PRICEWATERHOUSECOOPERS

Kingston Wharves Limited

Financial Statements
31 December 2005

Kingston Wharves Limited
Index
31 December 2005

PRICEWATERHOUSECOOPERS

CELEBRATING 90 YEARS 1916-2006

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22 March 2006

To the Members of
Kingston Wharves Limited

Auditors' Report

We have audited the financial statements set out on pages 1 to 46 and have received all the information and explanations, which we considered necessary. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the company's management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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 affairs of the group and the company as at 31 December 2005 and of the results of operations and cash flows of the group and changes in equity of the group and the company for the year then ended and have been prepared in accordance with International Financial Reporting Standards and comply with the provisions of the Jamaican Companies Act.

Pricewaterhouse Coopers

Chartered Accountants
Kingston, Jamaica

Kingston Wharves Limited

Group Profit and Loss Account

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
Revenue		1,875,955	1,536,215
Cost of sales		(990,822)	(849,901)
Gross profit		885,133	686,314
Administration expenses		(451,733)	(409,922)
Interest income		70,422	73,260
Operating Profit		503,822	349,652
Finance costs	8	(41,540)	(18,552)
Profit before Income Tax		462,282	331,100
Income tax expense	9	(144,071)	(86,348)
Net Profit		318,211	244,752
Attributable to:			
Equity holders of the company	10	314,981	242,844
Minority interest	11	3,230	1,908
		318,211	244,752
Earnings per stock unit for profit attributable to the equity holders of the company during the year	12	$0.29	$0.23

Kingston Wharves Limited

Group Balance Sheet

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
ASSETS			
Non-current Assets			
Property, plant and equipment	14	5,179,904	3,549,618
Long term receivable	16	68,076	5,042
Deferred tax assets	26	482	-
Retirement benefit asset	17	230,067	198,759
		5,478,529	3,753,419
Current Assets			
Inventories		4,304	3,806
Related companies	18	141,364	93,504
Trade and other receivables	19	84,664	120,788
Taxation recoverable		788	-
Short term investments	20	588,881	439,726
Cash and bank	20	45,064	75,765
		865,065	733,589
Total assets		6,343,594	4,487,008

Kingston Wharves Limited

Group Balance Sheet

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
EQUITY			
Stockholders' Equity			
(attributable to equity holders of the company)			
Share capital	21	214,530	214,530
Share premium	21	77,118	77,118
Capital reserves	22	3,164,664	2,308,177
Asset replacement/rehabilitation and depreciation reserves	23	70,509	33,176
Retained earnings		879,010	699,753
		4,405,831	3,332,754
Minority Interest	11	17,020	13,790
		4,422,851	3,346,544
LIABILITIES			
Non-current Liabilities			
Long term loans	24	650,218	191,958
Finance lease obligations	25	-	1,038
Deferred tax liabilities	26	867,300	624,051
Retirement benefit obligations	17	54,592	43,399
		1,572,110	860,446
Current Liabilities			
Trade and other payables	27	189,406	177,721
Related companies	18	6,222	3,270
Taxation		41,094	23,943
Bank overdraft	20	4,295	-
Current portion of long term loans and finance lease obligations	24,25	107,616	75,084
		348,633	280,018
Total equity and liabilities		6,343,594	4,487,008

Approved for issue by Board of Directors on 22 March 2006 and signed on its behalf by:

Grantley Stephenson Chairman/CEO

Alvin Henry Director

Kingston Wharves Limited
Group Statement of Changes in Equity
Year ended 31 December 2005
(expressed in Jamaican dollars unless otherwise indicated)

	Note	Attributable to equity holders of the company					Minority Interest	Total Equity
		Share Capital	Share Premium	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings		
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2004		214,530	77,118	2,295,598	7,551	570,198	11,882	3,176,877
Net profit for the year		-	-	-	-	242,844	1,908	244,752
Total recognised income for 2004		-	-	-	-	242,844	1,908	244,752
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	23	-	-	-	33,951	(33,951)	-	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	23	-	-	-	12,579	(12,579)	-	-
Transfer from asset replacement/ rehabilitation and depreciation reserves	23	-	-	12,579	(12,579)	-	-	-
Transfer of interest recovered from asset replacement/rehabilitation and depreciation reserves	23	-	-	-	(8,326)	8,326	-	-
Dividends paid	13	-	-	-	-	(75,085)	-	(75,085)
Balance at 31 December 2004		214,530	77,118	2,308,177	33,176	699,753	13,790	3,346,544
Surplus on revaluation of property, plant and equipment net of income taxes	14,26	-	-	843,908	-	-	-	843,908
Net profit for the year		-	-	-	-	314,981	3,230	318,211
Total recognised income for 2005		-	-	843,908	-	314,981	3,230	1,162,119
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	23	-	-	-	37,333	(37,333)	-	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	23	-	-	-	12,579	(12,579)	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	23	-	-	12,579	(12,579)	-	-	-
Dividends paid	13	-	-	-	-	(85,812)	-	(85,812)
Balance at 31 December 2005		214,530	77,118	3,164,664	70,509	879,010	17,020	4,422,851

Kingston Wharves Limited

Group Statement of Cash Flows

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
Cash Flows from Operating Activities			
Net profit		318,211	244,752
Items not affecting cash resources:			
Depreciation	14	132,679	143,917
(Gain)/loss on sale of property, plant and equipment		(568)	1,664
Interest income		(70,422)	(73,260)
Interest expense	8	32,785	19,038
Taxation	9	144,071	86,348
		556,756	422,459
Changes in operating assets and liabilities:			
Inventories		(498)	(179)
Related companies		(44,908)	(64,744)
Receivables		41,047	(660)
Payables		11,685	66,013
Long term receivable		(63,034)	22,969
Asset replacement/rehabilitation and depreciation funds		(123,681)	143,846
Retirement benefit asset		(31,308)	(21,235)
Retirement benefit obligations		11,193	7,283
Cash provided by operations		357,252	575,752
Tax paid		(86,394)	(55,906)
Interest paid		(32,785)	(19,038)
Interest received		65,499	80,792
Net cash provided by operating activities		303,572	581,600
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	14	(718,468)	(384,402)
Proceeds from sale of property, plant and equipment		1,432	14,345
Net cash used in investing activities		(717,036)	(370,057)
Cash Flows from Financing Activities			
Dividends paid	13	(85,812)	(75,085)
Finance lease obligations		(1,925)	(6,742)
Long term loans received		655,232	100,000
Long term loans repaid		(163,553)	(63,837)
Net cash provided by/(used in) financing activities		403,942	(45,664)
Net (decrease)/increase in cash and cash equivalents		(9,522)	165,879
Net cash and cash equivalents at beginning of year		398,624	232,745
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	20	389,102	398,624

Kingston Wharves Limited
Company Balance Sheet
31 December 2005
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
ASSETS			
Non-current Assets			
Property, plant and equipment	14	3,528,674	2,113,502
Investments in subsidiaries	15	75,732	75,732
Long term receivable	16	68,076	5,042
Retirement benefit asset	17	230,067	198,759
		3,902,549	2,393,035
Current Assets			
Related companies	18	116,151	93,504
Subsidiaries		3,784	-
Trade and other receivables	19	46,040	67,413
Short term investments	20	307,564	266,809
Cash and bank	20	29,942	27,470
		503,481	455,196
Total assets		4,406,030	2,848,231

Kingston Wharves Limited
Company Balance Sheet
31 December 2005
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2005 $'000	2004 $'000
EQUITY			
Stockholders' Equity			
Share capital	21	214,530	214,530
Share premium	21	77,118	77,118
Capital reserves	22	1,659,047	1,029,981
Asset replacement/rehabilitation and depreciation reserves	23	69,779	32,628
Retained earnings		762,110	626,547
		2,782,584	1,980,804
LIABILITIES			
Non-current Liabilities			
Long term loans	24	682,765	258,504
Deferred tax liabilities	26	521,308	285,511
Retirement benefit obligations	17	54,592	43,399
		1,258,665	587,414
Current Liabilities			
Trade and other payables	27	169,498	148,289
Related companies	18	6,222	3,270
Group companies		11,359	4,010
Taxation		32,828	17,283
Bank overdraft	20	4,295	-
Current portion of long term loans and finance lease obligations	24, 25	140,579	107,161
		364,781	280,013
Total equity and liabilities		4,406,030	2,848,231

