PRICEWATERHOUSECOOPERS

# Kingston Wharves Limited

**Financial Statements**
**31 December 2010**

# Kingston Wharves Limited
Index
**31 December 2010**

PRICEWATERHOUSECOOPERS

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# Independent Auditor's 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, ('the group') and the accompanying financial statements of Kingston Wharves Limited standing alone set out on pages 1 to 63, which comprise the consolidated and company balance sheets as of 31 December 2010 and the consolidated and company statement of comprehensive income, statements of changes in equity and cash flows 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.

### *Auditor's 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.

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### *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 2010, and of the 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

4 April 2011
Kingston, Jamaica

# Kingston Wharves Limited

## Group Statement of Comprehensive Income

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **Revenue** | | 3,025,883 | 2,570,325 |
| Cost of sales | | (1,592,450) | (1,389,021) |
| **Gross Profit** | | 1,433,433 | 1,181,304 |
| Other operating income | 8 | 70,417 | 186,527 |
| Administration expenses | | (582,127) | (674,740) |
| **Operating Profit** | | 921,723 | 693,091 |
| Finance costs | 9 | (34,442) | (497,056) |
| **Profit before Income Tax** | | 887,281 | 196,035 |
| Income tax expense | 10 | (275,671) | (40,955) |
| **Net Profit, being Total Comprehensive Income for the Year** | | 611,610 | 155,080 |
| **Net Profit, being Total Comprehensive Income Attributable to:** | | | |
| Equity holders of the company | 11 | 602,741 | 145,333 |
| Non-controlling interest | 12 | 8,869 | 9,747 |
| | | 611,610 | 155,080 |
| **Earnings per stock unit for profit attributable to the equity holders of the company during the year** | 13 | $0.56 | $0.14 |

# Kingston Wharves Limited

Group Balance Sheet

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current Assets** | | | |
| Property, plant and equipment | 15 | 10,009,903 | 10,156,401 |
| Intangible asset | 16 | 5,030 | - |
| Recoverable from special reserve fund | 18 | 40,143 | 55,107 |
| Deferred income tax assets | 28 | 1,560 | 1,363 |
| Retirement benefit asset | 19 | 453,342 | 329,699 |
| | | 10,509,978 | 10,542,570 |
| **Current Assets** | | | |
| Inventories | 20 | 28,529 | 5,163 |
| Trade and other receivables | 22 | 480,901 | 484,279 |
| Taxation recoverable | | 14,963 | 8,490 |
| Short term investments | 23 | 1,201,909 | 1,057,352 |
| Cash and bank | 23 | 80,769 | 62,781 |
| | | 1,807,071 | 1,618,065 |
| **Total assets** | | 12,317,049 | 12,160,635 |

# Kingston Wharves Limited
Group Balance Sheet
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Stockholders' Equity** | | | |
| (attributable to equity holders of the company) | | | |
| Share capital | 24 | 291,648 | 291,648 |
| Capital reserves | 25 | 5,409,445 | 5,396,866 |
| Asset replacement/rehabilitation and depreciation reserves | 26 | 214,796 | 214,601 |
| Retained earnings | | 1,992,508 | 1,531,258 |
| | | 7,908,397 | 7,434,373 |
| **Non-controlling Interest** | 12 | 51,469 | 42,600 |
| | | 7,959,866 | 7,476,973 |
| **LIABILITIES** | | | |
| **Non-current Liabilities** | | | |
| Borrowings | 27 | 2,003,744 | 2,576,003 |
| Deferred income tax liabilities | 28 | 1,316,140 | 1,266,774 |
| Retirement benefit obligations | 19 | 143,014 | 119,041 |
| | | 3,462,898 | 3,961,818 |
| **Current Liabilities** | | | |
| Trade and other payables | 29 | 349,067 | 248,719 |
| Taxation | | 86,540 | 41,851 |
| Borrowings | 27 | 458,678 | 431,274 |
| | | 894,285 | 721,844 |
| **Total equity and liabilities** | | 12,317,049 | 12,160,635 |

**Approved for issue by Board of Directors on 4 April 2011 and signed on its behalf by:**

Grantley Stephenson Director

Alvin Henry Director

# Kingston Wharves Limited

## Group Statement of Changes in Equity

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | Attributable to equity holders of the company | | | | | Non-controlling Interest | Total Equity |
|---|---|---|---|---|---|---|---|---|
| | | Share Capital | Capital Reserves | Asset Replacement/ Rehabilitation and Depreciation Reserves | Retained Earnings | Total | | |
| | | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Balance at 31 December 2008** | | 291,648 | 5,384,287 | 208,588 | 1,404,517 | 7,289,040 | 32,853 | 7,321,893 |
| Total comprehensive income for the year | | - | - | - | 145,333 | 145,333 | 9,747 | 155,080 |
| Transfer of net interest to asset replacement/rehabilitation and depreciation reserves | 26 | - | - | 6,013 | (6,013) | - | - | - |
| Transfer to asset replacement/ rehabilitation and depreciation reserves | 26 | - | - | 12,579 | (12,579) | - | - | - |
| Transfer from asset replacement/rehabilitation and depreciation reserves | 26 | - | 12,579 | (12,579) | - | - | - | - |
| **Balance at 31 December 2009** | | 291,648 | 5,396,866 | 214,601 | 1,531,258 | 7,434,373 | 42,600 | 7,476,973 |
| Total comprehensive income for the year | | - | - | - | 602,741 | 602,741 | 8,869 | 611,610 |
| Transfer of net interest to asset replacement/rehabilitation and depreciation reserves | 26 | - | - | 195 | (195) | - | - | - |
| Transfer to asset replacement/ rehabilitation and depreciation reserves | 26 | - | - | 12,579 | (12,579) | - | - | - |
| Transfer from asset replacement/rehabilitation and depreciation reserves | 26 | - | 12,579 | (12,579) | - | - | - | - |
| Dividends | 14 | - | - | - | (128,717) | (128,717) | - | (128,717) |
| **Balance at 31 December 2010** | | 291,648 | 5,409,445 | 214,796 | 1,992,508 | 7,908,397 | 51,469 | 7,959,866 |

# Kingston Wharves Limited

## Group Statement of Cash Flows

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit | | 611,610 | 155,080 |
| Adjustments for: | | | |
| Amortisation | 16 | 1,258 | - |
| Depreciation | 15 | 250,804 | 253,800 |
| Foreign exchange adjustment on long term loans | | (104,597) | 313,610 |
| (Gain)/Loss on disposal of property, plant and equipment | | (669) | 54 |
| Retirement benefit asset | | (123,643) | (17,344) |
| Retirement benefit obligations | | 23,973 | 32,752 |
| Interest income | 8 | (86,624) | (136,124) |
| Interest expense | 9 | 139,039 | 183,446 |
| Taxation | 10 | 275,671 | 40,955 |
| | | 986,822 | 826,229 |
| Changes in operating assets and liabilities: | | | |
| Inventories | | (23,366) | 1,088 |
| Trade and other receivables | | 16,642 | (125,577) |
| Trade and other payables | | 239 | (63,835) |
| Recoverable from special reserve fund | | 14,964 | 13,687 |
| Cash provided by operations | | 995,301 | 651,592 |
| Tax paid | | (188,286) | (137,808) |
| Interest paid | | (139,039) | (183,446) |
| Interest received | | 91,859 | 113,806 |
| Net cash provided by operating activities | | 759,835 | 444,144 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 15 | (111,172) | (141,950) |
| Proceeds from sale of property, plant and equipment | | 1,247 | - |
| Net cash used in investing activities | | (109,925) | (141,950) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (28,608) | - |
| Long term loans received | | - | 24,133 |
| Long term loans repaid | | (440,258) | (440,720) |
| Net cash used in financing activities | | (468,866) | (416,587) |
| Net increase/(decrease) in cash and cash equivalents | | 181,044 | (114,393) |
| Net cash and cash equivalents at beginning of year | | 1,120,133 | 1,182,095 |
| Exchange adjustment on foreign currency cash and cash equivalents | | (18,499) | 52,431 |
| **NET CASH AND CASH EQUIVALENTS AT END OF YEAR** | 23 | 1,282,678 | 1,120,133 |

# Kingston Wharves Limited

## Company Statement of Comprehensive Income

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **Revenue** | | 2,440,644 | 1,948,216 |
| Cost of sales | | (1,196,430) | (1,020,663) |
| **Gross Profit** | | 1,244,214 | 927,553 |
| Other operating income | 8 | 26,869 | 117,167 |
| Administration expenses | | (405,964) | (459,867) |
| **Operating Profit** | | 865,119 | 584,853 |
| Finance costs | 9 | (53,538) | (520,284) |
| **Profit before Income Tax** | | 811,581 | 64,569 |
| Income tax expense | 10 | (248,833) | (749) |
| **Net Profit, being Total Comprehensive Income for the Year** | | 562,748 | 63,820 |

