PRICEWATERHOUSECOOPERS

Kingston Wharves Limited

Financial Statements
31 December 2006

Kingston Wharves Limited
Index
31 December 2006

PRICEWATERHOUSECOOPERS

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Independent Auditors' Report

To the Members of
Kingston Wharves Limited

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Kingston Wharves Limited and its subsidiaries, and the accompanying financial statements of Kingston Wharves Limited standing alone set out on pages 1 to 51, which comprise the consolidated and company balance sheets as of 31 December 2006 and the consolidated and company profit and loss accounts, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the group and the company as of 31 December 2006, and of financial performance and cash flows of the group and the company for the year then ended, so far as concerns the members of the company, in accordance with International Financial Reporting Standards and the requirements of the Jamaican Companies Act.

Report on Other Legal and Regulatory Requirements

As required by the Jamaican Companies Act, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion, proper accounting records have been kept, so far as appears from our examination of those records, and the accompanying financial statements are in agreement therewith and give the information required by the Act, in the manner so required.

PricewaterhouseCoopers
Chartered Accountants

29 March 2007
Kingston, Jamaica

Kingston Wharves Limited

Group Profit and Loss Account

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Revenue		2,319,431	1,875,955
Cost of sales		(1,227,201)	(990,822)
Gross profit		1,092,230	885,133
Other operating income	8	68,625	70,422
Administration expenses		(555,766)	(451,733)
Operating Profit		605,089	503,822
Finance costs	9	(107,287)	(41,540)
Profit before Income Tax		497,802	462,282
Income tax expense	10	(76,291)	(144,071)
Net Profit		421,511	318,211
Attributable to:			
Equity holders of the company	11	415,923	314,981
Minority interest	12	5,588	3,230
		421,511	318,211
Earnings per stock unit for profit attributable to the equity holders of the company during the year	13	$0.39	$0.29

Kingston Wharves Limited

Group Balance Sheet

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	6,299,498	5,179,904
Long term receivable	17	54,848	68,076
Deferred income tax assets	27	376	482
Retirement benefit asset	18	268,719	230,067
		6,623,441	5,478,529
Current Assets			
Inventories		6,243	4,304
Related companies	19(b)	203,445	141,364
Trade and other receivables	20	139,446	84,664
Taxation recoverable		12,929	788
Short term investments	21	645,335	588,881
Cash and bank	21	31,802	45,064
		1,039,200	865,065
Total assets		7,662,641	6,343,594

Kingston Wharves Limited

Group Balance Sheet

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
EQUITY			
Stockholders' Equity			
(attributable to equity holders of the company)			
Share capital	22	291,648	291,648
Capital reserves	23	3,138,243	3,164,664
Asset replacement/rehabilitation and depreciation reserves	24	109,573	70,509
Retained earnings		1,157,478	879,010
		4,696,942	4,405,831
Minority Interest	12	22,608	17,020
		4,719,550	4,422,851
LIABILITIES			
Non-current Liabilities			
Borrowings	25	1,531,390	650,218
Deferred income tax liabilities	27	872,155	867,300
Retirement benefit obligations	18	65,548	54,592
		2,469,093	1,572,110
Current Liabilities			
Trade and other payables	28	343,862	189,406
Related companies	19(b)	6,675	6,222
Taxation		10,330	41,094
Borrowings	25	113,131	111,911
		473,998	348,633
Total equity and liabilities		7,662,641	6,343,594

Approved for issue by Board of Directors on 29 March 2007 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 2006

(expressed in Jamaican dollars unless otherwise indicated)

		Attributable to equity holders of the company					Minority Interest	Total Equity
	Note	Share Capital	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total		
		$'000	$'000	$'000	$'000		$'000	$'000
Balance at 1 January 2005		291,648	2,308,177	33,176	699,753	3,332,754	13,790	3,346,544
Surplus on revaluation of property, plant and equipment net of income taxes	15,27	-	843,908	-	-	843,908	-	843,908
Net profit for the year		-	-	-	314,981	314,981	3,230	318,211
Total recognised income for 2005		-	843,908	-	314,981	1,158,889	3,230	1,162,119
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	24	-	-	37,333	(37,333)	-	-	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	24	-	-	12,579	(12,579)	-	-	-
Transfer from asset replacement/ rehabilitation and depreciation reserves	24	-	12,579	(12,579)	-	-	-	-
Dividends paid	14	-	-	-	(85,812)	(85,812)	-	(85,812)
Balance at 31 December 2005		291,648	3,164,664	70,509	879,010	4,405,831	17,020	4,422,851
Adjustment to surplus on revaluation of property, plant and equipment net of income taxes	15	-	(39,000)	-	-	(39,000)	-	(39,000)
Net profit for the year		-	-	-	415,923	415,923	5,588	421,511
Total recognised income for 2006		-	(39,000)	-	415,923	376,923	5,588	382,511
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	24	-	-	39,064	(39,064)	-	-	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	24	-	-	12,579	(12,579)	-	-	-
Transfer from asset replacement/rehabilitation and depreciation reserves	24	-	12,579	(12,579)	-	-	-	-
Dividends paid	14	-	-	-	(85,812)	(85,812)	-	(85,812)
Balance at 31 December 2006		291,648	3,138,243	109,573	1,157,478	4,696,942	22,608	4,719,550