Approved for issue by Board of Directors on 22 March 2006 and signed on its behalf by:

Grantley Stephenson Chairman/CEO

Alvin Henry Director

Kingston Wharves Limited

Company Statement of Changes in Equity

Year ended 31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Share Premium	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2004		214,530	77,118	1,017,402	7,217	535,336	1,851,603
Net profit for the year		-	-	-	-	204,286	204,286
Total recognised income for 2004		-	-	-	-	204,286	204,286
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	23	-	-	-	33,737	(33,737)	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	23	-	-	-	12,579	(12,579)	-
Transfer from asset replacement/ rehabilitation and depreciation reserves (Note 23 (i))		-	-	12,579	(12,579)	-	-
Transfer of interest recovered from asset replacement/rehabilitation and depreciation reserves	23	-	-	-	(8,326)	8,326	-
Dividends paid	13	-	-	-	-	(75,085)	(75,085)
Balance at 31 December 2004		214,530	77,118	1,029,981	32,628	626,547	1,980,804
Surplus on revaluation of property, plant and equipment net of income taxes	14,26	-	-	616,487	-	-	616,487
Net profit for the year		-	-	-	-	271,105	271,105
Total recognised income for 2005		-	-	616,487	-	271,105	887,592
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	23	-	-	-	37,151	(37,151)	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	23	-	-	-	12,579	(12,579)	-
Transfer from asset replacement/ rehabilitation and depreciation reserves	23	-	-	12,579	(12,579)	-	-
Dividends paid	13	-	-	-	-	(85,812)	(85,812)
Balance at 31 December 2005		214,530	77,118	1,659,047	69,779	762,110	2,782,584

(expressed in Jamaican dollars unless otherwise indicated)

1. Identification and Principal Activities

The company and its subsidiaries (the Group) are incorporated and resident in Jamaica. The principal activities of the company 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. The tariff rate structure which was approved by the Port Authority of Jamaica became effective in April 1998.

The company's registered office is located at the Kingport Building, Third Street, Newport West, Kingston.

The company is a public company listed on the Jamaica Stock Exchange.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of property, plant and equipment and financial assets and financial liabilities. The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. Although these estimates are based on management's best knowledge of current events and action, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Standards, interpretations and amendments to published standards effective in 2005

Certain new standards, amendments and interpretations to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has adopted the following IFRS, which are relevant to its operations. The 2004 comparative figures have been amended as required, in accordance with the relevant requirements.

IAS 1 (revised 2003)	Presentation of Financial Statements
IAS 2 (revised 2003)	Inventories
IAS 8 (revised 2003)	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10 (revised 2003)	Events after the Balance Sheet Date
IAS 16 (revised 2003)	Property, Plant and Equipment
IAS 17 (revised 2003)	Leases
IAS 24 (revised 2003)	Related Party Disclosures
IAS 27 (revised 2003)	Consolidated and Separate Financial Statements
IAS 32 (revised 2003)	Financial Instruments: Disclosure and Presentation
IAS 36 (revised 2004)	Impairment of Assets
IAS 38 (revised 2003)	Intangible Assets
IAS 39 (revised 2003/2004)	Financial Instruments: Recognition and Measurement

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2005
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Standards, interpretations and amendments to published standards effective in 2005 (continued)
The adoption of these standards has not resulted in substantial changes to the Group's accounting policies. In summary:

(i) IAS 1 (revised 2003) has affected disclosures.
(ii) IAS 2, 8, 10, 16, 17, 27, 32 and 38 (all revised 2003), IAS 36 (revised 2004) and IAS 39 (revised 2003/2004) had no material effect on the Group's policies.
(iii) IAS 24 (revised 2003) has affected the identification of related parties and some other related party disclosures.

All changes in the accounting policies have been made in accordance with the transitional provisions in the respective standards. Except for IAS 39 where the de-recognition of financial assets is applied prospectively, all new standards, amendments and interpretations adopted by the Group require retrospective application.

There was no material impact on opening retained earnings at 1 January 2005 from the adoption of any of the above-mentioned standards.

Standards, interpretations and amendments to published standards that are not yet effective
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been issued which were not yet effective at the balance sheet date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations, and has concluded as follows:

- **IAS 19 (Amendment), Employee Benefits** (effective from 1 January 2006). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the accounts. The Group will apply this amendment from annual periods beginning 1 January 2006.

- **IFRIC 4, Determining whether an Arrangement contains a Lease** (effective from 1 January 2006). IFRIC 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset. The Group assessed the impact of IFRIC 4 and concluded that there are no transactions to which this applies. The Group will apply IFRIC 4 from annual periods beginning 1 January 2006.

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries. Intercompany transactions, balances and unrealised gains between the group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

The subsidiaries, which are all incorporated and domiciled in Jamaica, are as follows:

Subsidiaries	**Principal Activities**	**Holding**	**Financial Year End**
Trading:			
Harbour Cold Stores Limited	Provision and installation of cold storage facilities	100%	31 December
Security Administrators Limited	Port security services	66 ⅔%	31 December
Western Storage Limited	Property rental	100%	31 December
Western Terminals Limited	Property rental	100%	31 December
Non-Trading			
Jamaica Cooling Stores Limited		100%	31 December
Kingston Terminal Operators Limited		100%	31 December

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, returns, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

Sale of services
Charges made for wharfage operations, port security, installation of cold storage facilities, storage and warehousing of goods after deduction of discounts and other reductions applicable to such charges.

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

Interest income
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation

Foreign currency transactions are accounted for at the exchange rates prevailing at the dates of the transactions. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the closing exchange rate. Exchange differences arising from the settlement of transactions at rates different from those at the dates of the transactions and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities are recognised in the profit and loss account.

(e) Property, plant and equipment

Land and buildings comprise mainly walls, piers, dredging, roadways and offices. Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the assets carrying amount after revaluation equals its revalued amount. Fair value represents open market value for land while buildings are shown at depreciated replacement cost as there is no market-based evidence of fair value because of the specialised nature of the buildings and the buildings cannot be sold except as part of a continuing business. All other property, plant and equipment are stated at deemed cost less depreciation. Deemed cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to capital reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged against capital reserves directly in equity; all other decreases are charged to the profit and loss account.

Land is not depreciated. Depreciation on other assets is calculated on the straight line basis at such rates as will write off the carrying value of the assets over the period of their expected useful lives. The annual rates in use are:

Buildings, leasehold properties, walls, piers,	
dredging and roadways	2.5%
Machinery and equipment	3% - 20%
Cold room and air conditioning equipment	10%
Furniture and fixtures	5% - 10%
Motor vehicles	10% - 20%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter the term of the relevant lease.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

2. Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(f)).

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with their carrying amounts and are included in the profit and loss account. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

(f) Impairment of non-financial assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of an asset exceeds its recoverable amount, which is the greater of the asset's net selling price and the value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(g) Investments in subsidiaries

Investments by the company in subsidiaries are stated at cost.

(h) Employee benefits

Pension obligations

The Group participates in a defined benefit plan, the bassets of which are generally held in a separate trustee-administered fund. The scheme is generally funded by payments from employees and the Group taking into account the recommendations of independent qualified actuaries. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service cost. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the fund. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by estimated future cash outflows using interest rates on Government securities which have terms to maturity approximating the terms of the related liability.

Past service cost is recognised immediately to the extent that the benefits are already vested, or otherwise is amortised on a straight line basis over the average period until the benefits become vested.