# Kingston Wharves Limited
## Company Balance Sheet
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current Assets** | | | |
| Property, plant and equipment | 15 | 7,242,900 | 7,329,811 |
| Intangible asset | 16 | 5,030 | - |
| Investments in subsidiaries | 17 | 75,731 | 75,731 |
| Recoverable from special reserve fund | 18 | 40,143 | 55,107 |
| Retirement benefit asset | 19 | 453,342 | 329,699 |
| | | 7,817,146 | 7,790,348 |
| **Current Assets** | | | |
| Inventories | 20 | 2,256 | 1,501 |
| Trade and other receivables | 22 | 366,250 | 333,633 |
| Group companies | 21 | 1,359 | 1,464 |
| Short term investments | 23 | 589,673 | 517,329 |
| Cash and bank | 23 | 32,059 | 38,314 |
| | | 991,597 | 892,241 |
| **Total assets** | | 8,808,743 | 8,682,589 |

# Kingston Wharves Limited

Company Balance Sheet

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Stockholders' Equity** | | | |
| Share capital | 24 | 291,648 | 291,648 |
| Capital reserves | 25 | 2,878,195 | 2,865,616 |
| Asset replacement/rehabilitation and depreciation reserves | 26 | 212,968 | 212,968 |
| Retained earnings | | 1,552,117 | 1,130,665 |
| | | 4,934,928 | 4,500,897 |
| **LIABILITIES** | | | |
| **Non-current Liabilities** | | | |
| Borrowings | 27 | 2,076,459 | 2,673,918 |
| Deferred income tax liabilities | 28 | 716,965 | 646,781 |
| Retirement benefit obligations | 19 | 143,014 | 119,041 |
| | | 2,936,438 | 3,439,740 |
| **Current Liabilities** | | | |
| Trade and other payables | 29 | 305,871 | 197,574 |
| Group companies | 21 | 66,433 | 51,149 |
| Taxation payable | | 81,195 | 36,755 |
| Borrowings | 27 | 483,878 | 456,474 |
| | | 937,377 | 741,952 |
| **Total equity and liabilities** | | 8,808,743 | 8,682,589 |

**Approved for issue by Board of Directors on 4 April 2011 and signed on its behalf by:**

Grantley Stephenson Director

Alvin Henry Director

# Kingston Wharves Limited
Company Statement of Changes in Equity
**Year ended 31 December 2010**
(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 31 December 2008** | | 291,648 | 2,853,037 | 207,252 | 1,085,140 | 4,437,077 |
| Total comprehensive income for the year | | - | - | - | 63,820 | 63,820 |
| Transfer of net interest to asset replacement/rehabilitation and depreciation reserves | 26 | - | - | 5,716 | (5,716) | - |
| Transfer to asset replacement/rehabilitation and depreciation reserves | 26 | - | - | 12,579 | (12,579) | - |
| Transfer from asset replacement/ rehabilitation and depreciation reserves | 26 | - | 12,579 | (12,579) | - | - |
| **Balance at 31 December 2009** | | 291,648 | 2,865,616 | 212,968 | 1,130,665 | 4,500,897 |
| Total comprehensive income for the year | | - | - | - | 562,748 | 562,748 |
| Transfer of net interest to asset replacement/rehabilitation and depreciation reserves | 26 | - | - | - | - | - |
| Transfer to asset replacement/rehabilitation and depreciation reserves | 26 | - | - | 12,579 | (12,579) | - |
| Transfer from asset replacement/ rehabilitation and depreciation reserves | 26 | - | 12,579 | (12,579) | - | - |
| Dividends | 14 | - | - | - | (128,717) | (128,717) |
| **Balance at 31 December 2010** | | 291,648 | 2,878,195 | 212,968 | 1,552,117 | 4,934,928 |

# Kingston Wharves Limited

Company Statement of Cash Flows

**Year ended 31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

| | Note | 2010 $'000 | 2009 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit | | 562,748 | 63,820 |
| Adjustments for: | | | |
| Amortisation | 16 | 1,258 | - |
| Depreciation | 15 | 184,057 | 187,871 |
| Foreign exchange adjustment on long term loans | | (104,597) | 313,610 |
| Gain on disposal of property, plant and equipment | | (421) | - |
| Retirement benefit asset | | (123,643) | (17,344) |
| Retirement benefit obligations | | 23,973 | 32,752 |
| Interest income | 8 | (22,441) | (49,650) |
| Interest expense | 9 | 158,135 | 206,674 |
| Taxation | 10 | 248,833 | 749 |
| | | 927,902 | 738,482 |
| Changes in operating assets and liabilities: | | | |
| Inventories | | (755) | (1,501) |
| Group companies | | 10,904 | (946) |
| Trade and other receivables | | (17,301) | (107,460) |
| Trade and other payables | | 8,188 | (71,462) |
| Recoverable from special reserve fund | | 14,964 | 13,687 |
| Cash provided by operations | | 943,902 | 570,800 |
| Tax paid | | (134,209) | (88,850) |
| Interest paid | | (153,650) | (201,370) |
| Interest received | | 24,180 | 52,389 |
| Net cash provided by operating activities | | 680,223 | 332,969 |
| **Cash flows from investing activities** | | | |
| Purchase of property, plant and equipment | 15 | (103,434) | (129,507) |
| Proceeds from sale of property, plant and equipment | | 421 | - |
| Net cash used in investing activities | | (103,013) | (129,507) |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (28,608) | - |
| Long term loans received | | - | 24,133 |
| Long term loans repaid | | (465,458) | (465,920) |
| Net cash used in financing activities | | (494,066) | (441,787) |
| Net increase/(decrease) in cash and cash equivalents | | 83,144 | (238,325) |
| Net cash and cash equivalents at beginning of year | | 522,743 | 712,363 |
| Exchange adjustment on foreign currency cash and cash equivalents | | (17,055) | 48,705 |
| **NET CASH AND CASH EQUIVALENTS AT END OF YEAR** | 23 | 588,832 | 522,743 |

## 1. Identification and Principal Activities

The company and its subsidiaries (the Group) are incorporated and domiciled in Jamaica. The principal activities of the company and its subsidiaries comprise the operation of public wharves, 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 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.

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 Group's accounting policies. Although these estimates are based on management's best knowledge of current events and actions, actual results could differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

***Standards, interpretations and amendments to published standards effective in the current year***

Certain new accounting standards, interpretations and amendments to existing standards have been published that became effective during the current financial year. The Group has assessed the relevance of all such new standards, interpretations and amendments and has put into effect the following IFRS, which are immediately relevant to its operations.

- IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009).
  This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable.

- IFRIC 18, 'Transfers of assets from customers', effective for transfer of assets received on or after 1 July 2009.
  This interpretation clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

# Kingston Wharves Limited

Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

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

### (a) Basis of preparation (continued)

***Standards, interpretations and amendments to published standards effective in the current year (continued)***

- IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009).
  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

- IFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held-for-sale'.
  The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

- IAS 1 (amendment), 'Presentation of financial statements'.
  The amendment provides clarification that the potential settlement of a liability by issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.

- IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1July 2009).
  The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. IAS 27 has had no impact on the current period.

- IAS 36 (amendment), 'Impairment of assets', effective 1 January 2010.
  The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).

- IAS 38 (amendment), 'Intangible assets', effective 1 January 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

There was no impact on opening retained earnings from the adoption of the above-mentioned standards.

# Kingston Wharves Limited

Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

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

### (a) Basis of preparation (continued)

***Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group***

At the date of authorisation of these financial statements, certain new accounting standards, amendments and interpretations to existing standards have been issued which are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, but were not effective at the balance sheet date, and which the Group has not early adopted. The Group has assessed the relevance of all such new standards, interpretations and amendments, has determined that the following may be relevant to its operations. The impact of the changes is still being assessed by management.

- IFRS 9, 'Financial instruments', issued in November 2009.
  This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 introduces new requirements for classifying and measuring financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption.

- Revised IAS 24 (revised), 'Related party disclosures', issued in November 2009.
  It supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1 January 2011. Earlier application, in whole or in part, is permitted. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Group will apply the revised standard from 1 January 2011. When the revised standard is applied, the Group and the parent will need to disclose any transactions between its subsidiaries and its associates.

- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14).
  The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendments correct this. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. The Group will apply these amendments for the financial reporting period commencing on 1 January 2011.

# Kingston Wharves Limited
Notes to the Financial Statements
**31 December 2010**
(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 on consolidation. 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 | 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 |
| **Sub-Subsidiary** | | | |
| Security Administrators Specialist Services Limited | Security services | 66 ⅔% | 31 December |

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

### (b) Consolidation (continued)

***Transactions and non-controlling interests***

The Group now treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Changes in accounting policy

The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control or significant influence from 1 January 2010 when revised IAS 27, 'Consolidated and separate financial statements', became effective. The revision to IAS 27 contained consequential amendments to IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures'.

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 January 2010. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

### (c) Revenue recognition

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

***Sales of services***

These are 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.