Kingston Wharves Limited

Group Statement of Cash Flows

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Cash Flows from Operating Activities			
Net profit		421,511	318,211
Adjustments for:			
Depreciation	15	161,848	132,679
Gain on sale of property, plant and equipment		(620)	(568)
Interest income	8	(67,545)	(70,422)
Interest expense	9	76,918	32,785
Taxation	10	76,291	144,071
		668,403	556,756
Changes in operating assets and liabilities:			
Inventories		(1,939)	(498)
Related companies		(61,628)	(44,908)
Receivables		(53,897)	41,047
Payables		150,031	11,685
Long term receivable		13,228	(63,034)
Asset replacement/rehabilitation and depreciation funds		240,548	(123,681)
Retirement benefit asset		(38,652)	(31,308)
Retirement benefit obligations		10,956	11,193
Cash provided by operations		927,050	357,252
Tax paid		(114,235)	(86,394)
Interest paid		(72,493)	(32,785)
Interest received		66,660	65,499
Net cash provided by operating activities		806,982	303,572
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	15	(1,320,687)	(718,468)
Proceeds from sale of property, plant and equipment		865	1,432
Net cash used in investing activities		(1,319,822)	(717,036)
Cash Flows from Financing Activities			
Dividends paid	14	(85,812)	(85,812)
Finance lease obligations		(1,037)	(1,925)
Long term loans received		1,184,343	655,232
Long term loans repaid		(298,104)	(163,553)
Net cash provided by financing activities		799,390	403,942
Net increase/(decrease) in cash and cash equivalents		286,550	(9,522)
Net cash and cash equivalents at beginning of year		389,102	398,624
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	21	675,652	389,102

Kingston Wharves Limited
Company Profit and Loss Account
Year ended 31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Revenue		1,763,451	1,421,556
Cost of sales		(934,052)	(741,717)
Gross profit		829,399	679,839
Other operating income	8	80,176	66,886
Administration expenses		(391,905)	(305,274)
Operating Profit		517,670	441,451
Finance costs	9	(137,119)	(53,606)
Profit before Income Tax		380,551	387,845
Income tax expense	10	(42,685)	(116,740)
Net Profit		337,866	271,105

Kingston Wharves Limited

Company Balance Sheet

31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	4,720,925	3,528,674
Investments in subsidiaries	16	75,731	75,731
Long term receivable	17	54,848	68,076
Retirement benefit asset	18	268,719	230,067
		5,120,223	3,902,548
Current Assets			
Related companies	19(b)	203,420	119,935
Trade and other receivables	20	96,656	46,041
Taxation recoverable		9,943	-
Short term investments	21	417,294	307,564
Cash and bank	21	13,541	29,942
		740,854	503,482
Total assets		5,861,077	4,406,030

Kingston Wharves Limited
Company Balance Sheet
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
EQUITY			
Stockholders' Equity			
Share capital	22	291,648	291,648
Capital reserves	23	1,671,626	1,659,047
Asset replacement/rehabilitation and depreciation reserves	24	108,650	69,779
Retained earnings		962,714	762,110
		3,034,638	2,782,584
LIABILITIES			
Non-current Liabilities			
Borrowings	25	1,723,437	682,765
Deferred tax liabilities	27	533,720	521,308
Retirement benefit obligations	18	65,548	54,592
		2,322,705	1,258,665
Current Liabilities			
Trade and other payables	28	293,792	169,498
Related companies	19(b)	63,639	17,581
Taxation		-	32,828
Borrowings	25	146,303	144,874
		503,734	364,781
Total equity and liabilities		5,861,077	4,406,030

Approved for issue by Board of Directors on 29 March 2007 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 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	Share Capital	Capital Reserves	Asset Replacement/ Rehabilitation and Depreciation Reserves	Retained Earnings	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 January 2005		291,648	1,029,981	32,628	626,547	1,980,804
Surplus on revaluation of property, plant and equipment net of income taxes	15,27	-	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	24	-	-	37,151	(37,151)	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	24	-	-	12,579	(12,579)	-
Transfer from asset replacement/ rehabilitation and depreciation reserves (Note 24 (i))		-	12,579	(12,579)	-	-
Dividends paid	14	-	-	-	(85,812)	(85,812)
Balance at 31 December 2005		291,648	1,659,047	69,779	762,110	2,782,584
Net profit for the year		-	-	-	337,866	337,866
Total recognised income for 2006		-	-	-	337,866	337,866
Transfer of net interest to asset replacement/rehabilitation and depreciation reserves	24	-	-	38,871	(38,871)	-
Transfer to asset replacement/ rehabilitation and depreciation reserves	24	-	-	12,579	(12,579)	-
Transfer from asset replacement/ rehabilitation and depreciation reserves	24	-	12,579	(12,579)	-	-
Dividends paid	14	-	-	-	(85,812)	(85,812)
Balance at 31 December 2006		291,648	1,671,626	108,650	962,714	3,034,638

Kingston Wharves Limited

Company Statement of Cash Flows

Year ended 31 December 2006

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2006 $'000	2005 $'000
Cash Flows from Operating Activities			
Net profit		337,866	271,105
Adjustments for:			
Depreciation	15	122,515	93,214
Gain on sale of property, plant and equipment		-	(74)
Interest income	8	(43,514)	(34,655)
Interest expense	9	106,834	43,953
Taxation	10	42,685	116,740
		566,386	490,283
Changes in operating assets and liabilities:			
Related companies		(91,678)	(16,130)
Trade and other receivables		(46,556)	21,964
Trade and other payables		119,869	21,209
Long term receivable		13,228	(63,034)
Asset replacement/rehabilitation and depreciation funds		238,113	(123,223)
Retirement benefit asset		(38,652)	(31,308)
Retirement benefit obligations		10,956	11,193
Cash provided by operations		771,666	310,954
Tax paid		(73,044)	(51,641)
Interest paid		(81,058)	(43,953)
Interest received		39,455	34,064
Net cash provided by operating activities		657,019	249,424
Cash Flows from Investing Activities			
Purchase of property, plant and equipment	15	(1,314,766)	(705,674)
Proceeds from sale of property, plant and equipment		-	92
Net cash used in investing activities		(1,314,766)	(705,582)
Cash Flows from Financing Activities			
Dividends paid	14	(85,812)	(85,812)
Long term loans received		1,377,843	655,232
Long term loans repaid		(332,104)	(197,553)
Net cash provided by financing activities		959,927	371,867
Net increase/(decrease) cash and cash equivalents		302,180	(84,291)
Net cash and cash equivalents at beginning of year		95,098	179,389
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	21	397,278	95,098

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2006
(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.