A portion of actuarial gains and losses is charged or credited to income if the net cumulative actuarial gains or losses at the end of the previous reporting period exceeded the greater of 10% of the:

(i) Present value of the gross defined benefit obligation at that date; and

(ii) The fair value of the plan assets at that date.

Any excess actuarial gains or losses are charged or credited to income over the average remaining service lives of the related employees.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2005
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(h) Employee benefits (Continued)

Other post-employment obligations
The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment, using an accounting methodology similar to that for the defined benefit pension plan. Those obligations are valued annually by the independent qualified actuaries.

Termination benefits
Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or to providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(i) Inventories
Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of selling expenses.

(j) Related party transactions and balances
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. Related party transactions and balances are recognised and disclosed for the following:

(i) Enterprises and individuals owning directly or indirectly an interest in the voting power of the Group that gives them significant influence over the Group's affairs and close members of the families of these individuals.

(ii) Key management personnel, that is those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including directors and officers and close members of the families of these individuals.

(k) Trade receivables
Trade receivables are carried at original invoice value less provision made for impairment of these receivables based on a review of all outstanding amounts at the year end. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, the recoverable amount being the present value of expected cash flows, discounted at the market rate of interest for similar borrowers.

(l) Trade payables
Trade payables are stated at their nominal value.

2. Summary of Significant Accounting Policies (Continued)

(m) Leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss account on a straight-line basis over the period of the lease.

(n) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(o) Taxation

Taxation on the profit for the year comprises current and deferred income taxes.

Current income tax charges are based on taxable profit for the year, which differs from the profit before tax reported because it excludes items that are taxable or deductible in other years, and items that are never taxable or deductible. The Group's liability for current income tax is calculated at tax rates that have been enacted at the balance sheet date.

Deferred income tax is the tax expected to be paid or recovered on differences between the carrying amounts of assets and liabilities and the corresponding tax bases. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is charged or credited in the profit and loss account, except where it relates to items charged or credited to equity, in which case, deferred tax is also dealt with in equity.

Tax assets and liabilities are offset when they arise from the same taxable entity, relate to the same Tax Authority and when the legal right of offset exists.

(p) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost and include cash and bank balances, deposits held at banks, other short term highly liquid investments with original maturities of three months or less and bank overdrafts.

2. Summary of Significant Accounting Policies (Continued)

(q) Dividends

Dividend distribution to the Company's shareholders is recognised initially as a liability and subsequently paid in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

(r) Financial instruments

A financial instrument is any contract that gives rise to both a financial asset in one entity and a financial liability or equity of another entity.

Financial assets

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets and are included in long term receivables on the balance sheet.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. These assets are classified as current assets and are included in related companies, receivables and cash and short term investments on the balance sheet.

Financial liabilities

The Group's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. They are included in bank overdraft, payables, long term loans and finance lease obligations on the balance sheet.

The determination of the fair values of the Group's financial instruments is discussed in note 29.

(s) Segment reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks and returns that are different from those of other business segments.

(t) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit and loss account over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

(u) Comparative information

Where necessary, comparative figures have been reclassified to conform with changes in presentation in the current year. In particular, the comparatives have been adjusted or extended to reflect the requirements of new IFRS, as well as, amendments to and interpretations of existing IFRS (Note 2(a)).

3. Financial Risk Management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Management seeks to minimise potential adverse effects on the financial performance of the Group by applying procedures to identify, evaluate and manage these risks, based on guidelines set by the Board of Directors.

(i) Market risk

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group is primarily exposed to such risks arising from its foreign currency transactions in relation to borrowings and accounts held. This is partially offset by its US dollar revenue transactions and by its holding in US dollar cash and other accounts. The balance sheet of the Group at 31 December 2005 includes aggregate net foreign liabilities of approximately US$7,711,000 (2004 - US$580,000) in respect of transactions arising in the ordinary course of business.

Price risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether the changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group manages its exposure by maintaining only short term investments.

(ii) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group has no significant concentrations of credit risk as the Group has a large and diverse customer base, with no significant balances arising from any single economic or business sector, or any single entity or group of entities. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history. Sales to customers are made in cash or via major credit cards. Cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(iii) Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

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3. Financial Risk Management (Continued)

(a) Financial risk factors (Continued)

(iv) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Group's operating cash flows are substantially independent of changes in market interest rates. At 31 December 2005, the Group has interest-bearing assets as disclosed in Note 20 and interest-bearing liabilities as disclosed in Notes 24 and 25.

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount. The Group manages this risk by ensuring, as far as possible, that financial assets and liabilities are matched to mitigate any significant adverse cash flows.

(b) Fair value estimation

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to the short term maturity of these instruments. The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Critical Accounting Estimates and Assumptions in Applying Accounting Policies

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Depreciable assets

Estimates of the useful life and residual value of property, plant and equipment are required in order to apply an adequate rate of transferring the economic benefits embodied in these assets in the relevant periods. The Group applies a variety of methods including the use of certified independent valuators in an effort to arrive at these estimates.

If the estimates of residual value at 31 December 2005 were 10% higher than management's estimates, the depreciation charge would decrease by $12,858,000.

Income taxes

Estimates are required in determining the provision for income taxes. There are some transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for possible tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Were the actual outcome (on the judgement areas) to differ by 10% from management's estimates, the Group would need to decrease the income tax liability by $4,286,000 and increase the deferred tax liability by $4,286,000.

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4. Critical Accounting Estimates and Assumptions in Applying Accounting Policies (Continued)

Pension and post-employment benefits

The cost of these benefits and the present value of the pension and the other post-employment liabilities depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumption used in determining the net periodic cost (income) for pension and post-retirement benefits include the expected long-term rate of return on the relevant plan assets, the discount rate and, in the case of the post-employment medical benefits, the expected rate of increase in medical costs. Any changes in these assumptions will impact the net periodic cost (income) recorded for pension and other post-employment benefits and may affect planned funding of the pension plans. The expected return on plan assets assumption is determined on a uniform basis, considering long-term historical returns, asset allocation and future estimates of long-term investments returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension and other post-employment benefit obligations. In determining the appropriate discount rate, the Group considered interest rate of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. The expected rate of increase of medical costs has been determined by comparing the historical relationship of the actual medical cost increases with the rate of inflation in the respective economy. Past experience has shown that the actual medical costs have increased on average by one time the rate of inflation. Other key assumptions for the pension and other post-employment benefits costs and credits are based in part on current market conditions.

Were the actual expected return on plan assets to differ by 1% from estimates applied in valuation of the benefits, the consolidated net profit would be an estimated $6,447,000 higher or $6,447,000 lower. Were the actual discount rate used to differ by 1% from estimates applied in valuation of the benefits, the consolidated net profit would be an estimated $7,849,000 higher or $4,633,000 lower. The post employment obligations would also differ. Were the actual salary growth rate to differ from estimates applied in valuation of the benefits, the consolidated net profit would be an estimated $5,961,000 higher or $1,941,000 lower.

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5. Segment Financial Information

The Group is organised into the following business segments:

(a) Terminal operations - This incorporates the operation of public wharves
(b) Cold storage operations - This incorporates the provision and installation of cold storage facilities
(c) Security operations - This incorporates port security services
(d) Other - Other operations of the Group comprise property rental.

Transactions between the business segments are on normal commercial terms and conditions.

The Group's operations are located at Newport West, Kingston Jamaica.