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

### (d) Property, plant and equipment
Plant and buildings comprise mainly walls, piers, dredging facilities, roadways, warehouses and offices. Land, plant 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 asset's 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 cost less depreciation. 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. Repairs and maintenance are charged to the statement of comprehensive income 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 statement of comprehensive income.

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:

| | |
|---|---|
| Plant and buildings comprising buildings, leasehold properties, walls, piers, dredging and roadways | 1.33% - 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(f)).

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

### (e) Intangible asset
Separately acquired computer software licences are shown at historical cost. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

# Kingston Wharves Limited

Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

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

### (f) 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.

### (g) 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 Group'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 statement of comprehensive income.

### (h) 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.

### (i) Dividends

Dividend distribution to the company's equity holders is recognised initially as a liability in the Group's financial statements in the period in which the dividends are approved by the company's equity holders.

### (j) 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 market 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 statement of comprehensive income 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 statement of comprehensive income.

# Kingston Wharves Limited

Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

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

### (k) 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 the defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains and losses and unrecognised past service costs. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service costs, 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 discounting the estimated future cash outflows using interest rates on Government securities which have terms to maturity approximating the terms of the related liability.

Past service costs are recognised immediately to the extent that the benefits are already vested, or otherwise are 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-employment healthcare benefits to its 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. These obligations are valued annually by 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 terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

### (l) 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.

# Kingston Wharves Limited
Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

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

### (m) Investments in subsidiaries
Investments by the company in subsidiaries are stated at cost.

### (n) Cash and cash equivalents
Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less.

### (o) 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.

### (p) Trade payables
Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (q) 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 statement of comprehensive income on a straight-line basis over the period of the lease.

### (r) 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.

### (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 statement of comprehensive income 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.

### (t) Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

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

### (u) 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 statement of comprehensive income, 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.

### (v) 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.

**Other 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 trade and other payables, related companies' balances and long term loans on the balance sheet.

## 3. Financial Risk Management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity 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.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date information systems. The Group regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice.

The Board of Directors is ultimately responsible for the establishment and oversight of the Group's risk management framework. The Board provides guidance for overall risk management, covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

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.

The Board, through the Audit Committee, oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The most important types of risk are credit risk, liquidity risk, market risk and other operational risk. Market risk includes currency risk, interest rate and other price risk.

### (a) Credit risk

The Group is exposed to credit risk where one party to a financial instrument fails to discharge an obligation and causes the other party to incur a financial loss. The Group manages its concentrations of credit risk and places its cash and cash equivalents with high quality financial institutions. The Group limits the amount of credit exposure to any one 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.

# Kingston Wharves Limited
Notes to the Financial Statements
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**3. Financial Risk Management (Continued)**

**(a) Credit risk (continued)**

***Credit review process***
Management performs regular analyses of the ability of customers and other counterparties to meet repayment obligations.

(i) Aging analysis of trade receivables that are past due but not impaired

Trade receivables that are less than thirty-one (31) days past due are not considered impaired. As of 31 December 2010, trade receivables of $229,515,000 (2009 - $239,619,000) for the Group and $169,863,000 (2009 - $202,584,000) for the company were past due but were not considered to be impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| 31 - 60 days | 125,160 | 111,413 | 102,012 | 95,530 |
| Over 60 days | 104,355 | 128,206 | 67,851 | 107,054 |
| | 229,515 | 239,619 | 169,863 | 202,584 |

(ii) Aging analysis of trade receivables that are past due and are impaired

As of 31 December 2010, trade receivables of $23,202,000 (2009 - $16,903,000) and $12,914,000 (2009 - $15,548,000) for the Group and company respectively were past due and considered to be impaired. These receivables were fully provided for.

The aging of these receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| 31 - 60 days | 1,180 | - | - | - |
| Over 60 days | 22,022 | 16,903 | 12,914 | 15,548 |
| | 23,202 | 16,903 | 12,914 | 15,548 |

# Kingston Wharves Limited
Notes to the Financial Statements
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## 3. Financial Risk Management (Continued)

### (a) Credit risk (continued)

Movements on the provision for impairment of trade receivables are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| At 1 January | 16,903 | 16,767 | 15,548 | 548 |
| Provision for impairment | 22,832 | 16,385 | 13,662 | 15,000 |
| Receivables written off during the year as uncollectible | (15,785) | (16,249) | (15,548) | - |
| Amounts reversed | (748) | - | (748) | - |
| At 31 December | 23,202 | 16,903 | 12,914 | 15,548 |

The creation and release of provision for impaired receivables have been included in expenses in the statement of comprehensive income. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

There are no financial assets other than those listed above that were individually impaired.

***Concentrations of risk***

(i) Trade receivables

The following table summarises the Group and company's credit exposure for trade receivables at their carrying amounts, as categorised by the concentration of customers:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Top ten customers | 432,369 | 362,721 | 334,739 | 304,058 |
| Other | 35,966 | 57,006 | 26,999 | 16,977 |
| | 468,335 | 419,727 | 361,738 | 321,035 |
| Less: Provision for impairment | (23,202) | (16,903) | (12,914) | (15,548) |
| | 445,133 | 402,824 | 348,824 | 305,487 |

The majority of trade receivables are due from foreign domiciled customers with payment made through local agents.

(ii) Short term investments

The Group's short term investments comprise repurchase agreements held with financial institutions.

**3. Financial Risk Management (Continued)**

**(b) Liquidity risk**

Liquidity risk is the risk that the Group may be unable to meet its payment obligations associated with its financial liabilities when they fall due. 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.

***Liquidity risk management process***

The Group's liquidity management process, as carried out within the Group and monitored by the Board of Directors, includes:

(i) Monitoring future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure funding if required.

(ii) Maintaining committed lines of credit;

(iii) Optimising cash returns on investment;

(iv) Managing the concentration and profile of debt maturities.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

# Kingston Wharves Limited
Notes to the Financial Statements
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## 3. Financial Risk Management (Continued)

### (b) Liquidity risk (continued)

***Financial liabilities cash flows***

The tables below summarise the maturity profile of the Group's and company's financial liabilities at 31 December based on contractual undiscounted payments.

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | 1 to 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Total $'000 |
| **As at 31 December 2010:** | | | | | | |
| Loans | 50,491 | 99,637 | 438,994 | 2,187,276 | 2,934 | 2,779,332 |
| Trade and other payables | 333,875 | 7,548 | 6,151 | 1,493 | - | 349,067 |
| **Total financial liabilities (contractual maturity dates)** | 384,366 | 107,185 | 445,145 | 2,188,769 | 2,934 | 3,128,399 |

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | 1 to 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Total $'000 |
| **As at 31 December 2009:** | | | | | | |
| Loans | 46,828 | 92,009 | 426,997 | 2,746,479 | 60,323 | 3,372,636 |
| Trade and other payables | 203,877 | 6,951 | 37,891 | - | - | 248,719 |
| **Total financial liabilities (contractual maturity dates)** | 250,705 | 98,960 | 464,888 | 2,746,479 | 60,323 | 3,621,355 |

# Kingston Wharves Limited
Notes to the Financial Statements
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3. **Financial Risk Management (Continued)**

(b) **Liquidity risk (continued)**

***Financial liabilities cash flows (continued)***

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | 1 to 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Total $'000 |
| **As at 31 December 2010:** | | | | | | |
| Loans | 53,685 | 105,851 | 466,155 | 1,757,116 | 661,105 | 3,043,912 |
| Trade and other payables | 305,871 | - | - | - | - | 305,871 |
| Group companies | 66,433 | - | - | - | - | 66,433 |
| **Total financial liabilities (contractual maturity dates)** | 425,989 | 105,851 | 466,155 | 1,757,116 | 661,105 | 3,416,216 |

| | The Company | | | | | |
|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | 1 to 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Total $'000 |
| **As at 31 December 2009:** | | | | | | |
| Loans | 50,303 | 98,760 | 456,659 | 2,044,019 | 983,165 | 3,632,906 |
| Trade and other payables | 197,574 | - | - | - | - | 197,574 |
| Group companies | 51,149 | - | - | - | - | 51,149 |
| **Total financial liabilities (contractual maturity dates)** | 299,026 | 98,760 | 456,659 | 2,044,019 | 983,165 | 3,881,629 |

Assets available to meet all of the liabilities and to cover financial liabilities include cash and short term investments.

(c) **Market risk**
The Group takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk mainly arise from changes in foreign currency exchange rates and interest rates.

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

*(i)* ***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 payables. This is partially offset by its US dollar revenue transactions and its holdings in US dollar cash and other accounts.

The Group manages its foreign exchange risk by ensuring that the net exposure in foreign assets and liabilities is kept to an acceptable level by monitoring currency positions. The Group further manages this risk by maximising foreign currency earnings and holding foreign currency balances.