Interpretations and amendments to published standards effective in 2006

- IAS 19 (Amendment), Employee Benefits, is mandatory for the Group's accounting periods beginning on or after 1 January 2006. It 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 only impacts the format and extent of disclosures presented in the accounts.

- IFRIC 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). IFRIC 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group assessed the impact of IFRIC 10 and concluded that this interpretation does not have any impact on the Group's financial statements.

Kingston Wharves Limited

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Standards, amendments and interpretations effective in 2006 but not relevant
The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2006 but are not relevant to the Group's operations:

- IAS 21 (Amendment), Net Investment in a Foreign Operation;
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- IAS 39 (Amendment), The Fair Value Option;
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts;
- IFRS 1 (Amendment), First-time Adoption of International Financial Reporting Standards
- IFRS 6 Exploration for and Evaluation of Mineral Resources;
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment;

Standards that are not yet effective and have not been early adopted by the Group
The following standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods that the Group has not early adopted:

- IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective for annual periods beginning on or after 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that this standard does not have any impact on the classification and valuation of the Group's financial instruments. The Group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

- IFRS 8, Operating Segments (effective for annual periods beginning on or after 1 January 2009). IFRS 8 requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance.

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Interpretations to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2006 or later periods but are not relevant for the Group's operations:

- IFRIC 7, Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies (effective from 1 March 2006). IFRIC 7 provides guidance on how to apply requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional Currency, when the economy was not hyperinflationary in the prior period.

- IFRIC 8, Scope of IFRS 2 (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2.

- IFRIC 9, Reassessment of embedded derivatives (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required.

- IFRIC 11, Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 provides guidance on how to apply requirements of IFRS 2 in a reporting period in which an entity grants to its employees rights to equity instruments of the entity (eg share options) and where share-based payment arrangements are made that involve two or more entities within the same group.

- IFRIC 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements.

Kingston Wharves Limited
Notes to the Financial Statements
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. **Summary of Significant Accounting Policies (Continued)**

(b) **Consolidation**
Subsidiaries
Subsidiaries are all entities (including special purpose 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. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

Transactions and minority interests
The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the profit and loss account.

Kingston Wharves Limited

Notes to the Financial Statements
31 December 2006
(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(c) Property, plant and equipment

Land and buildings comprise mainly walls, piers, dredging facilities, roadways, warehouses 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 using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated 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.

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(d)).

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.

Kingston Wharves Limited
Notes to the Financial Statements
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2. Summary of Significant Accounting Policies (Continued)

(d) Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment 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 asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that suffer impairment are reviewed for possible reversal of the impairment at each balance sheet date.

(e) 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. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities.

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.

(f) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in 'Jamaican dollars', which is the company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

(g) Investments in subsidiaries

Investments by the company in subsidiaries are stated at cost.

Kingston Wharves Limited
Notes to the Financial Statements
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2. Summary of Significant Accounting Policies (Continued)

(h) 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.

(i) Employee benefits
Pension obligations
The Group participates in a defined benefit plan, the assets 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.

Other post-employment obligations
The Group provides post-retirement healthcare benefits to their retirees. 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.

2. Summary of Significant Accounting Policies (Continued)

(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 recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. 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 the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within selling and marketing costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against selling and marketing costs in the income statement.

(l) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest menthod.

(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.

2. Summary of Significant Accounting Policies (Continued)

(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 includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(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) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

(s) 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.

2. Summary of Significant Accounting Policies (Continued)

(t) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(u) 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. Loans and receivables are classified as long term receivables and trade and other receivables in 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, 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 overdrafts, trade and other payables, related companies' balances and long term loans on the balance sheet.

(v) 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 2006 includes aggregate net foreign liabilities of approximately US$21,574,000 (2005 - US$7,711,000) 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 limited concentrations of credit risk. The Group places its cash and cash equivalents with high quality financial institutions and has policies that limit the amount of credit exposure to any financial institution. The Group's customer base comprises a number of shipping lines represented by their local agents and numerous other customers in a variety of business sectors. The Group has policies in place to ensure that sales of services are made to customers with an appropriate credit history.

(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.

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 2006, the Group has interest-bearing assets as disclosed in Note 21 and interest-bearing liabilities as disclosed in Notes 21 and 26.

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 2006 were 10% higher than management's estimates, the depreciation charge would decrease by $11,961,000.

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 $3,987,000 and increase the deferred tax liability by $3,987,000.

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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 $6,909,000 higher or $6,908,000 lower. The post employment obligations would also differ. Were the actual health care trend rates to differ from estimates applied in valuation of the benefits, the consolidated net profit would be an estimated $2,009,000 lower or $1,547,000 higher (Note 18).

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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.

