

# KINGSTON WHARVES LIMITED 1997

---

## Notes to the Financial Statements

31 December 1997

### 1. Identification and Principal Activities

The principal activities of the company, which is incorporated in Jamaica, and its subsidiaries comprise the operation of public wharves, port security services and the provision and installation 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) Accounting convention

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and investments.

#### (b) Consolidation

- (i) The group financial statements present the results of operations and financial position of the company, its subsidiaries and associated company to the extent explained in Note 2(ii).

The subsidiaries consolidated are as follows:

Wholly owned and incorporated in Jamaica

Trading:

Harbour Cold Stores Limited

Kingston Terminal Operators Limited

Security Administrators Limited

Western Storage Limited and its subsidiary,  
Jamaica Cooling Stores Limited

Western Terminals Limited

Non-Trading:

Caripic Jamaica Limited

(ii) **Associated Company**

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.

(c) Depreciation

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

|  |      |   |     |
|--|------|---|-----|
| Buildings, walls, piers, dredging and roadways | 1.3% | - | 5%  |
| Machinery and equipment                        | 10%  | - | 20% |
| Furniture and fixtures                         | 5%   | - | 10% |
| Vehicles                                       | 10%  | - | 20% |
| Leasehold properties                           |      |   | 10% |

**(d) Inventories**

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

**(e) Foreign currencies**

Transactions during the year are converted at the rates of exchange ruling on transaction dates. Assets and liabilities denominated in foreign currencies are translated into Jamaican dollars at the appropriate rates of exchange ruling on balance sheet date. Gains or losses arising from fluctuations in exchange rates are reflected in the profit and loss account.

**(f) Bonus shares received**

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

**(g) Revenue**

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

**(h) 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 under the company's insurance.

**(i) Pension costs**

The group accrues and funds pension costs annually. Such costs are actuarially determined and include amounts to fund past and future service benefits and expenses.

**3 Turnover**

Turnover consists of charges made for wharfage, port security, installation of cold storage facilities, 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.

Related party transactions were as follows:

|                                | <b>1997</b>   | <b>1996</b>   |
|--------------------------------|---------------|---------------|
|                                | <b>\$'000</b> | <b>\$'000</b> |
| (a) Income earned              | 98,041        | 121,827*      |
| (b) Fees and other expenditure | <u>46,614</u> | <u>54,268</u> |

#### 5. Trading Profit

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

|                              | <b>1997</b>   | <b>1996</b>   |
|------------------------------|---------------|---------------|
|                              | <b>\$'000</b> | <b>\$'000</b> |
| Depreciation                 | 48,656        | 45,426        |
| Auditors' remuneration       |               |               |
| Current year                 | 1,796         | 1,640*        |
| Prior year                   | ( 16)         | 195           |
| Directors' emoluments        |               |               |
| Fees                         | 798           | 768           |
| Management remuneration      | 4,991         | 2,980         |
| Interest expense             | 2,540         | 2,922         |
| Provision for doubtful debts | 1,253         | 1,324         |
| Legal and consultancy fees   | <u>18,141</u> | <u>7,593</u>  |

## 6. Exceptional Item

This represents 75% of off-dock storage fees due to The Port Authority of Jamaica in respect of the storage of mobile units during the period 1993-1996. The current years' charge, amounting to \$73,731,000, has been accounted for in arriving at the trading profit for the year. (Note 21(c)).

\* Restated for comparative purposes

## 7. Taxation

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

|   | 1997          | 1996          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| Income tax at 33 1/3%                     | 46,891        | 60,598        |
| Prior year (over)/under provision         | 2,732         | 177           |
| Tax credit arising on bonus shares issued | 11,005        | 3,077         |
| Associated company                        | <u>226</u>    | <u>664</u>    |
|   | <u>33,380</u> | <u>58,362</u> |

(b) Subject to agreement with the Commissioner of Income Tax, losses of certain subsidiaries available for offset against future taxable profits amount to approximately \$9,972,000 (1996 - \$14,070,000) and may be carried forward indefinitely.

(c) Withholding tax represents amounts deducted and remitted to the Commissioner of Inland Revenue in respect of dividends paid to the company by group companies.

**8. Dividends**

|   | 1997          | 1996          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| Ordinary - first interim, paid out of franked income, net<br>6 cents (1996 - 3 cents) | 18,758        | 9,379         |
| - second interim, paid out unfranked income, gross<br>Nil cents (1996 - 3 cents)      | <u>-</u>      | <u>9,379</u>  |
|   | <u>18,758</u> | <u>18,758</u> |

At 31 December 1997, the company had franked income of \$97,000 (1996 - \$12,188,000) available for distribution to stockholders without deduction of tax.