# Kingston Wharves Limited
Notes to the Financial Statements
**31 December 2010**
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## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)
#### *(i) Currency risk (continued)*

**Concentrations of currency risk**

The table below summarises the Group and company exposure to foreign currency exchange rate risk at 31 December.

| | The Group | | |
|---|---|---|---|
| | Jamaican$ J$'000 | US$ J$'000 | Total J$'000 |
| **At 31 December 2010:** | | | |
| **Financial Assets** | | | |
| Short term investments | 836,386 | 365,523 | 1,201,909 |
| Trade and other receivables | 140,006 | 340,895 | 480,901 |
| Cash and bank | 31,477 | 49,292 | 80,769 |
| Total financial assets | 1,007,869 | 755,710 | 1,763,579 |
| **Financial Liabilities** | | | |
| Loans | 316,290 | 2,146,132 | 2,462,422 |
| Trade and other payables | 338,481 | 10,586 | 349,067 |
| Total financial liabilities | 654,771 | 2,156,718 | 2,811,489 |
| **Net financial position** | 353,098 | (1,401,008) | (1,047,910) |

| | The Group | | |
|---|---|---|---|
| | Jamaican$ J$'000 | US$ J$'000 | Total J$'000 |
| **At 31 December 2009:** | | | |
| **Financial Assets** | | | |
| Short term investments | 563,650 | 493,702 | 1,057,352 |
| Trade and other receivables | 158,416 | 325,863 | 484,279 |
| Cash and bank | 51,474 | 11,307 | 62,781 |
| Total financial assets | 773,540 | 830,872 | 1,604,412 |
| **Financial Liabilities** | | | |
| Loans | 354,320 | 2,652,957 | 3,007,277 |
| Trade and other payables | 245,664 | 3,055 | 248,719 |
| Total financial liabilities | 599,984 | 2,656,012 | 3,255,996 |
| **Net financial position** | 173,556 | (1,825,140) | (1,651,584) |

# Kingston Wharves Limited
Notes to the Financial Statements
**31 December 2010**
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**3. Financial Risk Management (Continued)**

**(c) Market risk (continued)**
***(i) Currency risk (continued)***

**Concentrations of currency risk (continued)**

| | The Company | | |
|---|---|---|---|
| | **Jamaican$** | **US$** | **Total** |
| | **J$'000** | **J$'000** | **J$'000** |
| **At 31 December 2010:** | | | |
| **Financial Assets** | | | |
| Short term investments | 236,951 | 352,722 | 589,673 |
| Trade and other receivables | 25,355 | 340,895 | 366,250 |
| Group companies | 1,359 | - | 1,359 |
| Cash and bank | 3,879 | 28,180 | 32,059 |
| Total financial assets | 267,544 | 721,797 | 989,341 |
| **Financial Liabilities** | | | |
| Loans | 414,205 | 2,146,132 | 2,560,337 |
| Trade and other payables | 295,285 | 10,586 | 305,871 |
| Group companies | 66,433 | - | 66,433 |
| Total financial liabilities | 775,923 | 2,156,718 | 2,932,641 |
| **Net financial position** | (508,379) | (1,434,921) | (1,943,300) |

| | The Company | | |
|---|---|---|---|
| | **Jamaican$** | **US$** | **Total** |
| | **J$'000** | **J$'000** | **J$'000** |
| **At 31 December 2009:** | | | |
| **Financial Assets** | | | |
| Short term investments | 60,212 | 457,117 | 517,329 |
| Trade and other receivables | 14,201 | 319,432 | 333,633 |
| Group companies | 1,464 | - | 1,464 |
| Cash and bank | 28,128 | 10,186 | 38,314 |
| Total financial assets | 104,005 | 786,735 | 890,740 |
| **Financial Liabilities** | | | |
| Loans | 477,435 | 2,652,957 | 3,130,392 |
| Trade and other payables | 194,519 | 3,055 | 197,574 |
| Group companies | 51,149 | - | 51,149 |
| Total financial liabilities | 723,103 | 2,656,012 | 3,379,115 |
| **Net financial position** | (619,098) | (1,869,277) | (2,488,375) |

# Kingston Wharves Limited

Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### *(i) Currency risk (continued)*

***Foreign currency sensitivity***

The following tables indicate the currency to which the Group and company had significant exposure on its monetary assets and liabilities and its forecast cash flows. The change in currency rate below represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis represents outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% (2009 - 1%) appreciation and a 5% (2009 - 5%) depreciation change in foreign currency rates. The sensitivity of the profit was as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables, short term investments and US dollar-denominated borrowings. Profit is more sensitive to movements in Jamaican dollar/US dollar exchange rates because of the US-dollar denominated borrowings. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis.

| | The Group | | | |
|---|---|---|---|---|
| | **Change in Currency Rate** | **Effect on Net Profit** | **Change in Currency Rate** | **Effect on Net Profit** |
| | **2010** | **2010** | **2009** | **2009** |
| | **%** | **$'000** | **%** | **$'000** |
| **Currency:** | | | | |
| USD | +5 | 46,700 | +1 | 12,223 |
| USD | -5 | (46,700) | -5 | (61,115) |

| | The Company | | | |
|---|---|---|---|---|
| | **% Change in Currency Rate** | **Effect on Net Profit** | **% Change in Currency Rate** | **Effect on Net Profit** |
| | **2010** | **2010** | **2009** | **2009** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Currency:** | | | | |
| USD | +5 | 47,831 | +1 | 12,530 |
| USD | -5 | (47,831) | -5 | (62,649) |

## 3. Financial Risk Management (Continued)

### (c) Market risk (continued)

#### *(ii) Interest rate risk*

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk.

The Group's interest rate risk policy requires it to manage interest rate risk by maintaining an appropriate mix of fixed and variable rate instruments. The policy also requires it to manage the maturities of interest bearing financial assets and liabilities.

The following tables summarise the Group's and the company's exposure to interest rate risk. It includes the Group and company financial instruments at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

# Kingston Wharves Limited

Notes to the Financial Statements

**31 December 2010**

(expressed in Jamaican dollars unless otherwise indicated)

**3. Financial Risk Management (Continued)**

**(c) Market risk (continued)**

***(ii) Interest rate risk (continued)***

| | The Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | 1 to 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Non-Interest Bearing $'000 | Total $'000 |
| **At 31 December 2010:** | | | | | | | |
| **Assets** | | | | | | | |
| Short term investments | 747,645 | 197,411 | 256,853 | - | - | - | 1,201,909 |
| Trade and other receivables | - | - | 70,307 | - | - | 410,594 | 480,901 |
| Cash and bank | 28,180 | - | - | - | - | 52,589 | 80,769 |
| Total financial assets | 775,825 | 197,411 | 327,160 | - | - | 463,183 | 1,763,579 |
| **Liabilities** | | | | | | | |
| Loans | 38,301 | 76,988 | 342,910 | 1,385,323 | 618,900 | - | 2,462,422 |
| Trade and other payables | - | - | - | - | - | 349,067 | 349,067 |
| Total financial liabilities | 38,301 | 76,988 | 342,910 | 1,385,323 | 618,900 | 349,067 | 2,811,489 |
| **Total interest repricing gap** | 737,524 | 120,423 | (15,750) | (1,385,323) | (618,900) | 114,116 | (1,047,910) |

| | The Group | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | 1 to 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Non-Interest Bearing $'000 | Total $'000 |
| **At 31 December 2009:** | | | | | | | |
| **Assets** | | | | | | | |
| Short term investments | 382,429 | 267,023 | 407,900 | - | - | - | 1,057,352 |
| Trade and other receivables | - | - | - | - | - | 484,279 | 484,279 |
| Cash and bank | 34,353 | - | - | - | - | 28,428 | 62,781 |
| Total financial assets | 416,782 | 267,023 | 407,900 | - | - | 512,707 | 1,604,412 |
| **Liabilities** | | | | | | | |
| Loans | 35,939 | 71,879 | 338,393 | 1,633,173 | 927,893 | - | 3,007,277 |
| Trade and other payables | - | - | - | - | - | 248,719 | 248,719 |
| Total financial liabilities | 35,939 | 71,879 | 338,393 | 1,633,173 | 927,893 | 248,719 | 3,255,996 |
| **Total interest repricing gap** | 380,843 | 195,144 | 69,507 | (1,633,173) | (927,893) | 263,988 | (1,651,584) |