	Terminal Operations	Cold Storage Operations	Security Operations	Other	Eliminations	Group
Year ended 31 December 2006	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
External operating revenue	1,762,042	282,114	275,275	-	-	2,319,431
Operating revenue from segments	1,409	3,057	20,725	2,836	(28,027)	-
Total revenue	1,763,451	285,171	296,000	2,836	(28,027)	2,319,431
Gross profit	829,399	171,074	95,158	2,461	(5,862)	1,092,230
Other operating income	80,176	39,513	4,106	11,447	(66,617)	68,625
Operating expenses	(391,905)	(93,090)	(74,449)	(37,950)	41,628	(555,766)
Operating profit	517,670	117,497	24,815	(24,042)	(30,851)	605,089
Finance costs						(107,287)
Profit before income tax						497,802
Income tax expense						(76,291)
Profit before minority interest						421,511
Minority interest						(5,588)
Net profit attributable to equity holders of the company						415,923
Segment assets	5,582,415	677,907	110,321	1,420,003	(410,029)	7,380,617
Unallocated assets						282,024
Total assets						7,662,641
Segment liabilities	2,227,171	45,479	39,665	20,742	(337,999)	1,995,058
Unallocated liabilities						948,033
Total liabilities						2,943,091
Other segment items:						
Capital expenditure (Note 15)	1,314,766	3,006	2,915	-	-	1,320,687
Depreciation (Note 15)	122,515	12,609	1,849	24,875	-	161,848

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5. Segment Financial Information (Continued)

	Terminal Operations	Cold Storage Operations	Security Operations	Other	Eliminations	Group
Year ended 31 December 2005	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'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 15)	705,674	8,867	3,927	-	-	718,468
Depreciation charge (Note 15)	93,214	12,313	2,277	24,875	-	132,679

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6. Expenses by Nature

Total direct, administration and other operating expenses:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Advertising and public relations	29,700	27,576	29,074	27,447
Auditors' remuneration	3,770	3,182	2,600	2,173
Depreciation (Note 15)	161,848	132,679	122,515	93,214
Insurance	119,236	85,763	99,448	71,237
Legal and consultation expenses	29,151	36,578	28,987	35,097
Repairs and maintenance	164,205	130,593	144,250	102,959
Security	139,829	116,688	16,518	14,425
Staff costs (Note 7)	638,827	525,792	492,639	394,119
Utilities	161,151	106,689	105,270	62,642
Working ships' equipment	78,645	83,970	78,645	83,970
Other	256,605	193,045	206,011	159,708
	1,782,967	1,442,555	1,325,957	1,046,991

7. Staff Costs

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Wages and salaries	518,250	417,009	408,561	319,055
Payroll taxes – employer's contributions	49,725	43,751	37,760	32,628
Pension costs – defined benefit plan (Note 18)	(14,167)	(10,070)	(14,167)	(10,070)
Other post-employment benefits (Note 18)	14,623	17,504	14,623	17,504
Other	70,396	57,598	45,862	35,002
	638,827	525,792	492,639	394,119

The average number of persons employed during the year:

	The Group		The Company	
	2006 No.	2005 No.	2006 No.	2005 No.
Full time	186	190	141	131
Part time	260	276	151	198
	446	466	292	329

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8. Other Operating Income

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Interest income	67,545	70,422	43,514	34,655
Management fees	-	-	36,662	32,231
Other	1,080	-	-	-
	68,625	70,422	80,176	66,886

9. Finance Costs

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Interest expense -				
Loans	76,918	32,785	106,834	43,953
Finance leases	84	399	-	-
Foreign exchange losses, net	30,285	8,356	30,285	9,653
	107,287	41,540	137,119	53,606

10. Income Tax Expense

Comprising income tax at 33⅓%:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Current tax	73,429	102,360	30,272	67,186
Prior year (over)/under provision	(2,099)	397	1	-
Deferred income tax (Note 27)	4,961	41,314	12,412	49,554
	76,291	144,071	42,685	116,740

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

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Profit before tax	497,802	462,282	380,551	387,845
Tax calculated at a tax rate of 33⅓%	165,934	154,094	126,850	129,282
Adjusted for the effect of:				
Expenses not deductible for tax purposes	6,914	-	6,881	-
Special tax allowances	(78,069)	(12,511)	(78,069)	(12,113)
Prior year (over)/under provision	(2,099)	397	1	-
Other	(16,389)	2,091	(12,978)	(429)
Income tax expense	76,291	144,071	42,685	116,740

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11. Profit Attributable to Stockholders

	2006 $'000	2005 $'000
(a) Net profit is dealt with as follows in the financial statements of:		
Holding company	337,866	271,105
Subsidiaries	78,057	43,876
	415,923	314,981
(b) Retained earnings are dealt with as follows in the financial statements of:		
Holding company	962,714	762,110
Subsidiaries	194,764	116,900
	1,157,478	879,010

12. 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:

	2006 $'000	2005 $'000
At beginning of year	17,020	13,790
Share of net profit of subsidiary	5,588	3,230
	22,608	17,020

13. 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.

	2006	2005
Net profit attributable to stockholders ($'000)	415,923	314,981
Weighted average number of ordinary stock units in issue (thousands)	1,072,650	1,072,650
Basic earnings per stock unit	$0.39	$0.29

14. Dividends

Dividends were paid as follows:

(a) On 29 May 2006, the company paid a dividend of 5 cents per stock unit to registered stockholders on record as at 16 May 2006.

(b) On 29 December 2006, the company paid a dividend of 3 cents per stock unit to registered stockholders on record as at 22 December 2006.

	2006 $'000	2005 $'000
Ordinary dividends, gross - 8 cents (2005 – 8 cents)	85,812	85,812

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15. 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
				2006			
Cost or Valuation -							
At 1 January 2006	1,458,169	3,037,886	972,768	262,451	212,593	42,920	5,986,787
Additions	112,139	883,856	260,288	-	29,608	34,796	1,320,687
Transfer	-	-	1,053	-	-	(1,053)	-
Disposals	-	-	(1,385)	-	(529)	(1,912)	(3,826)
Adjustment to revaluation surplus	(39,000)	-	-	-	-	-	(39,000)
At 31 December 2006	1,531,308	3,921,742	1,232,724	262,451	241,672	74,751	7,264,648
Depreciation -							
At 1 January 2006	-	362,482	144,760	165,845	116,344	17,452	806,883
Charge for the year	-	84,146	44,361	9,041	18,450	5,850	161,848
Transfer	-	-	687	-	-	(687)	-
Relieved on disposal	-	-	(1,243)	-	(461)	(1,877)	(3,581)
At 31 December 2006	-	446,628	188,565	174,886	134,333	20,738	965,150
Net Book Value -							
At 31 December 2006	1,531,308	3,475,114	1,044,159	87,565	107,339	54,013	6,299,498
				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