Year ended 31 December	Terminal Operations 2005 $'000	Cold Storage Operations 2005 $'000	Security Operations 2005 $'000	Other 2005 $'000	Eliminations 2005 $'000	Group 2005 $'000
External operating revenue	1,420,303	231,921	223,731	-	-	1,875,955
Operating revenue from segments	1,253	2,153	26,373	2,908	(32,687)	-
Total revenue	1,421,556	234,074	250,104	2,908	(32,687)	1,875,955
Gross profit	679,839	132,019	74,903	2,533	(4,161)	885,133
Other operating income	66,886	33,034	3,187	11,557	(44,242)	70,422
Operating expenses	(305,274)	(78,251)	(63,728)	(40,010)	35,530	(451,733)
Operating profit	441,451	86,802	14,362	(25,920)	(12,873)	503,822
Finance costs						(41,540)
Profit before income tax						462,282
Income tax expense						(144,071)
Profit before minority interest						318,211
Minority interest						(3,230)
Net profit attributable to equity holders of the company						314,981
Segment assets	4,175,963	559,042	85,101	1,473,365	(181,214)	6,112,257
Unallocated assets						231,337
Total assets						6,343,594
Segment liabilities	1,014,718	12,257	31,586	8,379	(109,183)	957,757
Unallocated liabilities						962,986
Total liabilities						1,920,743
Other segment items:						
Capital expenditure (Note 14)	705,674	8,867	3,927	-	-	718,468
Depreciation (Note 14)	93,214	12,313	2,277	24,875	-	132,679

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5. Segment Financial Information (Continued)

Year ended 31 December	Terminal Operations 2004 $'000	Cold Storage Operations 2004 $'000	Security Operations 2004 $'000	Other 2004 $'000	Eliminations 2004 $'000	Group 2004 $'000
External operating revenue	1,165,759	158,573	211,883	-	-	1,536,215
Operating revenue from segments	-	-	35,086	1,940	(37,026)	-
Total revenue	1,165,759	158,573	246,969	1,940	(37,026)	1,536,215
Gross profit	524,700	96,954	66,377	1,565	(3,282)	686,314
Other operating income	49,473	29,801	2,506	10,299	(18,819)	73,260
Operating expenses	(267,850)	(60,834)	(60,146)	(25,609)	4,517	(409,922)
Operating profit	306,323	65,921	8,737	(13,745)	(17,584)	349,652
Finance costs						(18,552)
Profit before income tax						331,100
Income tax expense						(86,348)
Profit before minority interest						244,752
Minority interest						(1,908)
Net profit attributable to equity holders of the company						242,844
Segment assets	2,649,472	437,956	58,262	1,320,600	(178,041)	4,288,249
Unallocated assets						198,759
Total assets						4,487,008
Segment liabilities	514,573	23,071	16,090	1,347	(106,010)	449,071
Unallocated liabilities						691,393
Total liabilities						1,140,464
Other segment items:						
Capital expenditure (Note 14)	376,649	6,676	1,077	-	-	384,402
Depreciation charge (Note 14)	102,346	15,127	1,944	24,500	-	143,917

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6. Expenses by Nature

Total direct, administration and other operating expenses:

	2005 $'000	2004 $'000
Advertising and public relations	27,576	14,242
Auditors' remuneration	3,182	2,932
Depreciation (Note 14)	132,679	143,917
Insurance	85,763	65,208
Legal and consultation expenses	36,578	27,144
Occupancy - utilities	99,863	68,118
Repairs and maintenance	130,593	94,851
Security	98,032	98,939
Staff costs (Note 7)	517,267	467,795
Working ships' equipment	83,970	78,688
Other	227,052	197,989
	1,442,555	1,259,823

7. Staff Costs

	2005 $'000	2004 $'000
Wages and salaries	425,685	392,722
Payroll taxes – employer's contributions	43,751	40,350
Pension costs – defined benefit plan (Note 17)	(10,070)	(4,020)
Other post retirement benefits (Note 17)	17,504	12,510
Other	40,397	26,233
	517,267	467,795

The number of persons employed by the Group at year end:

	2005 No.	2004 No.
Full time	191	157
Part time	271	363
	462	520

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8. Finance Costs

	2005 $'000	2004 $'000
Interest expense -		
Loans	32,785	17,693
Finance leases	399	1,345
Foreign exchange losses/(gains), net	8,356	(486)
	41,540	18,552

9. Income Tax Expense

Comprising income tax at 33⅓%:

	2005 $'000	2004 $'000
Current tax	102,360	72,684
Prior year under provision	397	592
Deferred income tax (Note 26)	41,314	13,072
	144,071	86,348

The tax on the Group's profit differs from the theoretical amount that would arise using the basic statutory rate of 33⅓% as follows:

	2005 $'000	2004 $'000
Profit before tax	462,282	331,100
Tax calculated at a tax rate of 33 ⅓%	154,094	110,367
Adjusted for the effect of:		
Expenses not deductible for tax purposes and other allowances	2,091	(92)
Special tax allowances	(12,511)	(24,519)
Prior year under provision	397	592
Income tax expense	144,071	86,348

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10. Profit Attributable to Stockholders

	2005 $'000	2004 $'000
(a) Net profit is dealt with as follows in the financial statements of:		
Holding company	271,105	204,286
Subsidiaries	43,876	38,558
	314,981	242,844
(b) Retained earnings are dealt with as follows in the financial statements of:		
Holding company	762,110	626,547
Subsidiaries	116,900	73,206
	879,010	699,753

11. Minority Interest

On 1 January 2003, the Group sold a third of its shareholding in Security Administrators Limited. The minority interest is comprised as follows:

	2005 $'000	2004 $'000
At beginning of year	13,790	11,882
Share of net profit of subsidiary	3,230	1,908
	17,020	13,790

12. Earnings Per Stock Unit

Basic earnings per stock unit is calculated by dividing the net profit attributable to stockholders by the weighted average number of ordinary stock units in issue during the year.

	2005	2004
Net profit attributable to stockholders ($'000)	314,981	242,844
Weighted average number of ordinary stock units in issue (thousands)	1,072,650	1,072,650
Basic earnings per stock unit	$0.29	$0.23

13. Dividends

Dividends were paid as follows:

(a) On 27 June 2005, the company paid a dividend of 5 cents per share to registered stockholders on record as at 16 June 2005.

(b) On 14 December 2005, the company paid a dividend of 3 cents per share to registered stockholders on record as at 23 November 2005.

	2005 $'000	2004 $'000
Ordinary dividends, gross - 8 cents (2004 – 7 cents)	85,812	75,085

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14. Property, Plant and Equipment

THE GROUP

	Freehold Land	Freehold Buildings, Leasehold Properties, Security Walls, Piers, Dredging and Roadways	Machinery and Equipment	Cold Room and Air Conditioning Equipment	Furniture and Fixtures	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2005			
Cost or Valuation -							
At 1 January 2005	815,000	2,330,051	562,824	129,548	188,076	23,425	4,048,924
Additions	202,169	58,147	408,331	2,212	24,603	23,006	718,468
Revaluation surplus	441,000	649,712	-	131,050	-	-	1,221,762
Disposals	-	(28)	(1,300)	(359)	(80)	(600)	(2,367)
Transfers	-	4	2,913	-	(6)	(2,911)	-
At 31 December 2005	1,458,169	3,037,886	972,768	262,451	212,593	42,920	5,986,787
Depreciation -							
At 1 January 2005	-	167,393	109,780	105,291	102,216	14,626	499,306
Charge for the year	-	68,330	34,951	7,162	17,384	4,852	132,679
On revaluation	-	122,650	-	53,751	-	-	176,401
Relieved on disposals	-	(19)	(535)	(359)	(80)	(510)	(1,503)
Transfers	-	4,128	564	-	(3,176)	(1,516)	-
At 31 December 2005	-	362,482	144,760	165,845	116,344	17,452	806,883
Net Book Value -							
At 31 December 2005	1,458,169	2,675,404	828,008	96,606	96,249	25,468	5,179,904
				2004			
Cost or Valuation -							
At 1 January 2004	815,000	2,344,059	241,258	125,742	163,979	17,571	3,707,609
Additions	-	8,423	341,231	4,087	24,807	5,854	384,402
Disposals	-	(22,349)	(19,747)	(281)	(710)	-	(43,087)
At 31 December 2004	815,000	2,330,133	562,742	129,548	188,076	23,425	4,048,924
Depreciation -							
At 1 January 2004	-	116,574	68,676	95,554	89,252	12,410	382,466
Charge for the year	-	70,689	47,635	9,765	13,612	2,216	143,917
Relieved on disposals	-	(19,788)	(6,613)	(28)	(648)	-	(27,077)
At 31 December 2004	-	167,475	109,698	105,291	102,216	14,626	499,306
Net Book Value -							
At 31 December 2004	815,000	2,162,658	453,044	24,257	85,860	8,799	3,549,618