# Kingston Wharves Limited
Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

**3. Financial Risk Management (Continued)**

**(c) Market risk (continued)**
***(ii) Interest rate risk (continued)***

| | The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | 1 to 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Non-Interest Bearing $'000 | Total $'000 |
| **At 31 December 2010:** | | | | | | | |
| **Assets** | | | | | | | |
| Short term investments | 554,514 | 35,159 | - | - | - | - | 589,673 |
| Trade and other receivables | - | - | 70,307 | - | - | 295,943 | 366,250 |
| Group companies | - | - | - | - | - | 1,359 | 1,359 |
| Cash and bank | 29,895 | - | - | - | - | 2,164 | 32,059 |
| Total financial assets | 584,409 | 35,159 | 70,307 | - | - | 299,466 | 989,341 |
| **Liabilities** | | | | | | | |
| Loans | 40,401 | 81,188 | 361,810 | 1,457,388 | 619,550 | - | 2,560,337 |
| Trade and other payables | - | - | - | - | - | 305,871 | 305,871 |
| Group companies | - | - | - | - | - | 66,433 | 66,433 |
| Total financial liabilities | 40,401 | 81,188 | 361,810 | 1,457,388 | 619,550 | 372,304 | 2,932,641 |
| **Total interest repricing gap** | 544,008 | (46,029) | (291,503) | (1,457,388) | (619,550) | (72,838) | (1,943,300) |

| | The Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Within 1 Month $'000 | 1 to 3 Months $'000 | 3 to 12 Months $'000 | 1 to 5 Years $'000 | Over 5 Years $'000 | Non-Interest Bearing $'000 | Total $'000 |
| **At 31 December 2009:** | | | | | | | |
| **Assets** | | | | | | | |
| Short term investments | 331,345 | 185,984 | - | - | - | - | 517,329 |
| Trade and other receivables | - | - | - | - | - | 333,633 | 333,633 |
| Group companies | - | - | - | - | - | 1,464 | 1,464 |
| Cash and bank | 33,929 | - | - | - | - | 4,385 | 38,314 |
| Total financial assets | 365,274 | 185,984 | - | - | - | 339,482 | 890,740 |
| **Liabilities** | | | | | | | |
| Loans | 38,039 | 76,079 | 357,293 | 1,732,541 | 926,440 | - | 3,130,392 |
| Trade and other payables | - | - | - | - | - | 197,574 | 197,574 |
| Group companies | - | - | - | - | - | 51,149 | 51,149 |
| Total financial liabilities | 38,039 | 76,079 | 357,293 | 1,732,541 | 926,440 | 248,723 | 3,379,115 |
| **Total interest repricing gap** | 327,235 | 109,905 | (357,293) | (1,732,541) | (926,440) | 90,759 | (2,488,375) |

# Kingston Wharves Limited
Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

**3. Financial Risk Management (Continued)**

**(c) Market risk (continued)**

***(ii) Interest rate risk (continued)***

***Interest rate sensitivity***

The following table indicates the sensitivity to a possible change in interest rates, with all other variables held constant, on the Group's and company's statement of comprehensive income and stockholders' equity.

The Group's interest rate risk arises mainly from short term deposits and borrowings. The sensitivity of the profit or loss is the effect of the assumed changes in interest rates on net income based on floating rate deposits and borrowings. The correlation of variables will have a significant effect in determining the ultimate impact on market risk, but to demonstrate the impact due to changes in variables, variables had to be on an individual basis. It should be noted that movements in these variables are non-linear.

| Change in basis points | | | | The Group | | The Company | |
|---|---|---|---|---|---|---|---|
| | | | | Effect on Net Profit 2010 $'000 | Effect on Net Profit 2009 $'000 | Effect on Net Profit 2010 $'000 | Effect on Net Profit 2009 $'000 |
| 2010 JMD | 2010 USD | 2009 JMD | 2009 USD | | | | |
| +200 | +50 | +200 | +200 | 999 | (25,999) | 1,127 | (26,276) |
| -200 | -50 | -200 | -200 | (999) | 25,999 | (1,127) | 26,276 |

## 3. Financial Risk Management (Continued)

### (d) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for stockholders and benefits for other stakeholders, to effectively service its customers and to maintain an optimal capital structure to reduce the cost of capital as well as meet externally imposed capital requirements. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total stockholders' equity and minority interests. The Board of Directors also monitors the level of dividends to ordinary stockholders.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total stockholders' equity. Debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less bank overdraft. Total equity is calculated as capital and reserves attributable to company's equity holders as shown in the consolidated balance sheet.

During 2010, the Group's strategy, which was unchanged from 2009, was to maintain the gearing ratio no higher than 75%. The gearing ratios at 31 December 2010 and 2009 were as follows:

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Total long term borrowings (Note 27) | 2,462,422 | 3,007,277 |
| Total stockholders' equity | 7,908,397 | 7,434,373 |
| Gearing ratio (%) | 31 | 40 |

There were no changes to the Group's approach to capital management during the year.

The company and its subsidiaries complied with all externally imposed capital requirements to which they were subjected.

## 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 2010 were 10% higher than management's estimates, the depreciation charge would decrease by $21,437,000 (2009 - $18,961,000).

**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 Group 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.

**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 assumptions used in determining the net periodic cost (income) for pension and post-employment 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 investment 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 actual medical cost increases with the rate of inflation in the 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 benefit costs and credits are based in part on current market conditions.

If the actual health care trend rates for the post employment obligations varied by 1% from estimates applied in valuation of the benefits, the consolidated net profit would be an estimated $4,264,000 lower or $5,569,000 higher (Note 19). Variations in the other financial assumptions can cause material adjustments in the next financial year, if it is determined that actual experience differed from the estimate (Note 19).

# Kingston Wharves Limited

Notes to the Financial Statements
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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 security services

(d) Other - Other operations of the Group comprise property rental.

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

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

| **Year ended 31 December 2010** | **Terminal Operations $'000** | **Cold Storage Operations $'000** | **Security Operations $'000** | **Other $'000** | **Eliminations $'000** | **Group $'000** |
|---|---|---|---|---|---|---|
| External operating revenue | 2,439,131 | 251,427 | 335,325 | - | - | 3,025,883 |
| Operating revenue from segments | 1,513 | 2,780 | 50,543 | 1,940 | (56,776) | - |
| Total revenue | 2,440,644 | 254,207 | 385,868 | 1,940 | (56,776) | 3,025,883 |
| Operating profit/(loss) | 865,119 | 70,155 | 39,896 | (33,442) | (20,005) | 921,723 |
| Interest expense | (158,135) | (58) | - | (1,078) | 20,232 | (139,039) |
| | 706,984 | 70,097 | 39,896 | (34,520) | 227 | 782,684 |
| Foreign exchange gains | | | | | | 104,597 |
| Profit before income tax | | | | | | 887,281 |
| Income tax expense | | | | | | (275,671) |
| Profit before minority interest | | | | | | 611,610 |
| Non-controlling interest | | | | | | (8,869) |
| **Net profit attributable to equity holders of the company** | | | | | | 602,741 |
| Segment assets | 8,355,401 | 1,093,255 | 185,177 | 2,469,388 | (256,037) | 11,847,184 |
| Unallocated assets | | | | | | 469,668 |
| Total assets | | | | | | 12,316,852 |
| Segment liabilities | 2,932,641 | 18,902 | 30,083 | 10,565 | (180,702) | 2,811,489 |
| Unallocated liabilities | | | | | | 1,545,497 |
| Total liabilities | | | | | | 4,356,986 |
| **Other segment items:** | | | | | | |
| Interest income (Note 8) | 22,441 | 67,408 | 4,773 | 12,234 | (20,232) | 86,624 |
| Capital expenditure (Note 15) | 103,434 | 4,775 | 2,963 | - | - | 111,172 |
| Amortisation (Note 16) | 1,258 | - | - | - | - | 1,258 |
| Depreciation (Note 15) | 184,057 | 17,095 | 4,360 | 45,292 | - | 250,804 |

# Kingston Wharves Limited
Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

## 5. Segment Financial Information (Continued)

| Year ended 31 December 2009 | Terminal Operations $'000 | Cold Storage Operations $'000 | Security Operations $'000 | Other $'000 | Eliminations $'000 | Group $'000 |
|---|---|---|---|---|---|---|
| External operating revenue | 1,946,704 | 266,455 | 357,166 | - | - | 2,570,325 |
| Operating revenue from segments | 1,512 | 3,561 | 35,454 | 1,940 | (42,467) | - |
| Total revenue | 1,948,216 | 270,016 | 392,620 | 1,940 | (42,467) | 2,570,325 |
| Operating profit | 584,853 | 116,724 | 44,260 | (24,423) | (28,323) | 693,091 |
| Interest expense | (206,674) | (37) | - | (1,416) | 24,681 | (183,446) |
| | 378,179 | 116,687 | 44,260 | (25,839) | (3,642) | 509,645 |
| Foreign exchange loss | | | | | | (313,610) |
| Profit before income tax | | | | | | 196,035 |
| Income tax expense | | | | | | (40,955) |
| Profit before minority interest | | | | | | 155,080 |
| Non-controlling interest | | | | | | (9,747) |
| **Net profit attributable to equity holders of the company** | | | | | | 145,333 |
| Segment assets | 8,352,890 | 1,061,623 | 159,684 | 2,506,492 | (259,606) | 11,821,083 |
| Unallocated assets | | | | | | 339,552 |
| Total assets | | | | | | 12,160,635 |
| Segment liabilities | 3,379,115 | 21,976 | 30,615 | 11,865 | (187,575) | 3,255,996 |
| Unallocated liabilities | | | | | | 1,427,666 |
| Total liabilities | | | | | | 4,683,662 |
| **Other segment items:** | | | | | | |
| Interest income (Note 8) | 49,650 | 86,640 | 6,551 | 17,964 | (24,681) | 136,124 |
| Capital expenditure (Note 15) | 129,507 | 8,333 | 4,110 | - | - | 141,950 |
| Depreciation (Note 15) | 187,871 | 16,618 | 3,980 | 45,331 | - | 253,800 |