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15. Property, Plant and Equipment (Continued)

	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
			2006				
Cost or Valuation -							
At 1 January 2006	921,169	1,838,186	962,647	18,682	204,174	34,959	3,979,817
Additions	112,139	883,856	256,790	-	28,035	33,946	1,314,766
At 31 December 2006	1,033,308	2,722,042	1,219,437	18,682	232,209	68,905	5,294,583
Depreciation -							
At 1 January 2006	-	189,521	138,704	82	112,051	10,785	451,143
Charge for the year	-	55,684	42,617	1,240	17,587	5,387	122,515
At 31 December 2006	-	245,205	181,321	1,322	129,638	16,172	573,658
Net Book Value -							
At 31 December 2006	1,033,308	2,476,837	1,038,116	17,360	102,571	52,733	4,720,925
			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	-	-	867,265
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

15. 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 23).

(b) 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 1.

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

	2006 $'000	2005 $'000
Cost	1,040,119	927,980
Accumulated depreciation	(191,092)	(167,892)
Net book value	849,027	760,088

16. Investments in Subsidiaries

Investments in subsidiaries are comprised as follows:

	2006 $'000	2005 $'000
Harbour Cold Stores Limited	13,335	13,335
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
	75,731	75,731

17. 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 $23,467,000 (2005 - $20,811,000) was allocated to the reserve during the year.

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17. Long Term Receivable (Continued)

	2006 $'000	2005 $'000
Balance at 1 January	68,076	5,042
Additional severance payments	-	81,345
Deposit on security system upgrade	10,239	2,500
16% of wharfage collections for year	(23,467)	(20,811)
Balance at 31 December	54,848	68,076
This comprises:		
Security system upgrade	12,739	2,500
Severance payments	42,109	65,576
	54,848	68,076

The balance at 31 December represents the excess of amounts that are to be reimbursed against future wharfage collections.

18. Retirement Benefit Asset and Obligations

	2006 $'000	2005 $'000
Balance sheet (asset)/obligations for:		
Pension benefits	(268,719)	(230,067)
Other post-employment benefits	65,548	54,592
Profit and loss account for (Note 7):		
Pension benefits	(14,167)	(10,070)
Other post-employment benefits	14,623	17,504
	456	7,434

(a) Pension benefits

The Group 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 Group'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 2006. Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation being as at 31 December 2004 revealed that the scheme was adequately funded as at that date.

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18. Retirement Benefit Asset and Obligations (Continued)

(a) Pension benefits (Continued)

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

	2006 $'000	2005 $'000
Fair value of plan assets	(852,877)	(676,227)
Present value of funded obligations	472,473	357,042
	(380,404)	(319,185)
Unrecognised actuarial gains	111,685	89,118
Asset in the balance sheet	(268,719)	(230,067)

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

	2006 $'000	2005 $'000
At beginning of year	(230,067)	(198,759)
Amounts recognised in the profit and loss account (Note 7)	(14,167)	(10,070)
Contributions paid	(24,485)	(21,238)
At end of year	(268,719)	(230,067)

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

	2006 $'000	2005 $'000
Current service cost	16,018	14,146
Interest cost	43,681	45,381
Expected return on plan assets	(72,539)	(67,690)
Net actuarial gain recognised in year	(1,327)	(1,907)
Included in staff costs (Note 7)	(14,167)	(10,070)

Of the total charge, $11,889,000 (2005 - $11,752,000) and a credit balance of $26,056,000 (2005 – credit balance of $21,822,000) were included in the cost of goods sold and administration expenses, respectively.

The actual return on plan assets was $147,414,000 (2005 – $55,621,000).

Expected contributions to post-employment benefit plans for the year ending 31 December 2007 are $26,444,000.

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18. Retirement Benefit Asset and Obligations (Continued)

(a) Pension Benefits (Continued)

The movement in the fair value of the plan assets of the year is as follows:

	2006 $'000	2005 $'000
At beginning of year	(676,227)	(637,921)
Expected return on plan assets	(72,539)	(67,690)
Actuarial (gains)/losses	(74,875)	42,884
Contributions - total	(44,432)	(38,442)
Benefits paid	15,196	24,942
At end of year	(852,877)	(676,227)

The movement in the present value of the funded obligations is as follows:

	2006 $'000	2005 $'000
At beginning of year	357,042	344,172
Interest cost	43,681	45,381
Current service cost	35,964	31,350
Benefits paid	(15,196)	(24,942)
Actuarial losses/(gains) on obligations	50,982	(38,919)
At end of year	472,473	357,042

The principal actuarial assumptions used were as follows:

	2006	2005
Discount rate	12.0%	12.5%
Expected return on plan assets	10.0%	10.5%
Future salary increases	9.0%	9.5%
Future pension increases	4.0%	4.5%

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18. Retirement Benefit Asset and Obligations (Continued)

(a) Pension Benefits (Continued)

Plan assets are comprised as follows:

	2006		2005	
	$'000	%	$'000	%
Quoted equities	240,452	28.2	137,756	20.4
Real estate	20,818	2.5	20,818	3.1
Government of Jamaica securities	317,491	37.2	309,157	45.7
Repurchase agreements	149,337	17.5	148,876	22.0
Leases	18,150	2.1	-	-
Other	106,629	12.5	59,620	8.8
	852,877	100.0	676,227	100.0

The pension plan assets include the company's ordinary stock units with a fair value of $78,000,000 (2005 – $58,000,000).