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14. Property, Plant and Equipment (Continued)

THE COMPANY

	Freehold Land	Freehold Buildings, Leasehold Properties, Security Walls, Piers, Dredging and Roadways	Machinery and Equipment	Cold Room and Air Conditioning Equipment	Furniture and Fixtures	Motor Vehicles	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				2005			
Cost or Valuation -							
At 1 January 2005	475,000	1,181,443	556,690	82	180,518	13,240	2,406,973
Additions	202,169	52,078	406,052	-	23,656	21,719	705,674
Disposals	-	-	(95)	-	-	-	(95)
Revaluation surplus	244,000	604,665	-	18,600	-	-	957,138
At 31 December 2005	921,169	1,838,186	962,647	18,682	204,174	34,959	3,979,817
Depreciation -							
At 1 January 2005	-	81,479	105,987	82	98,592	7,331	293,471
Charge for the year	-	39,379	33,746	-	16,635	3,454	93,214
On revaluation	-	64,535	-	-	-	-	64,535
Relieved on disposals	-	-	(77)	-	-	-	(77)
Transfers	-	4,128	(952)	-	(3,176)	-	-
At 31 December 2005	-	189,521	138,704	82	112,051	10,785	451,143
Net Book Value -							
At 31 December 2005	921,169	1,648,665	823,943	18,600	92,123	24,174	3,528,674
				2004			
Cost or Valuation -							
At 1 January 2004	475,000	1,195,665	232,070	82	158,381	7,386	2,068,584
Additions	-	8,209	340,449	-	22,137	5,854	376,649
Disposals	-	(22,349)	(15,911)	-	-	-	(38,260)
At 31 December 2004	475,000	1,181,525	556,608	82	180,518	13,240	2,406,973
Depreciation -							
At 1 January 2004	-	59,390	63,846	82	85,662	5,115	214,095
Charge for the year	-	41,960	45,241	-	12,930	2,216	102,347
Relieved on disposals	-	(19,789)	(3,182)	-	-	-	(22,971)
At 31 December 2004	-	81,561	105,905	82	98,592	7,331	293,471
Net Book Value -							
At 31 December 2004	475,000	1,099,964	450,703	-	81,926	5,909	2,113,502

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14. Property, Plant and Equipment (Continued)

(a) Freehold land of the Group was revalued as at 31 December 2005 on the basis of open market value by D.C. Tavares and Finson Reality Limited, independent qualified valuators. The freehold buildings and cold room facilities of the Group were also revalued as at 31 December 2005 on the depreciated replacement cost basis by Stoppi, Cairney and Bloomfield, quantity surveyors and construction cost consultants. The carrying value of these assets has been adjusted upwards and the increase in value net of deferred income taxes has been recognised in capital reserves (Note 22).

(b) The titles to the freehold land acquired during the year have not yet been transferred to the Group.

(c) Machinery and equipment were revalued in 1993 and the revaluation surplus taken to capital reserves net of deferred income taxes. The revalued amounts have been designated the deemed cost of these assets at the date of revaluation under the provision of IFRS.

(d) If freehold land and buildings were stated on the historical cost basis, the amounts would be as follows:

	The Group		The Company	
	2005 **$'000**	**2004** **$'000**	**2005** **$'000**	**2004** **$'000**
Cost	1,126,718	866,402	927,980	673,733
Accumulated depreciation	(175,059)	(159,296)	(167,892)	(154,519)
Net book value	951,659	707,106	760,088	519,214

15. Investments in Subsidiaries

Investments in subsidiaries are comprised as follows:

	2005 **$'000**	**2004** **$'000**
Harbour Cold Stores Limited	13,336	13,336
Security Administrators Limited	6	6
Western Storage Limited	16,301	16,301
Western Terminals Limited	46,039	46,039
Kingston Terminal Operators Limited	50	50
	75,732	75,732

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16. Long Term Receivable

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 the Port Authority of Jamaica and must be represented by cash, deposits or easily realisable securities. The interest earned on the investments representing the reserve may be used by the company in the furtherance of its business.

The long term receivable represents the amount spent in excess of the balance of the special reserve and is recoverable from future collection of wharfage allocated to the reserve. A total of $20,811,000 (2004 - $22,969,000) was allocated to the reserve during the year.

	The Group and The Company	
	2005 $'000	**2004 $'000**
Balance at 1 January	5,042	28,011
Additional severance payments	81,345	-
Deposit on security system upgrade	2,500	-
16% of wharfage collections for year	(20,811)	(22,969)
Balance at 31 December representing the excess of amounts spent over wharfage collections	68,076	5,042
This comprises:		
Security system upgrade	2,500	-
Severance payments	65,576	5,042
	68,076	5,042

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17. Retirement Benefit Asset and Obligations

	The Group and The Company	
	2005 **$'000**	**2004** **$'000**
Balance sheet (asset)/obligation for:		
Pension benefits	(230,067)	(198,759)
Post-employment benefits	54,592	43,399
Profit and loss account for (Note 7):		
Pension benefits	(10,070)	(4,020)
Other post-employment benefits	17,504	12,510
	7,434	8,490

(a) Pension benefits

The company participates in a joint contributory defined benefit pension scheme which is fully funded. The scheme is open to all permanent employees of the Group and is administered by trustees. Under the scheme, retirement benefits are based on average salary during the five years preceding retirement. The scheme is funded by employee contributions at 5% and employer contribution of 10% of salary, as recommended by independent actuaries.

The assets of the scheme are held independently of the company's assets in a separate trustee-administered fund. The scheme is valued by independent actuaries annually using the projected unit credit method. The latest actuarial valuation was carried out as at 31 December 2005.

17. Retirement Benefit Asset and Obligations (Continued)

(a) Pension benefits (Continued)

The defined benefit asset amounts recognised in the balance sheet are determined as follows:

	The Group and The Company	
	2005 $'000	2004 $'000
Fair value of plan assets	(676,227)	(637,921)
Present value of funded obligations	357,042	344,172
	(319,185)	(293,749)
Unrecognised actuarial gains	89,118	94,990
Asset in the balance sheet	(230,067)	(198,759)

The pension plan assets include the company's ordinary stock units with a fair value of $58,000,000 (2004 –$49,000,000).

The amounts recognised in the profit and loss account are as follows:

	The Group and The Company	
	2005 $'000	2004 $'000
Current service cost	14,146	8,850
Interest cost	45,381	37,103
Expected return on plan assets	(67,690)	(49,973)
Net actuarial gain recognised in year	(1,907)	-
Included in staff costs (Note 7)	(10,070)	(4,020)

The actual return on plan assets was $24,806,000 (2004 – $151,960,000).

The movement in the defined benefit asset recognised in the balance sheet is as follows:

	The Group and The Company	
	2005 $'000	2004 $'000
At beginning of year	(198,759)	(177,524)
Amounts recognised in the profit and loss account (Note 7)	(10,070)	(4,020)
Contributions paid	(21,238)	(17,215)
At end of year	(230,067)	(198,759)

Kingston Wharves Limited

17. Retirement Benefit Asset and Obligations (Continued)

(a) Pension Benefits (Continued)

The principal actuarial assumptions used were as follows:

	The Group and The Company	
	2005	**2004**
Discount rate	12.5%	12.5%
Long term inflation rate	8.5%	8.5%
Expected return on plan assets	10.5%	10.5%
Future salary increases	9.5%	9.5%
Future pension increases	4.5%	4.5%

The average employee service life in years is 7.2 (2004 – 9.3) years.

(b) Other post-employment benefits

The company operates an insured health plan, a self insured health plan and an insured group life plan. The method of accounting and the frequency of valuations for these plans are similar to those used for the pension scheme.