# Kingston Wharves Limited

Notes to the Financial Statements
**31 December 2010**
(expressed in Jamaican dollars unless otherwise indicated)

## 6. Expenses by Nature

Total direct, administration and other operating expenses:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Advertising and public relations | 25,473 | 24,339 | 23,405 | 22,275 |
| Amortisation (Note 16) | 1,258 | - | 1,258 | - |
| Auditors' remuneration | | | | |
| - current year | 7,707 | 7,057 | 5,008 | 4,600 |
| - prior year | - | 950 | - | 750 |
| Bad debts | 22,832 | 16,385 | 13,662 | 15,000 |
| Bank charges | 21,095 | 11,726 | 20,953 | 11,595 |
| Claims | 15,348 | 11,233 | 10,303 | 9,395 |
| Contract labour | 11,436 | 10,312 | 11,436 | 10,312 |
| Cost of inventories recognised as expense | 10,015 | - | - | - |
| Customs overtime | 27,635 | 20,341 | 27,635 | 20,341 |
| Depreciation (Note 15) | 250,804 | 253,800 | 184,057 | 187,871 |
| Directors' fees | 8,243 | 6,298 | 8,051 | 6,250 |
| Equipment rental | 103,673 | 65,121 | 101,711 | 65,121 |
| Fuel | 69,076 | 41,662 | 69,076 | 41,662 |
| Information technology | 64,906 | 45,892 | 62,192 | 41,402 |
| Insurance | 138,423 | 154,673 | 121,470 | 135,632 |
| Irrecoverable General Consumption Tax | 47,703 | 46,423 | 43,111 | 42,488 |
| Legal and consultation expenses | 31,139 | 14,822 | 25,590 | 13,406 |
| Occupancy: property taxes, rent and lease | 9,745 | 9,721 | 6,230 | 5,550 |
| Repairs and maintenance | 148,806 | 123,274 | 122,623 | 96,017 |
| Security | 81,302 | 112,791 | 42,482 | 18,644 |
| Staff costs (Note 7) | 774,750 | 804,695 | 484,363 | 518,922 |
| Terminal transfers | 56,837 | 75,831 | 56,837 | 75,831 |
| Utilities | 200,070 | 163,941 | 125,463 | 89,429 |
| Other | 46,301 | 42,474 | 35,478 | 48,037 |
| | 2,174,577 | 2,063,761 | 1,602,394 | 1,480,530 |

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

## 7. Staff Costs

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Wages and salaries | 656,196 | 577,845 | 416,357 | 343,876 |
| Payroll taxes – employer's contributions | 63,706 | 57,726 | 38,446 | 33,798 |
| Pension costs – defined benefit plan (Note 19) | (101,907) | 3,835 | (101,907) | 3,835 |
| Pension costs – defined contribution plan | 3,355 | 4,039 | - | - |
| Other post-employment benefits (Note 19) | 30,412 | 38,830 | 30,412 | 38,830 |
| Other | 122,988 | 122,420 | 101,055 | 98,583 |
| | 774,750 | 804,695 | 484,363 | 518,922 |

## 8. Other Operating Income

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Interest income | 86,624 | 136,124 | 22,441 | 49,650 |
| Management fees | - | - | 21,336 | 21,336 |
| Foreign exchange (losses)/gains | (18,612) | 50,403 | (17,329) | 46,181 |
| Other | 2,405 | - | 421 | - |
| | 70,417 | 186,527 | 26,869 | 117,167 |

## 9. Finance Costs

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** | **2009** | **2010** | **2009** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Interest expense - | | | | |
| Loans | 139,039 | 183,446 | 158,135 | 206,674 |
| Foreign exchange (gains)/losses | (104,597) | 313,610 | (104,597) | 313,610 |
| | 34,442 | 497,056 | 53,538 | 520,284 |

# Kingston Wharves Limited

Notes to the Financial Statements
**31 December 2010**
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## 10. Income Tax Expense

Comprising income tax at 33⅓%:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** **$'000** | **2009** **$'000** | **2010** **$'000** | **2009** **$'000** |
| Current tax on profit for the year | 226,502 | 147,132 | 178,649 | 95,460 |
| Prior year over provision | - | (3,459) | - | - |
| Deferred income tax (Note 28) | 49,169 | (102,718) | 70,184 | (94,711) |
| | 275,671 | 40,955 | 248,833 | 749 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010** **$'000** | **2009** **$'000** | **2010** **$'000** | **2009** **$'000** |
| Profit before tax | 887,281 | 196,035 | 811,581 | 64,569 |
| Tax calculated at a tax rate of 33⅓% | 295,760 | 65,345 | 270,527 | 21,523 |
| Adjusted for the effects of: | | | | |
| Expenses not deductible for tax purposes | 2,211 | 1,039 | 2,211 | 911 |
| Special tax allowances | (10,451) | (16,448) | (10,451) | (16,448) |
| Prior year over provision | - | (3,459) | - | - |
| Over provision of deferred income tax assets | (14,517) | (4,912) | (14,517) | (4,912) |
| Other | 2,668 | (610) | 1,063 | (325) |
| Income tax expense | 275,671 | 40,955 | 248,833 | 749 |

Based on the results for the year adjusted for taxation, a subsidiary has no charge for taxation. Subject to the agreement of the Commissioner of Taxpayer Audit and Assessment, losses of approximately $2,586,000 (2009 - $2,554,000) are available for set off against future taxable profits of the subsidiary. These losses can be carried forward indefinitely.

## 11. Profit Attributable to Equity Holders of the Company

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| (a) Net profit is dealt with as follows in the financial statements of: | | |
| Holding company | 562,748 | 63,820 |
| Subsidiaries | 39,993 | 81,513 |
| | 602,741 | 145,333 |
| (b) Retained earnings are dealt with as follows in the financial statements of: | | |
| Holding company | 1,552,117 | 1,130,665 |
| Subsidiaries | 440,391 | 400,593 |
| | 1,992,508 | 1,531,258 |

## 12. Non-controlling Interest

The non-controlling interest is comprised as follows:

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| At beginning of year | 42,600 | 32,853 |
| Share of net profit of subsidiary | 8,869 | 9,747 |
| | 51,469 | 42,600 |

## 13. Earnings Per Stock Unit

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

| | 2010 | 2009 |
|---|---|---|
| Net profit attributable to equity holders of the company ($'000) | 602,741 | 145,333 |
| Weighted average number of ordinary stock units in issue (thousands) | 1,072,650 | 1,072,650 |
| Basic earnings per stock unit | $0.56 | $0.14 |

## 14. Dividends

Dividends were as follows:

(a) On 4 June 2010, the company declared a dividend of 3 cents per stock unit to registered holders on record as at 16 June 2010.

(b) On 7 December 2010, the company declared a dividend of 9 cents per stock unit to registered holders on record as at 15 December 2010.

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Ordinary dividends, gross 12 cents (2009 – Nil) | 128,717 | - |

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## 15. Property, Plant and Equipment