## **9. Earnings Per Stock Unit**

The calculation of earnings per ordinary stock unit is based on the group net profit and the stock units in issue at the end of the year. The earnings per stock unit for the prior year have been restated to give effect to the bonus issue of shares during the year (Note 18).

## **10. Wharfage Levy**

The Port Authority 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 \$ 4,035,000 (1996- \$3,545,000).

## **11. Pension Scheme**

The company and its subsidiary (Security Administrators Limited) participate in a joint contributory pension scheme which is open to all permanent employees and administered by trustees. Under the scheme retirement benefits are based on average salary during the five years preceding retirement; this applies to full time employees.

The results of the latest actuarial valuation as at 1 January 1995 disclosed that the scheme was adequately funded at that date.

Included in these financial statements are contributions of \$9,763,000 (1996 - \$8,375,000).

The subsidiaries (Harbour Cold Stores Limited and Kingston Terminal Operators Limited) participate in a separate joint contributory pension plan and made contributions during the year of \$22,876,000 (1996 - \$17,499,000)

## 12. Fixed Assets

|                            | THE GROUP                        |               |  |                                       |                         | Total            |
|----------------------------|----------------------------------|---------------|--|---------------------------------------|-------------------------|------------------|
|                            | Freehold<br>Land and<br>Roadways | Leasehold     | Freehold<br>Buildings,<br>Security<br>Walls, Piers<br>& Dredging | Machinery,<br>Equipment<br>& Vehicles | Furniture<br>& Fixtures |                  |
|                            | \$'000                           | \$'000        | \$'000   | \$'000                                | \$'000                  |                  |
| Cost or Valuation -        |                                  |               |  |                                       |                         |                  |
| At 1 January 1997          | 1,198,692                        | 27,019        | 924,910  | 192,322                               | 41,704                  | 2,384,647        |
| Additions                  | 10,683                           | 745           | 13,137   | 7,187                                 | 28,608                  | 60,360           |
| Disposals                  | ( 196)                           | -             | ( 87)  | ( 1,857)                              | ( 171)                  | ( 2,311)         |
| At 31 December 1997        | <u>1,209,179</u>                 | <u>27,764</u> | <u>937,960</u>   | <u>197,652</u>                        | <u>70,141</u>           | <u>2,442,696</u> |
| Accumulated Depreciation - |                                  |               |  |                                       |                         |                  |
| At 1 January 1997          | 4,397                            | 5,807         | 239,636  | 103,708                               | 11,097                  | 364,645          |
| Charge for the year        | 2,471                            | 2,256         | 15,715   | 21,324                                | 6,890                   | 48,656           |
| On disposals               | ( 196)                           | -             | ( 87)  | ( 972)                                | ( 122)                  | 1,377            |
| At 31 December 1997        | <u>6,672</u>                     | <u>8,063</u>  | <u>255,264</u>   | <u>124,060</u>                        | <u>17,865</u>           | <u>411,924</u>   |
| Net Book Value -           |                                  |               |  |                                       |                         |                  |
| At 31 December 1997        | <u>1,202,507</u>                 | <u>19,701</u> | <u>682,696</u>   | <u>73,592</u>                         | <u>52,276</u>           | <u>2,030,772</u> |
| At 31 December 1996        | <u>1,194,295</u>                 | <u>21,212</u> | <u>685,274</u>   | <u>88,614</u>                         | <u>30,607</u>           | <u>2,020,002</u> |



|                            | THE COMPANY                      |                         |  |                                       |                         |                  |
|----------------------------|----------------------------------|-------------------------|--|---------------------------------------|-------------------------|------------------|
|                            | Freehold<br>Land and<br>Roadways | Leasehold<br>Properties | Freehold<br>Buildings,<br>Security<br>Walls, Piers<br>Dredging | Machinery,<br>Equipment<br>& Vehicles | Furniture<br>& Fixtures | Total<br>\$'000  |
|                            | \$'000                           | \$'000                  | \$'000   | \$'000                                | \$'000                  | \$'000           |
| Cost or Valuation-         |                                  |                         |  |                                       |                         |                  |
| At 1 January 1996          | 740,807                          | 23,279                  | 510,701  | 18,856                                | 38,320                  | 1,331,963        |
| Additions                  | 10,683                           | 745                     | 12,593   | 2,097                                 | 28,518                  | 54,636           |
| Disposals                  | ( 196)                           | -                       | ( 87)  | ( 6)                                  | ( 91)                   | ( 380)           |
| At 31 December 1996        | <u>751,294</u>                   | <u>24,024</u>           | <u>523,207</u>   | <u>20,947</u>                         | <u>66,747</u>           | <u>1,386,219</u> |
| Accumulated Depreciation - |                                  |                         |  |                                       |                         |                  |
| At 1 January 1996          | 2,061                            | 5,801                   | 174,450  | 10,106                                | 9,700                   | 202,118          |
| Charge for the year        | 2,471                            | 2,253                   | 7,971  | 2,375                                 | 6,619                   | 21,689           |
| On disposals               | ( 196)                           | -                       | ( 87)  | ( 6)                                  | ( 91)                   | ( 380)           |
| At 31 December 1997        | <u>4,336</u>                     | <u>8,054</u>            | <u>182,334</u>   | <u>12,475</u>                         | <u>16,228</u>           | <u>223,427</u>   |
| Net Book Value             |                                  |                         |  |                                       |                         |                  |
| At 31 December 1997        | <b>746,958</b>                   | <b>15,970</b>           | <b>340,873</b>   | <b>8,472</b>                          | <b>50,519</b>           | <b>1,162,792</b> |
| At 31 December 1996        | <b>738,746</b>                   | <b>17,478</b>           | <b>336,251</b>   | <b>8,750</b>                          | <b>28,620</b>           | <b>1,129,845</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 20),