In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long term increase in health costs of 10.5% per year (2004 - 9.5%) for the insured group health plan and 9.5% for the self insured health plan (2004 – 9.5%). The insured group life plan assumes a salary rate increase of 9.5% per year (2004 – 9.5%).

The amounts recognised in the balance sheet were determined as follows:

	The Group and The Company	
	2005	**2004**
	$'000	**$'000**
Present value of unfunded obligations	77,574	52,204
Unrecognised actuarial loss	(22,982)	(8,805)
Liability in the balance sheet	54,592	43,399

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17. Retirement Benefit Asset and Obligations (Continued)

(b) Other post-employment benefits (Continued)

The amount recognised in the profit and loss account is as follows:

	The Group and The Company	
	2005	**2004**
	$'000	**$'000**
Current service cost	2,156	2,484
Interest cost	6,400	6,526
Net actuarial loss recognised	8,948	3,500
Included in staff costs (Note 7)	17,504	12,510

The movement in the defined benefit obligations during the year is as follows:

	The Group and The Company	
	2005	**2004**
	$'000	**$'000**
At beginning of year	43,399	36,116
Amounts recognised in the profit and loss account (Note 7)	17,504	12,510
Contributions paid	(6,311)	(5,227)
	54,592	43,399

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18. Related Party Transactions

(a) During the year the company and its subsidiaries had normal business transactions with related parties with which there are common directors, as follows:

(i) Revenue earned from sale of services

	2005 $'000	2004 $'000
A. E. Parnell & Company Limited	20,620	11,616
Jamaica Freight & Shipping Company Limited	41,845	47,784
Maritime and Transport Services Limited	61,436	41,476
Seaboard Freight & Shipping Jamaica Limited	151,717	145,793
Seafreight Jamaica Limited	290,152	232,417
Shipping Services Stevedoring Limited	52,959	30,500
Lannaman & Morris (Shipping) Limited	34,426	25,197
Transocean Shipping Limited	7,282	8,987
R. S. Gamble (1998) Limited	277	85
Arnold Malabre & Company Limited	5,154	4,048
APM Terminals Limited	39,940	54,296
Assessment Recoveries Limited	6,517	-
	712,325	602,199

Services are usually negotiated with related parties on a cost-plus basis. Services are sold on basis of the price lists in force with non-related parties.

(ii) Interest income earned

	2005 $'000	2004 $'000
National Commercial Bank Jamaica Limited	13,508	11,147

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18. Related Party Transactions and Balances (Continued)

(a) Transactions with related companies (Continued)

(iii) Purchases of goods and services

	2005 $'000	2004 $'000
A. E. Parnell & Company Limited	1,031	-
APM Terminals (Jamaica) Limited	12,414	7,936
Maritime and Transport Services Limited	348	-
NCB Capital Markets Limited	3,716	-
Seafreight Jamaica Limited	4,163	-
Lannaman & Morris (Shipping) Limited	483	-
	22,155	7,936

Services are usually negotiated with related parties on cost-plus basis. Services are bought on the basis of the price lists in force with non-related parties.

(iv) Key management compensation

	2005 $'000	2004 $'000
Salaries and other short-term employee benefits	52,845	48,538
Payroll taxes – employer's contributions	4,814	4,300
Pension benefits	4,664	4,053
Other	4,148	3,349
	66,471	60,240
Directors' emoluments –		
Fees	5,397	2,948
Management remuneration (included above)	16,766	14,752

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18. Related Party Transactions and Balances (Continued)

(b) Year-end balances with related parties with which there are common directors are as follows:

(i) Due from related companies:

	The Group		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
A. E. Parnell & Company Limited	4,952	5,113	4,823	5,113
APM Terminals (Jamaica) Limited	8,149	-	2,950	-
Jamaica Freight & Shipping Company Limited	13,831	13,554	13,154	13,554
Lannaman & Morris (Shipping) Limited	2,703	3,897	2,703	3,897
Lasocean Agencies Limited	6	-	6	-
Maritime and Transport Services Limited	15,559	8,526	15,559	8,526
Port Authority of Jamaica	17,038	-	-	-
Seaboard Freight & Shipping Jamaica Limited	17,860	19,931	16,643	19,931
Seafreight Jamaica Limited	39,873	22,708	39,385	22,708
Shipping Services Stevedoring Limited	17,614	18,539	17,353	18,539
Transocean Shipping Limited	3,779	1,236	3,575	1,236
	141,364	93,504	116,151	93,504

(ii) Due to related companies:

	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
APM Terminals (Jamaica) Limited	6,222	2,086	6,222	2,086
Lannaman & Morris (Shipping) Limited	-	352	-	352
Transocean Shipping Limited	-	522	-	522
The Shipping Association of Jamaica	-	310	-	310
	6,222	3,270	6,222	3,270

(iii) Short term investments

	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
National Commercial Bank Jamaica Limited	141,803	66,656	42,280	66,656

These investments currently attract interest at rates between 7% and 12.5% per annum and have an average maturity of thirty days (Note 20).

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18. Related Party Transactions and Balances (Continued)

(b) Year-end balances with related parties are as follows (Continued):

(iv) Bank balances

	The Group		The Company	
	2005 **$'000**	**2004** **$'000**	**2005** **$'000**	**2004** **$'000**
National Commercial Bank Jamaica Limited	29,558	18,617	20,132	18,617

The bank balances with related parties include a foreign currency savings account which currently attracts interest at 2% (2004 – 2.5%) (Note 20).

19. Trade and Other Receivables

	The Group		The Company	
	2005 **$'000**	**2004** **$'000**	**2005** **$'000**	**2004** **$'000**
Trade receivables	59,792	76,104	25,414	37,651
Prepayments	10,135	7,009	7,432	5,956
Other receivables	14,737	37,675	13,194	23,806
	84,664	120,788	46,040	67,413

Trade and other receivables are shown net of provision for impairment of $934,000 (2004 - $915,000) for the Group and $688,000 (2004 - $790,000) for the Company.

20. Cash and Cash Equivalents

	Note	The Group 2005 $'000	The Group 2004 $'000	The Company 2005 $'000	The Company 2004 $'000
Repurchase agreements		363,154	153,756	163,478	153,756
Deposits		225,727	285,970	144,086	113,053
Short term investments		588,881	439,726	307,564	266,809
Less: Investments held in the Asset Replacement/Rehabilitation and Depreciation funds	23	(240,548)	(116,867)	(238,113)	(114,890)
Short term deposits included in cash and cash equivalents		348,333	322,859	69,451	151,919
Cash and bank		45,064	75,765	29,942	27,470
Bank overdraft		(4,295)	-	(4,295)	-
		389,102	398,624	95,098	179,389

The weighted average effective interest rate on short term investments was 15.0% per annum (2004 – 13.6%). These short term investments have an average maturity of 30 days.

Included in cash and bank are foreign currency saving accounts which currently attracts interest at 2% - 2.75% (2004 – 2.5%).

Certain short term investments and bank balances are maintained with related parties (Note 18).

The bank overdraft facility is unsecured and currently attracts interest at 19.5% per annum.

21. Share Capital and Share Premium

	Number of Stock Units '000	Ordinary Stock Units $'000	Share Premium $'000	Total $'000
At 31 December 2004	1,072,650	214,530	77,118	291,648
At 31 December 2005	1,072,650	214,530	77,118	291,648

The total authorised number of ordinary shares is 1,150,000,000 with a par value of $0.20 per share. All issued shares are fully paid.