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the balance sheet date. Expected returns on equity and property investments reflect long-term real rates of return experienced in the respective markets.

	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000
As at 31 December					
Fair value of plan assets	(852,877)	(676,227)	(637,921)	(465,911)	(363,043)
Present value of defined benefit obligations	472,473	357,042	344,172	247,060	182,407
Surplus	(380,404)	(319,185)	(293,749)	(218,851)	(180,636)
Experience adjustments on plan assets	74,875	(42,884)	101,986	41,160	35,609
Experience adjustments on plan liabilities	47,877	(38,919)	(5,000)	11,496	21,743

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18. Retirement Benefit Asset and Obligations (Continued)

(a) Pension Benefits (Continued)

The average expected remaining working lives of the employees is 16.2 years (2005 – 16.4 years).

The in-service rates (number of occurrences per 1000 members) are as follows:

	Withdrawals from service		Ill-health retirements	
Age	**Males**	**Females**	**Males**	**Females**
25	50	147	-	-
30	35	99	0.2	0.2
35	20	45	0.3	0.4
40	10	17	0.5	0.8
45	-	7	1.2	1.8
50	-	-	2.8	3.6
55	-	-	5.8	10.0
60	-	-	-	-

18. Retirement Benefit Asset and Obligations (Continued)

(b) Other post-employment benefits

The Group operates an insured health plan and an insured group life plan. The members and liabilities of a self insured health plan operated by the company were transferred to the insured group health plan effective 1 January 2006. 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 11% per year (2005 - 10.5%) for the insured group health plan. The insured group life plan assumes a salary rate increase of 9% per year (2005 – 9.5%).

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

	2006 $'000	2005 $'000
Present value of unfunded obligations	97,363	77,574
Unrecognised actuarial losses	(31,815)	(22,982)
Liability in the balance sheet	65,548	54,592

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

	2006 $'000	2005 $'000
At beginning of year	54,592	43,399
Amounts recognised in the profit and loss account (Note 7)	14,623	17,504
Contributions paid	(3,667)	(6,311)
	65,548	54,592

The movement in the present value of the unfunded obligations is as follows:

	2006 $'000	2005 $'000
Present value at start of year	77,574	52,202
Interest cost	9,468	6,401
Current service cost	4,215	2,156
Benefits paid	(3,667)	(6,311)
Actuarial losses on obligations	9,773	23,126
Present value at end of year	97,363	77,574

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18. Retirement Benefit Asset and Obligations (Continued)

(b) Other post-employment benefits (continued)

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

	2006 $'000	2005 $'000
Current service cost	4,215	2,156
Interest cost	9,468	6,400
Net actuarial losses recognised	940	8,948
Included in staff costs (Note 7)	14,623	17,504

Of the total charge, $14,623,000 (2005 - $17,504,000) were included in administration expenses.

The effects of a 1% movement in the assumed medical cost trend were as follows:

	Increase $'000	Decrease $'000
Effect on the aggregate of the current service cost and interest cost	2,009	1,547
Effect on the defined benefit obligation	14,533	11,367

The five-year trend for the defined benefit obligation and the experience adjustments is as follows:

	2006 $'000	2005 $'000	2004 $'000	2003 $'000	2002 $'000
As at 31 December					
Present value of unfunded obligations	97,363	77,574	52,204	43,636	35,204
Experience adjustments	14,977	17,107	15,866	7,990	1,994

19. Related Party Transactions

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

(i) Revenue earned from sale of services

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Fellow subsidiaries	-	-	38,071	33,484
Companies controlled by directors/members and related by virtue of common directorship	1,110,961	712,325	853,028	689,745
	1,110,961	712,325	891,099	723,229

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

(ii) Interest income earned

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Companies controlled by directors/members and related by virtue of common directorship	13,671	13,508	6,787	2,487

(iii) Purchases of goods and services

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Fellow subsidiaries	-	-	24,282	29,027
Companies controlled by directors/members and related by virtue of common directorship	7,944	22,155	7,944	18,443
	7,944	22,155	32,226	47,470

Services are bought from related parties on the basis of the prices prevailing in the market.

(iv) Interest paid

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Fellow subsidiaries	-	-	29,955	12,011

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19. Related Party Transactions and Balances (Continued)

(a) Transactions with related companies (Continued)

(v) Key management compensation

	The Group		The Company	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Salaries and other short-term employee	50,471	44,774	38,577	33,140
Payroll taxes – employer's contributions	4,618	4,296	3,484	3,251
Pension benefits	4,610	4,154	3,501	3,016
Other	3,172	3,824	2,613	2,467
	62,871	57,048	48,175	41,874
Directors' emoluments –				
Fees	3,020	5,397	7,140	5,397
Management remuneration (included above)	18,127	16,766	18,127	16,727

(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	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Fellow subsidiaries	-	-	49,339	3,784
Companies controlled by directors/members and related by virtue of common directorship	203,445	141,364	154,081	116,151
	203,445	141,364	203,420	119,935

(ii) Due to related companies:

	The Group		The Company	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Fellow subsidiaries	-	-	56,964	11,359
Companies controlled by directors/members and related by virtue of common directorship	6,675	6,222	6,675	6,222
	6,675	6,222	63,639	17,581

Included in the amount due to fellow subsidiaries is $32,900,000 representing funds being held on deposit for a subsidiary (Note 21).

19. Related Party Transactions and Balances (Continued)

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

(iii) Short term investments

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Companies controlled by directors/members and related by virtue of common directorship	169,979	141,803	77,685	42,280

These investments currently attract interest at rates between 6.0% and 12.3% per annum (2005 – 7.0% and 12.5%) and have an average maturity of thirty days (Note 21).

(iv) Bank balances

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Companies controlled by directors/members and related by virtue of common directorship	28,443	29,558	21,828	20,132

The bank balances with related parties include a foreign currency savings account which currently attracts interest at 2% (2005 – 2%) (Note 21).