(b) Machinery and equipment for the group include an amount of \$6,921,000 representing assets acquired under finance leases by a subsidiary (Note 23(b)).

### 13. Investments

Investments comprise:

|                               | <u>The Group</u> |               | <u>The Company</u> |                |
|-------------------------------|------------------|---------------|--------------------|----------------|
|                               | <u>1997</u>      | <u>1996</u>   | <u>1997</u>        | <u>1996</u>    |
|                               | <u>\$'000</u>    | <u>\$'000</u> | <u>\$'000</u>      | <u>\$'000</u>  |
| (a) Subsidiaries              | -                | -             | 124,463            | 111,804        |
| Associated company            | <u>3,063</u>     | <u>2,019</u>  | <u>370</u>         | <u>10</u>      |
|                               | <u>3,063</u>     | <u>2,019</u>  | <u>124,833</u>     | <u>111,814</u> |
| <br>                          |                  |               |                    |                |
| (b) Associated company        | 10               | 10            | 10                 | 10             |
| At cost or written down value | 360              |               | 360                |                |
| Bonus shares received         | <u>2,693</u>     | <u>2,009</u>  | <u>-</u>           | <u>-</u>       |
| Group's share of reserve      | <u>3,063</u>     | <u>2,019</u>  | <u>370</u>         | <u>10</u>      |

### 14. National Housing Trust

This represents contributions recoverable in the years 2001 to 2004.

### 15. Long Term Receivables

The Port Authority of Jamaica requires the company to allocate 16% of wharfage collected to a special reserve. The reserve, which was created in 1976, can only be utilised for retroactive labour costs and special expenditure in accordance with directives from Port Authority of Jamaica and must be represented by cash, deposits or easily realisable securities. The interest arising on the investments representing the reserve may be used by the company.

The long term receivables represent the amount spent in excess of the balance of the special reserve and is recoverable from future collection of wharfage allocated to the reserve (Note 23(c)).

During the year the Port Authority of Jamaica approved the recovery of \$78,151,000 from the special reserve in respect of expenditure relating to:

- a) off-dock mobile storage facilities:
  - (i) operating expenses
  - (ii) leasehold improvements (Note 22)

- b) Pile repairs

Amounts relating to a) (i) and b) above have been applied against the relevant expense categories in the profit and loss account.

#### 16. Short Term Deposits

|  | <u>The Group</u> |               | <u>The Company</u> |               |
|--|------------------|---------------|--------------------|---------------|
|  | 1997             | 1996          | 1997               | 1996          |
|  | \$'000           | \$'000        | \$'000             | \$'000        |
| Government of Jamaica Repurchase Agreements  |                  |               |                    |               |
| Local Registered Stock at 29% (1996 - 30.8%) | <u>49,409</u>    | <u>39,692</u> | <u>32,939</u>      | <u>26,461</u> |

#### 17. Bank Overdraft

The group's bank overdraft facilities are secured by a mortgage over the company's properties at Berths 1 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.

#### 18. Share Capital

|   | 1997           | 1996          |
|---|----------------|---------------|
|   | \$'000         | \$'000        |
| Authorised -  |                |               |
| 500,000,000 (1996 -325,000,000) ordinary shares of 20c each       | <u>100,000</u> | <u>65,000</u> |
| Issued and fully paid -   |                |               |
| 468,958,290 (1996 - 312,638,860) ordinary stock units of 20c each | <u>93,792</u>  | <u>62,528</u> |

During the year the authorised share capital was increased by the creation of 175,000,000 ordinary shares of \$0.20 each to rank pari passu with the existing ordinary shares of the company in all respects. Of this amount 156,319,430 ordinary shares were then issued as fully paid up bonus shares by the capitalization of a portion of the company's earnings for the year.