22. Capital Reserves

Capital reserves comprise:

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Realised gain on sale of assets	30,188	30,188	5	5
Capital distributions received	3,612	3,612	3,612	3,612
Capitalisation of profits	130,325	130,325	-	-
Unrealised surplus on revaluation of property, plant and equipment	3,576,493	2,531,132	1,859,270	1,056,540
Capitalisation of Asset Replacement Reserve (Note 23 (i))	180,970	168,391	180,970	168,391
Capitalisation of Depreciation Reserve	66	66	10	10
Arising on consolidation	3,419	3,419	-	-
Deferred taxation	(760,409)	(558,956)	(384,820)	(198,577)
	3,164,664	2,308,177	1,659,047	1,029,981

23. Asset Replacement/Rehabilitation and Depreciation Reserves

The Port Authority of Jamaica authorised the creation of a special reserve to be provided through the tariff, for the replacement and/or rehabilitation of the wharf facilities. A total of $66,701,000 to be recovered from the tariff over a five-year period April 1998 to April 2003, was approved to meet the shortfall in the accumulated needs of the Asset Replacement/Rehabilitation Reserve (the Reserve Fund). A further annually recurring sum of $12,579,000 was also approved to meet the annual needs of the Reserve Fund.

The requirement for the Reserve Fund became effective in April 1998 with the introduction of the new tariff rate structure approved by the Port Authority of Jamaica.

The Port Authority of Jamaica also stipulated that the depreciation charge on the historical cost of property, plant and equipment be matched with amounts placed in a Depreciation Reserve.

The Authority requires that both the Asset Replacement/Rehabilitation and the Depreciation Reserves be represented by a Fund consisting of cash, deposits or highly liquid securities. The net interest arising on such Funds should be transferred to the Asset Replacement/ Rehabilitation and Depreciation Reserves, respectively (Note 20).

During 2001 the Port Authority of Jamaica approved the capitalisation of $158,967,000 from the Asset Replacement/Rehabilitation (ARR) Reserve for capital expenditure already incurred by the company and $453,000 from the Depreciation Fund in respect of assets retired during the year by the company and its subsidiary, Western Terminals Limited. The ARR Reserve Fund balance of $155,812,000 as at 31 December 2003 was fully utilised by this capitalisation. A final amount of $3,155,000 was capitalised during 2004 fully utilising the 2001 approved amounts.

23. Asset Replacement/Rehabilitation and Depreciation Reserves (Continued)

During 2004, the Port Authority of Jamaica approved the capitalisation of an additional $274,135,000 from the ARR Reserve Fund for capital expenditure already incurred by the company. At the end of 2004 the balance in the ARR Reserve Fund was fully utilised and an amount of $264,711,000 was available for set off against future amounts. A further approval was given by the Port Authority of Jamaica to offset this amount against the restricted funds under the Depreciation Reserve (Note 23(c)).

The balance of the reserves comprises:

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Asset Replacement/Rehabilitation Reserve	-	-	-	-
Depreciation Reserve	70,509	33,176	69,779	32,628
	70,509	33,176	69,779	32,628

The movement in each category of reserves was as follows:

(a) Asset Replacement/Rehabilitation Reserve

	The Group and The Company	
	2005 $'000	2004 $'000
At beginning of year	-	-
Transfers from profit and loss account during the year	12,579	12,579
Transfer to capital reserves - utilized for capital expansion	(12,579)	(12,579)
At end of year	-	-

(b) Depreciation Reserve

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
At beginning of year	33,176	7,551	32,628	7,217
Transfer from retained earnings (net interest)	37,333	33,951	37,151	33,737
	70,509	41,502	69,779	40,954
Transfer to the retained earnings account (interest recovered)	-	(8,326)	-	(8,326)
At end of year	70,509	33,176	69,779	32,628

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23. Asset Replacement/Rehabilitation and Depreciation Reserves (Continued)

(b) Depreciation Reserve (Continued)

During the prior year the Port Authority of Jamaica approved the company's application to apply net interest of $8,326,000 on the depreciation reserve against interest expense already incurred on borrowings to finance the capital rehabilitation programme. No such application was made in the current year.

The total historical depreciation reserve for the purposes of the Port Authority of Jamaica's requirements includes accumulated depreciation reflected under property, plant and equipment (Note 14) for the Group of $435,137,000 (2004 - $348,789,000) and for the Company $433,097,000 (2004 - $347,026,000).

(c) Value of Reserve Funds Represented by Cash and Short Term Investments

	The Group		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Depreciation reserve	70,509	33,176	69,779	32,627
Accumulated historical cost depreciation	435,137	348,789	433,097	347,026
Less: Approved disbursements	(387)	(387)	(52)	(52)
	505,259	381,578	502,824	379,601
Add: Capitalisation of Asset Replacement/Rehabilitation reserve	9,424	9,424	9,424	9,424
Less: Advance from Depreciation Fund approved by Port Authority of Jamaica	(274,135)	(274,135)	(274,135)	(274,135)
	240,548	116,867	238,113	114,890

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24. Long Term Loans

		The Group		The Company	
		2005	**2004**	**2005**	**2004**
		$'000	**$'000**	**$'000**	**$'000**
(a)	Port Authority of Jamaica	1,480	1,480	1,480	1,480
(b)	Port Authority of Jamaica	1,453	1,453	-	-
(c)	Harbour Cold Stores Limited	-	-	48,000	72,000
(d)	Western Terminals Limited			20,000	30,000
(e)	Bank of Nova Scotia Jamaica Limited	-	5,745	-	5,745
(f)	Bank of Nova Scotia Jamaica Limited	-	20,335	-	20,335
(g)	Development Bank of Jamaica/Bank of Nova Scotia Jamaica Limited	-	6,667	-	6,667
(h)	Development Bank of Jamaica/FirstCaribbean International Bank (Jamaica) Limited	4,071	6,857	4,071	6,857
(i)	Development Bank of Jamaica/Bank of Nova Scotia Jamaica Limited	41,771	61,049	41,771	61,049
(j)	Development Bank of Jamaica / FirstCaribbean International Bank (Jamaica) Limited	83,145	98,809	83,145	98,809
(k)	FirstCaribbean International Bank (Jamaica) Limited	51,896	62,723	51,896	62,723
(l)	FirstCaribbean International Bank (Jamaica) Limited	219,577	-	219,577	-
(m)	FirstCaribbean International Bank (Jamaica) Limited	143,924	-	143,924	-
(n)	FirstCaribbean International Bank (Jamaica) Limited	209,480	-	209,480	-
		756,797	265,118	823,344	365,665
	Less: Current portion	(106,579)	(73,160)	(140,579)	(107,161)
		650,218	191,958	682,765	258,504

(a) These loans, which are interest free and unsecured, were obtained to build the security wall and are repayable only if the wharf is sold.

(b) This comprises a loan from the Port Authority of Jamaica, which represents partial cost of construction of a security wall. This interest-free loan is repayable to the Port Authority of Jamaica only in the event of the asset being sold.

(c) This loan is unsecured and attracts interest at the prevailing market interest rate, currently 12.9%. The principal is repayable over a five-year period commencing January 2003.

(d) This loan is unsecured and attracts interest at the prevailing market rate, currently 12.9%. The principal is repayable over a five-year period commencing January 2003.

24. Long Term Loans (Continued)

(e) This represented a loan obtained under the Scotia Bank Jamaica Economic Growth Fund and was obtained for the company's capital expenditure program. This loan was unsecured and the interest rate was fixed at 8.5% per annum for the life of the loan. The principal was repayable in sixty equal consecutive monthly installments of $835,000, commencing August 2000. The loan was fully repaid during the year.

(f) This represented a demand loan granted for the company's capital expenditure program. This loan was unsecured and the interest rate was set at US six-month LIBOR plus at 5%. The principal was repayable in fourteen equal quarterly installments of US$47,000, commencing April 2003. The loan was fully repaid during the year.

(g) This represented a loan granted by the Development Bank of Jamaica through the Bank of Nova Scotia Jamaica Limited. This loan was unsecured and the interest was set at the Development Bank of Jamaica's lending rate plus 3% per annum. The principal was repayable in twenty-one equal consecutive quarterly installments of $1,667,000, commencing December 2000. The loan was fully repaid during the year.