**The Group**

| | Freehold Land | Plant and Buildings | Machinery and Equipment | Cold Room and Air Conditioning Equipment | Furniture and Fixtures | Motor Vehicles | Work In Progress | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| | | | | **2010** | | | | |
| Cost or Valuation - | | | | | | | | |
| At 31 December 2009 | 2,693,657 | 7,473,901 | 1,080,482 | 262,451 | 273,683 | 83,006 | 75,191 | 11,942,371 |
| Additions | - | 148 | 5,042 | - | 5,195 | 4,470 | 96,317 | 111,172 |
| Transfers | 39,500 | 96,566 | 10,744 | - | 2,527 | - | (149,337) | - |
| Transfer to intangible asset (Note 16) | - | - | - | - | - | - | (6,288) | (6,288) |
| Disposals | - | (61) | (566) | - | (408) | (3,202) | - | (4,237) |
| At 31 December 2010 | 2,733,157 | 7,570,554 | 1,095,702 | 262,451 | 280,997 | 84,274 | 15,883 | 12,043,018 |
| Depreciation - | | | | | | | | |
| At 31 December 2009 | - | 1,016,681 | 336,953 | 202,069 | 185,294 | 44,973 | - | 1,785,970 |
| Charge for the year | - | 172,871 | 46,415 | 9,102 | 13,754 | 8,662 | - | 250,804 |
| Relieved on disposals | - | - | (352) | - | (275) | (3,032) | - | (3,659) |
| At 31 December 2010 | - | 1,189,552 | 383,016 | 211,171 | 198,773 | 50,603 | - | 2,033,115 |
| Net Book Value - | | | | | | | | |
| At 31 December 2010 | 2,733,157 | 6,381,002 | 712,686 | 51,280 | 82,224 | 33,671 | 15,883 | 10,009,903 |
| | | | | **2009** | | | | |
| Cost or Valuation - | | | | | | | | |
| At 31 December 2008 | 2,693,657 | 7,341,018 | 1,060,944 | 262,451 | 271,706 | 81,643 | 89,102 | 11,800,521 |
| Additions | - | 114,973 | 5,229 | - | 2,077 | 1,363 | 18,308 | 141,950 |
| Transfers | - | 17,910 | 14,309 | - | - | - | (32,219) | - |
| Disposals | - | - | - | - | (100) | - | - | (100) |
| At 31 December 2009 | 2,693,657 | 7,473,901 | 1,080,482 | 262,451 | 273,683 | 83,006 | 75,191 | 11,942,371 |
| Depreciation - | | | | | | | | |
| At 31 December 2008 | - | 848,376 | 285,114 | 192,967 | 169,080 | 36,679 | - | 1,532,216 |
| Charge for the year | - | 168,305 | 51,839 | 9,102 | 16,260 | 8,294 | - | 253,800 |
| Relieved on disposals | - | - | - | - | (46) | - | - | (46) |
| At 31 December 2009 | - | 1,016,681 | 336,953 | 202,069 | 185,294 | 44,973 | - | 1,785,970 |
| Net Book Value - | | | | | | | | |
| At 31 December 2009 | 2,693,657 | 6,457,220 | 743,529 | 60,382 | 88,389 | 38,033 | 75,191 | 10,156,401 |

# Kingston Wharves Limited
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## 15. Property, Plant and Equipment (Continued)

**The Company**

| | Freehold Land | Plant and Buildings | Machinery and Equipment | Cold Room and Air Conditioning Equipment | Furniture and Fixtures | Motor Vehicles | Work in Progress | Total |
|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| | | | | **2010** | | | | |
| Cost or Valuation - | | | | | | | | |
| At 31 December 2009 | 1,742,657 | 5,147,642 | 1,059,484 | 18,682 | 263,711 | 71,395 | 69,850 | 8,373,421 |
| Additions | - | - | 3,427 | - | 3,690 | - | 96,317 | 103,434 |
| Transfers | 39,500 | 91,225 | 10,744 | - | 2,527 | - | (143,996) | - |
| Transfer to intangible asset (Note 16) | - | - | - | - | - | - | (6,288) | (6,288) |
| Disposal | - | - | - | - | - | (2,352) | - | (2,352) |
| At 31 December 2010 | 1,782,157 | 5,238,867 | 1,073,655 | 18,682 | 269,928 | 69,043 | 15,883 | 8,468,215 |
| Depreciation - | | | | | | | | |
| At 31 December 2009 | - | 496,716 | 325,548 | 5,104 | 178,800 | 37,442 | - | 1,043,610 |
| Charge for the year | - | 119,857 | 43,800 | 1,302 | 13,012 | 6,086 | - | 184,057 |
| On disposal | - | - | - | - | - | (2,352) | - | (2,352) |
| At 31 December 2010 | - | 616,573 | 369,348 | 6,406 | 191,812 | 41,176 | - | 1,225,315 |
| Net Book Value - | | | | | | | | |
| At 31 December 2010 | 1,782,157 | 4,622,294 | 704,307 | 12,276 | 78,116 | 27,867 | 15,883 | 7,242,900 |
| | | | | **2009** | | | | |
| Cost or Valuation - | | | | | | | | |
| At 31 December 2008 | 1,742,657 | 5,015,099 | 1,044,814 | 18,682 | 262,165 | 71,395 | 89,102 | 8,243,914 |
| Additions | - | 114,633 | 361 | - | 1,546 | - | 12,967 | 129,507 |
| Transfers | - | 17,910 | 14,309 | - | - | - | (32,219) | - |
| At 31 December 2009 | 1,742,657 | 5,147,642 | 1,059,484 | 18,682 | 263,711 | 71,395 | 69,850 | 8,373,421 |
| Depreciation - | | | | | | | | |
| At 31 December 2008 | - | 381,262 | 276,172 | 3,802 | 163,303 | 31,200 | - | 855,739 |
| Charge for the year | - | 115,454 | 49,376 | 1,302 | 15,497 | 6,242 | - | 187,871 |
| At 31 December 2009 | - | 496,716 | 325,548 | 5,104 | 178,800 | 37,442 | - | 1,043,610 |
| Net Book Value - | | | | | | | | |
| At 31 December 2009 | 1,742,657 | 4,650,926 | 733,936 | 13,578 | 84,911 | 33,953 | 69,850 | 7,329,811 |

# Kingston Wharves Limited

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## 15. Property, Plant and Equipment (Continued)

(a) Freehold land of the Group was revalued as at 31 December 2008 on the basis of open market value by D.C. Tavares and Finson Reality Limited, independent qualified valuators. The freehold plant and buildings of the Group were also revalued as at 31 December 2008 on the depreciated replacement cost basis which approximates fair value, 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 25).

(b) A fixed charge totalling US$26.6 million has been placed over the property, plant and equipment of the company as well as a mortgage totalling $300 million over premises located at Ashenheim Road and certain equipment in keeping with the terms of certain loan agreements (Note 27).

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

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Cost | 748,600 | 709,100 |
| Accumulated depreciation | (60,312) | (51,957) |
| Net book value | 688,288 | 657,143 |

## 16. Intangible Asset

| | Computer Software $'000 | Total $'000 |
|---|---|---|
| At Cost - | | |
| At 31 December 2008 and 31 December 2009 | - | - |
| Transfer from property, plant and equipment (Note 15) | 6,288 | 6,288 |
| At 31 December 2010 | 6,288 | 6,288 |
| Amortisation | | |
| At 31 December 2008 and 31 December 2009 | - | - |
| Amortisation charge for year | 1,258 | 1,258 |
| At 31 December 2010 | 1,258 | 1,258 |
| Net Book Value | | |
| 31 December 2010 | 5,030 | 5,030 |
| 31 December 2009 | - | - |

# Kingston Wharves Limited
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## 17. Investments in Subsidiaries

Investments in subsidiaries comprise:

| | 2010 $'000 | 2009 $'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 |

## 18. Recoverable from Special Reserve Fund

The Port Authority of Jamaica requires the company to allocate 16% of wharfage collected to a special reserve. This reserve, that 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 recoverable from the special reserve fund represents the amount spent in excess of the balance of the reserve and is recoverable from future collection of wharfage allocated to the reserve. A total of $15,964,000 (2009 - $13,687,000) was allocated to the reserve during the year.

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Balance at 1 January | 55,107 | 68,794 |
| Donations and security related costs | 1,000 | - |
| 16% of wharfage collections for year | (15,964) | (13,687) |
| Balance at 31 December | 40,143 | 55,107 |
| This comprises: | | |
| Special deferred expenditure | - | 11,137 |
| Donations and security related costs | 1,000 | - |
| Severance payments | 39,143 | 43,970 |
| | 40,143 | 55,107 |

Special deferred expenditure represented amounts recoverable from The Port Authority of Jamaica in relation to contributions in favour of a director.

The balance at 31 December represents the excess of amounts that are to be recovered from future wharfage collections. The current portion of this amount is not determined because wharfage revenues for 2011 are not known.

# Kingston Wharves Limited

Notes to the Financial Statements
**31 December 2010**
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## 19. Retirement Benefit Asset and Obligations

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Balance sheet (asset)/obligations for: | | |
| Pension benefits | (453,342) | (329,699) |
| Other post-employment benefits | 143,014 | 119,041 |
| Statement of comprehensive income for (Note 7): | | |
| Pension benefits | (101,907) | 3,835 |
| Other post-employment benefits | 30,412 | 38,830 |
| | (71,495) | 42,665 |

### (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 2010.

Additionally, the plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation being as at 31 December 2008 revealed that the scheme was adequately funded as at that date.

The Group, through a subsidiary, participates in a defined contributory pension scheme which was established in May 2001 and is open to security personnel and administrative personnel contracted to the subsidiary. The scheme is administered by trustees. The scheme is funded by employer's contribution of 5% as well as contractor mandatory contributions of 5% and members may also make voluntary contribution of up to 5% of their earnings, as recommended by independent actuaries. The plan is valued by independent actuaries triennially to determine the adequacy of funding. The latest such valuation being as at 31 December 2006 revealed that the scheme was adequately funded as at that date. The valuation as at 31 December 2009 is not yet finalised.