**19. Share Premium**

|                                      | <u>The Group &amp;<br/>The Company</u> |               |
|--------------------------------------|--|---------------|
|                                      | 1997                                   | 1996          |
|                                      | \$'000                                 | \$'000        |
| Balance at 1 January and 31 December | <u>74,401</u>                          | <u>74,401</u> |

**20. Capital Reserve**

|  | <u>The Group</u> |               | <u>The Company</u> |           |
|--|------------------|---------------|--------------------|-----------|
|  | 1997             | 1996          | 1997               | 1996      |
|  | \$'000           | \$'000        | \$'000             | \$'000    |
| Balance at 1 January                       | 1,897,506        | 1,884,714     | 1,060,676          | 1,047,884 |
| Movements during the year -                |                  |               |                    |           |
| Transfer from profit and<br>loss account:  |                  |               |                    |           |
| Capitalisation of profits in<br>subsidiary | <u>12,659</u>    | <u>12,582</u> | <u>-</u>           | <u>-</u>  |
|  | 1,910,165        | 12,582        | -                  | -         |

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| Bonus shares received                                 | 360              | -                | 13,020           | 12,582           |
| Revaluation of fixed assets                           | <u>-</u>         | <u>210</u>       | <u>-</u>         | <u>-</u>         |
| Balance at 31 December                                | <u>1,910,525</u> | <u>1,897,506</u> | <u>1,073,696</u> | <u>1,060,676</u> |
| Comprising of:  |                  |                  |                  |                  |
| Realised gain on sale of assets                       | 538              | 538              | 5                | 5                |
| Capital distributions received                        | 3,612            | 3,612            | 3,612            | 3,612            |
| Unrealised gain on the<br>revaluation of fixed assets | 1,855,598        | 1,855,598        | 1,022,810        | 1,022,810        |
| Capitalisation of profits                             | 46,908           | 34,249           |                  |                  |
| Bonus shares received                                 | 360              | -                | 47,269           | 34,249           |
| Arising on consolidation                              | <u>3,509</u>     | <u>3,509</u>     | <u>-</u>         | <u>-</u>         |
|   | <u>1,910,525</u> | <u>1,897,506</u> | <u>1,073,696</u> | <u>1,060,676</u> |

## 21. Long Term Loans

|                                | <u>The Group</u> |          | <u>The Company</u> |          |
|--------------------------------|------------------|----------|--------------------|----------|
|                                | 1997             | 1996     | 1997               | 1996     |
|                                | \$'000           | \$'000   | \$'000             | \$'000   |
| (a) Port Authority of Jamaica  | 2,933            | 2,933    | 1,480              | 1,480    |
| (b) Trafalgar Development Bank | 1,250            | 2,980    | -                  | -        |
| (c) Port Authority of Jamaica  | <u>52,110</u>    | <u>-</u> | <u>52,110</u>      | <u>-</u> |

|                       |               |              |               |          |
|-----------------------|---------------|--------------|---------------|----------|
|                       | 56,293        | 5,913        | 53,590        | 1,480    |
| Less: Current portion | <u>17,995</u> | <u>1,730</u> | <u>17,370</u> | <u>-</u> |
|                       | 38,298        | 4,183        | 36,220        | 1,480    |

(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 (Note 23 (b)).

(c) This represents the balance of the off-dock storage fees payable to the Port Authority of Jamaica (Note 6). The balance, which is interest free, is repayable over a period of three years ending 2000.

## **22. Deferred Income**

During the year, The Port Authority of Jamaica approved the reimbursement of \$17,478,000 which represents a proportion of the expenditure incurred by Kingston Wharves Limited for leasehold improvements of the mobile units storage facilities. This amount is being deferred and will be amortised over the remaining useful life of the leasehold improvements.

## **23. Commitments and Contingencies**

(a) Arising from oil spillage, claims amounting to approximately \$100,000,000 were filed against the company during the financial year ended 31 December 1993. The company has disclaimed 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:

|   | 1997   | 1996   |
|---|--------|--------|
|   | \$'000 | \$'000 |
| In the year ending 31 December 1997     | -      | 3,587  |
| 1998                                    | 1,200  | 1,200  |
| 1999                                    | 1,200  | 1,200  |
| Total minimum lease payments            | 2400   | 5,987  |
| Less: Future finance charges            | 1,150  | 3,007  |
| Present value of minimum lease payments | 1,250  | 2,980  |
| Less: Current portion                   | 625    | 1,730  |
|   | 625    | 250    |

(c) The company has submitted an application to The Port Authority of Jamaica for an increase in wharfage rates; the hearing was held and the company is presently awaiting the Government's decision.