20. Trade and Other Receivables

	The Group		The Company	
	2006	2005	2006	2005
	$'000	$'000	$'000	$'000
Trade receivables	74,041	59,792	48,471	25,414
Prepayments	8,329	10,135	6,198	7,432
Other receivables	57,076	14,737	41,987	13,195
	139,446	84,664	96,656	46,041

Trade and other receivables are shown net of provision for impairment of $1,056,000 (2005 - $688,000) for the Group and $548,000 (2005 - $548,000) for the company.

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21. Cash and Cash Equivalents

		The Group		The Company	
	Note	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Short term investments		645,335	588,881	417,294	307,564
Less: Investments held in the Asset Replacement/Rehabilitation and Depreciation funds	24	-	(240,548)	-	(238,113)
Less: Investments held for subsidiary	19	-	-	(32,900)	-
Short term deposits included in cash and cash equivalents		645,335	348,333	384,394	69,451
Cash and bank		31,802	45,064	13,541	29,942
Bank overdrafts	25	(1,485)	(4,295)	(657)	(4,295)
		675,652	389,102	397,278	95,098

The weighted average effective interest rate on short term investments was 12% per annum (2005 – 15.0%). 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% (2005 – 2 - 2.75%).

Certain short term investments and bank balances are maintained with related parties (Note 19).

One of the bank overdraft is unsecured and currently attracts interest at 19% per annum. The other overdraft results from unpresented cheques.

22. Share Capital

	Number of Stock Units '000	Ordinary Stock Units $'000	Total $'000
At 31 December 2005	1,072,650	291,648	291,648
At 31 December 2006	1,072,650	291,648	291,648

The total authorised number of ordinary shares is 1,150,000,000 units. All issued shares are fully paid.

Under the Companies Act 2004, which became effective 1 February 2005, the issued shares of the company are deemed to have been converted to shares without nominal or par value pursuant to Section 37(2) of the Act. The amount of $77,118,000, previously classified as share premium, is now included in the total shown for share capital.

The no par shares in issue and share premium comprise the stated capital of the company.

23. Capital Reserves

Capital reserves comprise:

	The Group		The Company	
	2006	**2005**	**2006**	**2005**
	$'000	**$'000**	**$'000**	**$'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	3,537,493	3,576,493	1,859,270	1,859,270
Capitalisation of Asset Replacement Reserve (Note 24 (a))	193,549	180,970	193,549	180,970
Capitalisation of Depreciation Reserve	66	66	10	10
Arising on consolidation	3,419	3,419	-	-
Deferred taxation	(760,409)	(760,409)	(384,820)	(384,820)
	3,138,243	3,164,664	1,671,626	1,659,047

24. 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 (Note 21). The net interest arising on such Funds should be transferred to the Asset Replacement/ Rehabilitation and Depreciation Reserves, respectively.

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.

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24. 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 24(c)).

The balance of the reserves comprises:

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Asset Replacement/Rehabilitation Reserve	-	-	-	-
Depreciation Reserve	109,573	70,509	108,650	69,779
	109,573	70,509	108,650	69,779

The movement in each category of reserves was as follows:

(a) Asset Replacement/Rehabilitation Reserve

	2006 $'000	2005 $'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 (Note 23)	(12,579)	(12,579)
At end of year	-	-

(b) Depreciation Reserve

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
At beginning of year	70,509	33,176	69,779	32,628
Transfer from retained earnings (net interest)	39,064	37,333	38,871	37,151
At end of year	109,573	70,509	108,650	69,779

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

(b) Depreciation Reserve (Continued)

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 15) for the Group of $535,557,000 (2005 - $435,137,000) and for the Company $533,240,000 (2005 - $433,097,000).

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

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Depreciation reserve	109,573	70,509	108,650	69,779
Accumulated historical cost depreciation	535,557	435,137	533,240	433,097
Less: Approved disbursements	(387)	(387)	(52)	(52)
	644,743	505,259	641,838	502,824
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)
Less: Portion of advance from Depreciation Fund approved by Port Authority of Jamaica	(380,032)	-	(377,127)	-
	-	240,548	-	238,113

During the year, the Port Authority of Jamaica approved the payment of US$26.6 million from the Asset Replacement Rehabilitation Funds representing full recovery of the costs associated with the berths 8 and 9 expansion programme.

25. Borrowings

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Non-current				
Long term loans (Note 26)	1,531,390	650,218	1,723,437	682,765
Current				
Bank overdrafts (Note 21)	1,485	4,295	657	4,295
Current portion of long term loans (Note 26)	111,646	106,579	145,646	140,579
Current portion of finance leases	-	1,037	-	-
	113,131	111,911	146,303	144,874
	1,644,521	762,129	1,869,740	827,639

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26. Long Term Loans

		The Group		The Company	
		2006 $'000	2005 $'000	2006 $'000	2005 $'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	-	-	24,000	48,000
(d)	Harbour Cold Stores Limited	-	-	193,500	-
(e)	Western Terminals Limited	-	-	10,000	20,000
(f)	Development Bank of Jamaica/Bank of Nova Scotia Jamaica Limited	22,492	41,771	22,492	41,771
(g)	Development Bank of Jamaica/FirstCaribbean International Bank (Jamaica) Limited	1,500	4,071	1,500	4,071
(h)	Development Bank of Jamaica /FirstCaribbean International Bank (Jamaica) Limited	68,511	83,145	68,511	83,145
(i)	FirstCaribbean International Bank (Jamaica) Limited	38,765	51,896	38,765	51,896
(j)	FirstCaribbean International Bank (Jamaica) Limited	671,487	219,577	671,487	219,577
(k)	FirstCaribbean International Bank (Jamaica) Limited	126,511	143,924	126,511	143,924
(l)	FirstCaribbean International Bank (Jamaica) Limited	197,930	209,480	197,930	209,480
(m)	FirstCaribbean International Bank (Jamaica) Limited	396,967	-	396,967	-
(n)	FirstCaribbean International Bank (Jamaica) Limited	115,940	-	115,940	-
		1,643,036	756,797	1,869,083	823,344
	Less: Current portion (Note 25)	(111,646)	(106,579)	(145,646)	(140,579)
		1,531,390	650,218	1,723,437	682,765

(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 represents a $194 million draw down on a $200 million loan facility. The loan is unsecured and attracts interest at the prevailing market interest rate, currently 13%. The principal is repayable over a seven-year period with a one year moratorium on principal repayment.