(h) This represents a loan granted by the Development Bank of Jamaica through FirstCaribbean International Bank (Jamaica) Limited. This loan is unsecured and the interest is set at the Development Bank of Jamaica's lending rate plus 2.5% per annum. The principal is repayable in sixty-four consecutive quarterly installments of $214,000, commencing August 2001.

(i) This represents a demand loan granted by the Development Bank of Jamaica through the Bank of Nova Scotia Jamaica Limited for the company's capital expenditure program. This loan is unsecured and the interest rate is fixed at 12.5% per annum for the life of the loan. The principal is repayable in sixty equal monthly installments of $1,606,000, commencing February 2003.

(j) This represents a loan granted by the Development Bank of Jamaica through FirstCaribbean International Bank (Jamaica) Limited. This loan is unsecured and the interest is set at the Development Bank of Jamaica's lending rate plus 2.5% per annum. The principal is repayable in eighty-four consecutive monthly installments of $1,190,000, commencing December 2004.

(k) This represents a demand loan obtained for the company's capital expenditure program. This loan is unsecured and the interest rate is currently set at US six-month LIBOR plus 2.75%. The principal is repayable in twenty-eight equal quarterly payments of US$54,000, commencing October 2002.

(l) This represents a US$3.4 million drawdown on a $8 million dollar credit facility towards the company's capital expenditure program. The loan is unsecured and interest is computed based on US six-month LIBOR plus 2.75% per year, which is currently set at 7.349%. Interest will be computed on a 365-day year basis and is to be paid monthly on the amounts disbursed, until the loan has been totally disbursed, at which time the loan will be amortised over a period of seven (7) years and repaid over five (5) years by the way of 60 equal monthly. Principal payments of US$95,238.09 per month plus interest are to commence 30 days after date of final drawdown on the facility.

(m) This represents a US$2.4 million loan towards the company's capital expenditure program. The loan is unsecured and interest is computed based on US six-month LIBOR plus 2.75% per year. The loan is to be repaid by way of 84 equal monthly principal payments of US$28,571.43 plus interest commencing 30 days after the date of initial drawdown of the facility.

24. Long Term Loans (Continued)

(n) This represents a US$3.2 million drawdown on a US$3.5 million loan facility towards the company's capital expenditure program. The loan is unsecured and interest is computed based on US six-month LIBOR plus 2.75% per year. The loan is to be repaid by way of 84 equal monthly principal payments of US$48,611.11 plus interest commencing the next month following the loan disbursement.

25. Finance Lease Obligations

At 31 December 2005, the Group had outstanding obligations under finance leases as follows:

	2005 $'000	2004 $'000
Minimum lease payments under finance leases-		
Not later than 1 year	1,121	2,324
Later than 1 year and not later than 5 years	-	1,121
	1,121	3,445
Future finance charges	(84)	(483)
Present value of finance lease obligations	1,037	2,962
Less: Current portion	(1,037)	(1,924)
	-	1,038

The weighted average rate of interest on finance lease obligations at the year end was 21% (2004 – 24%).

26. Deferred Taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a tax rate of 33⅓% for the Group.

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Balance sheet (asset)/liability for:				
Deferred tax assets	482	-	-	-
Deferred tax liabilities	(867,300)	624,051	521,308	285,511
Net deferred tax liabilities	866,818	624,051	521,308	285,511

The make-up of the deferred income tax account is as follows:

	The Group		The Company	
	2005 $'000	2004 $'000	2005 $'000	2004 $'000
Deferred income tax assets	(27,780)	(18,523)	(26,165)	(19,167)
Deferred income tax liabilities	894,598	642,574	547,473	304,678
Net liabilities	866,818	624,051	521,308	285,511

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26. Deferred Taxation (Continued)

The movement in the net deferred tax assets and liabilities during the year is as follows:

	The Group		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Net liabilities at beginning of year	624,051	610,979	285,511	265,464
Charged to stockholders' equity on property, plant and equipment	201,453	-	186,243	-
Charged to profit and loss account (Note 9)	41,314	13,072	49,554	20,047
Net liabilities at end of year	866,818	624,051	521,308	285,511

Deferred income tax assets and liabilities are due to the following items:

	The Group		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Deferred income tax assets-				
Vacation leave accrual	2,312	-	1,373	-
Other payables	330	215	-	-
Employee benefit obligations	18,197	14,466	18,197	14,466
Unrealised foreign exchange losses	6,595	4,701	6,595	4,701
Finance lease obligations	346	(859)	-	-
	27,780	18,523	26,165	19,167
Deferred income tax liabilities-				
Property, plant and equipment	814,928	574,981	469,908	237,747
Interest receivable	2,981	1,340	876	678
Retirement benefit asset	76,689	66,253	76,689	66,253
	894,598	642,574	547,473	304,678

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26. Deferred Taxation (Continued)

The deferred tax charge in the profit and loss account comprises the following temporary differences:

	The Group		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Vacation leave accrual	(2,312)	-	(1,373)	-
Other payables	(115)	(16)	-	-
Employee benefit obligations	(3,731)	(2,428)	(3,731)	(2,428)
Unrealised foreign exchange losses	(1,894)	1,047	(1,894)	1,047
Finance lease obligations	(1,205)	2,769	-	-
Property, plant and equipment	38,494	7,202	45,918	16,861
Interest receivable	1,641	(2,581)	198	(2,512)
Retirement benefit asset	10,436	7,079	10,436	7,079
	41,314	13,072	49,554	20,047

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The offset amounts shown in the balance sheet include the following:

	The Group		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Deferred tax assets to be recovered -				
After more than 12 months	24,792	19,167	24,792	19,167
Within 12 months	2,988	(644)	1,373	-
	27,780	18,523	26,165	19,167
Deferred tax liabilities to be extinguished -				
After more than 12 months	891,617	641,234	546,597	304,000
Within 12 months	2,981	1,340	876	678
	894,598	642,574	547,473	304,678
	866,818	624,051	521,308	285,511

Deferred income tax liabilities have not been provided for on the withholding and other taxes that would be payable on the undistributed earnings of certain subsidiaries to the extent that such earnings are permanently reinvested. Such undistributed earnings totalled $116,900,000 at 31 December 2005 (2004 - $73,206,000).

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2005

(expressed in Jamaican dollars unless otherwise indicated)

27. Trade and Other Payables

	The Group		The Company	
	2005 $'000	**2004 $'000**	**2005 $'000**	**2004 $'000**
Trade payables	40,362	21,588	25,645	10,658
Other payables and accruals	149,044	156,133	143,853	137,631
	189,406	177,721	169,498	148,289

28. Litigation

The company and its subsidiaries are subject to various claims, disputes and legal proceedings, in the normal course of business. Provision is made for such matters when, in the opinion of management and its legal counsel, it is probable that a payment will be made by the Group, and the amount can be reasonably estimated.

In respect of claims asserted against the Group which have not been provided for, management is of the opinion that such claims are either without merit, can be successfully defended or will result in exposure to the Group which is immaterial to both financial position and results of operations. The Group is not currently involved in any significant litigation other than that noted below.

Legal action was brought against Kingston Wharves Limited by companies involved in stevedoring activities at Port Bustamante. The plaintiffs are seeking a declaration that the company's stated intention to take over all the stevedoring activities on Berths 1-9 is in breach of the Fair Competition Act and is therefore illegal. Although these are not monetary claims and if the plaintiffs succeed in obtaining a judgement against the company, it is not likely that the outcome will have a negative impact on the company's operations. As at balance sheet date judgement had not been decided.

29. Fair Value of Financial Instruments

In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at the balance sheet date. The estimated fair values have been determined using available market information and appropriate valuation methodologies. However, considerable judgement is necessarily required in interpreting market data to develop estimates of fair value.

(a) The fair values of the Group's financial instruments were estimated at the face value, less any estimated credit adjustments, for financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values. These financial assets and liabilities are cash and bank balances, trade receivables and payables, and bank overdraft.

(b) The carrying values of long term loans closely approximate amortised cost, which is estimated to be their fair value as they attract terms and conditions available in the market for similar transactions.