of fixed assets	( 240)	561	-
	<b>10,427</b>	<b>11,561</b>	<b>-</b>
			10,427
11,561	- -		
Bonus shares received	-	-	10,667
Arising on consolidation	1,635	1,874	-
Revaluation of fixed assets (Note 11)	1,855,388	-	1,022,600
Balance at 31 December 1995	<b>1,884,714</b>	<b>17,264</b>	<b>1,047,884</b>
			<b>14,617</b>
Comprising of:			
Realised gain on sale of assets	538	778	5
Capital distribution received	3,612	3,612	3,612
Unrealised gain on the revaluation of fixed assets	1,855,388	-	1,022,600
Capitalisation of profits	21,667	11,000	-
Bonus shares received	-	-	21,667
Arising on consolidation	3,509	1,874	-
	<b>1,884,714</b>	<b>17,264</b>	<b>1,047,884</b>
			<b>14,617</b>

**18. Long Term Loans**

	Group		Company	
	1995 \$'000	1994 \$'000	1995 \$'000	1994 \$'000
(a) Port Authority of Jamaica	2,933	2,933	1,480	1,480
(b) Trafalgar Development Bank	4,709	3,315	-	-
(c) Shareholders' loan	-	20,344	-	17,940
(d) Shipping Association of Jamaica	300	300	-	-
	<b>7,942</b>	<b>26,892</b>	<b>1,480</b>	<b>19,420</b>
Less: Current portion	2,365	1,305	-	-
	<b>5,577</b>	<b>25,587</b>	<b>1,480</b>	<b>19,420</b>

- (a) This loan, which is interest free, was obtained to build the security wall and is repayable only if the wharf is sold.
- (b) This loan bears interest at 29%; repayment, consisting of 48 equal instalments, commenced in January 1994.
- (c) This loan was repaid during the year.
- (d) This loan is non-interest bearing and has no specific repayment dates.

**19. Commitments and Contingencies**

- (a) Arising from oil spillage, claims amounting to approximately \$100,000,000 were filed against the company. The company is disclaiming liability on the basis that it has an indemnity from a third party. Consequently, no provision has been made in these financial statements.

- (b) One of the company's subsidiaries, in the ordinary course of business, has entered into finance lease arrangements for forklift equipment. Future payments under lease commitments are as follows:

	\$'000
In the year ending 31 December 1996	4,172
1997	3,587
1998	1,200
1999	1,200
Total minimum lease payments	10,159
Less: Future finance charges	5,450
Present value of minimum lease payments	4,709
Less: Current portion	2,065
	<b>2,645</b>