26. Long Term Loans (Continued)

(e) 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.

(f) 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.

(g) 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 seventy consecutive monthly installments of $214,000, commencing August 2001.

(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 eighty-two consecutive monthly installments of $1,220,000, commencing December 2004.

(i) 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.

(j) This represents a 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. Interest is computed on a 365-day year basis and is 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 sixty equal monthly instalments. Principal payments of US$95,000 per month, plus interest are to commence thirty days after date of final drawdown on the facility.

(k) 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 eighty-four equal monthly principal payments of US$29,000, plus interest commencing June 2005.

(l) This represents 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 seventy-two equal monthly principal payments of US$49,000 plus interest commencing February 2006.

(m) This represents a US$1.7 million draw down on a US$26.6 million dollar credit facility towards the company's capital expansion program. Interest is computed based on US six-month LIBOR plus 2.75%. The loan will be disbursed by various tranches during the grace period of eighteen months. At the end of grace period the loan principal will be repaid by sixty-six payments of US$211,000. The facility is secured by a registered First Demand Debenture for US$26.6 million providing a fixed and floating charge over the fixed and floating assets of the company.

(n) This represents an interim facility established of US$6 million to facilitate company's capital expenditure program which will be repaid out of the proceeds of the US$26.6 million loan when it is finalised (see note 26(m) above). The loan is unsecured an interest is computed based on a US dollar six month LIBOR plus 2.75%.

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27. 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	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Balance sheet (assets)/liabilities for:				
Deferred income tax assets	(376)	(482)	-	-
Deferred income tax liabilities	872,155	867,300	533,720	521,308
Net deferred income tax liabilities	871,779	866,818	533,720	521,308

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

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred income tax assets	(53,898)	(27,780)	(48,308)	(26,165)
Deferred income tax liabilities	925,677	894,598	582,028	547,473
Net deferred income tax liabilities	871,779	866,818	533,720	521,308

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

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Net liabilities at beginning of year	866,818	624,051	521,308	285,511
Charged to stockholders' equity on property, plant and equipment	-	201,453	-	186,243
Charged to profit and loss account (Note 10)	4,961	41,314	12,412	49,554
Net liabilities at end of year	871,779	866,818	533,720	521,308

27. Deferred Taxation (Continued)

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

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Deferred income tax assets-				
Vacation leave accrual	2,370	2,312	1,300	1,373
Other payables	414	330	-	-
Employee benefit obligations	21,849	18,197	21,849	18,197
Unrealised foreign exchange losses	16,667	6,595	16,667	6,595
Tax losses	4,106	-	-	-
Finance lease obligations	-	346	-	-
Interest payable	8,492	-	8,492	-
	53,898	27,780	48,308	26,165
Deferred income tax liabilities-				
Property, plant and equipment	826,658	814,928	490,226	469,908
Interest receivable	9,446	2,981	2,229	876
Retirement benefit asset	89,573	76,689	89,573	76,689
	925,677	894,598	582,028	547,473

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

	The Group		The Company	
	2006 $'000	2005 $'000	2006 $'000	2005 $'000
Vacation leave accrual	(58)	(2,312)	73	(1,373)
Other payables	(84)	(115)	-	-
Employee benefit obligations	(3,652)	(3,731)	(3,652)	(3,731)
Unrealised foreign exchange losses	(10,072)	(1,894)	(10,072)	(1,894)
Tax losses	(4,106)	-	-	-
Finance lease obligations	346	(1,205)	-	-
Interest payable	(8,492)	-	(8,492)	-
Property, plant and equipment	11,730	38,494	20,318	45,918
Interest receivable	6,465	1,641	1,353	198
Retirement benefit asset	12,884	10,436	12,884	10,436
	4,961	41,314	12,412	49,554

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27. Deferred Taxation (Continued)

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	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Deferred income tax assets to be recovered -				
After more than 12 months	42,622	24,792	38,516	24,792
Within 12 months	11,276	2,988	9,792	1,373
	53,898	27,780	48,308	26,165
Deferred income tax liabilities to be extinguished -				
After more than 12 months	916,231	891,617	579,799	546,597
Within 12 months	9,446	2,981	2,229	876
	925,677	894,598	582,028	547,473
	871,779	866,818	533,720	521,308

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 $194,764,000 at 31 December 2006 (2005 - $116,900,000) (Note 11).

28. Trade and Other Payables

	The Group		The Company	
	2006 $'000	**2005 $'000**	**2006 $'000**	**2005 $'000**
Trade payables	50,885	40,362	17,378	25,645
Accruals for renovation of berths 8 and 9	88,072	-	88,072	-
Other payables and accruals	204,905	149,044	188,342	143,853
	343,862	189,406	293,792	169,498

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29. Capital Commitments

At the 31 December 2006, the outstanding capital commitments for the Group relate to the berths 8 and 9 redevelopment project. The total estimated cost of the project is US$26.6 million and as at 31 December 2006 the outstanding commitment is approximately US$11 million.

30. 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. 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.

31. 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, related companies balances and bank overdrafts.

(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.