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

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Fair value of plan assets | (1,389,997) | (1,208,551) |
| Present value of funded obligations | 697,710 | 469,202 |
| | (692,287) | (739,349) |
| Unrecognised actuarial gains | 238,945 | 248,786 |
| Unrecognised amount due to limitation | - | 160,864 |
| Asset in the balance sheet | (453,342) | (329,699) |

# Kingston Wharves Limited
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## 19. Retirement Benefit Asset and Obligations (Continued)

### (a) Pension benefits (Continued)

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

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| At beginning of year | (329,699) | (312,355) |
| Amounts recognised in the statement of comprehensive income (Note 7) | (101,907) | 3,835 |
| Contributions paid | (21,736) | (21,179) |
| At end of year | (453,342) | (329,699) |

The amounts recognised in the statement of comprehensive income are as follows:

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Current service cost | 11,227 | 14,461 |
| Interest cost | 73,985 | 78,043 |
| Expected return on plan assets | (179,395) | (154,915) |
| Net actuarial gain recognised in year | 153,140 | (3,577) |
| Change in disallowed assets | (160,864) | 69,823 |
| Included in staff costs (Note 7) | (101,907) | 3,835 |

Of the total amount recognised in the statement of comprehensive income, $9,926,000 (2009 - $9,992,000) and a credit of $111,833,000 (2009 – $6,157,000) were included in the cost of sales and administration expenses, respectively.

The actual return on plan assets was $206,618,000 (2009 – $185,687,000).

Expected contributions to post-employment benefit plans for the year ending 31 December 2011 are $42,000,000.

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

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| At beginning of year | (1,208,551) | (1,042,669) |
| Expected return on plan assets | (179,395) | (154,915) |
| Actuarial gains | (27,223) | (30,772) |
| Contributions - total | (39,576) | (38,621) |
| Benefits paid | 64,748 | 58,426 |
| At end of year | (1,389,997) | (1,208,551) |

# Kingston Wharves Limited

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## 19. Retirement Benefit Asset and Obligations (Continued)

### (a) Pension benefits (Continued)

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

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| At beginning of year | 469,202 | 488,503 |
| Interest cost | 73,985 | 78,043 |
| Current service cost | 22,095 | 25,051 |
| Voluntary contributions | 6,972 | 6,852 |
| Benefits paid | (64,748) | (58,426) |
| Actuarial gains on obligations | 190,204 | (70,821) |
| At end of year | 697,710 | 469,202 |

The principal actuarial assumptions used were as follows:

| | 2010 | 2009 |
|---|---|---|
| Discount rate | 11% | 16% |
| Expected return on plan assets | 10% | 15% |
| Future salary increases | 7% | 12% |
| Future pension increases | 4% | 5% |

Plan assets are comprised as follows:

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | $'000 | % | $'000 | % |
| Quoted equities | 202,230 | 14.5 | 150,091 | 12.4 |
| Real estate | 72,216 | 5.2 | 72,216 | 6.0 |
| Government of Jamaica securities | 777,221 | 55.9 | 753,068 | 62.3 |
| Repurchase agreements | 124,792 | 9.0 | 58,377 | 4.8 |
| Leases | 34,913 | 2.5 | 31,429 | 2.6 |
| Other | 178,625 | 12.9 | 143,370 | 11.9 |
| | 1,389,997 | 100.0 | 1,208,551 | 100.0 |

The pension plan assets include ordinary stock units of the company with a fair value of $35,100,000 (2009 – $30,000,000).

# Kingston Wharves Limited
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## 19. Retirement Benefit Asset and Obligations (Continued)

### (a) Pension benefits (Continued)

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.

| | 2010 $'000 | 2009 $'000 | 2008 $'000 | 2007 $'000 | 2006 $'000 |
|---|---|---|---|---|---|
| As at 31 December | | | | | |
| Fair value of plan assets | (1,389,997) | (1,208,551) | (1,042,669) | (993,506) | (852,877) |
| Present value of defined benefit obligations | 697,710 | 469,202 | 488,503 | 493,807 | 472,473 |
| Surplus | (692,287) | (739,349) | (554,166) | (499,699) | (380,404) |
| Experience adjustments on plan assets | 27,223 | 30,772 | (80,551) | 28,212 | 74,875 |
| Experience adjustments on plan liabilities | (48,831) | (75,402) | 8,764 | (8,285) | 47,877 |

The average expected remaining working life of the employees is 13 years (2009 – 13 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 | 0.0 | 0.0 |
| 30 | 35 | 99 | 0.2 | 0.2 |
| 35 | 20 | 45 | 0.3 | 0.4 |
| 40 | 10 | 17 | 0.5 | 0.8 |
| 45 | 0 | 7 | 1.2 | 1.8 |
| 50 | 0 | 0 | 2.8 | 3.6 |
| 55 | 0 | 0 | 5.8 | 10.0 |

Mortality rate
Assumptions regarding future mortality experience are set based on advice, published statistics and experience. Post employment mortality for active members and mortality for pensioners are based on the PA(90) Tables for Pensioners (British mortality tables) with ages reduced by 6 years.

## 19. 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 parent company covers 100% of the premiums of both plans. However pensioners under the health plan have the option to pay an additional premium for single dependant or multiple dependants' coverage.

The method of accounting and the frequency of valuations for these plans are similar to those used for the pension scheme. In addition to the assumptions used for the pension scheme, the main actuarial assumption is a long term increase in health costs of 10% per year (2009 - 15%) for the insured group health plan. The insured group life plan assumes a salary rate increase of 7% per year (2009 – 12%).

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

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Present value of obligations | 171,370 | 140,464 |
| Unrecognised actuarial losses | (28,356) | (21,423) |
| Liability in the balance sheet | 143,014 | 119,041 |

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

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| At beginning of year | 119,041 | 86,289 |
| Amounts recognised in the statement of comprehensive income (Note 7) | 30,412 | 38,830 |
| Contributions paid | (6,439) | (6,078) |
| | 143,014 | 119,041 |

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

| | 2010<br>$'000 | 2009<br>$'000 |
|---|---|---|
| Present value at start of year | 140,464 | 159,279 |
| Interest cost | 23,035 | 26,301 |
| Current service cost | 6,727 | 8,140 |
| Benefits paid | (6,439) | (6,078) |
| Actuarial losses/(gains) on obligations | 7,583 | (47,178) |
| Present value at end of year | 171,370 | 140,464 |

## 19. Retirement Benefit Asset and Obligations (Continued)

### (b) Other post-employment benefits (Continued)

The amount recognised in the statement of comprehensive income is as follows:

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| Current service cost | 6,727 | 8,140 |
| Interest cost | 23,035 | 26,301 |
| Net actuarial losses recognised | 650 | 4,389 |
| Included in staff costs (Note 7) | 30,412 | 38,830 |

The total charge of $30,412,000 (2009 - $38,830,000) is 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 | 5,569 | 4,264 |
| Effect on the defined benefit obligation | 26,954 | 21,123 |

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

| | 2010 $'000 | 2009 $'000 | 2008 $'000 | 2007 $'000 | 2006 $'000 |
|---|---|---|---|---|---|
| As at 31 December | | | | | |
| Present value of obligations | 171,370 | 140,464 | 159,279 | 106,562 | 97,363 |
| Experience adjustments | (3,253) | 47,420 | (39,460) | 4,537 | 14,977 |

## 20. Inventories

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Refrigeration products | 22,425 | - | - | - |
| Refrigeration equipment | 2,678 | 2,844 | - | - |
| Fuel | 1,908 | 1,153 | 1,908 | 1,153 |
| Spares | 1,518 | 1,166 | 348 | 348 |
| | 28,529 | 5,163 | 2,256 | 1,501 |

# Kingston Wharves Limited
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## 21. 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 sales of services

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Subsidiaries | - | - | 25,835 | 22,848 |
| Companies controlled by directors/members or related by virtue of common directorships | 1,571,331 | 1,415,042 | 1,288,737 | 1,098,737 |
| | 1,571,331 | 1,415,042 | 1,314,572 | 1,121,585 |

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 | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Companies related by virtue of common directorships | 34,031 | 20,560 | 3,149 | 4,833 |

### (iii) Purchases of goods and services

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Subsidiaries | - | - | 51,742 | 34,373 |
| Companies controlled by directors/members or related by virtue of common directorships | 126,036 | 131,517 | 124,326 | 131,517 |
| | 126,036 | 131,517 | 176,068 | 165,890 |

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

### (iv) Interest paid

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Subsidiaries | - | - | 19,170 | 23,265 |

# Kingston Wharves Limited

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## 21. Related Party Transactions and Balances (Continued)

(b) Year-end balances with related parties arising from sales/purchases of services:

**(i) Due from related companies**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Subsidiaries | - | - | 1,359 | 1,464 |
| Companies controlled by directors/members or related by virtue of common directorships (Note 22) | 381,917 | 361,290 | 306,295 | 295,299 |
| | 381,917 | 361,290 | 307,654 | 296,763 |

**(ii) Due to related companies:**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Subsidiaries | - | - | 66,433 | 51,149 |
| Companies controlled by directors/members and related by virtue of common directorships (Note 29) | 20,920 | 58,690 | 20,920 | 58,690 |
| | 20,920 | 58,690 | 87,353 | 109,839 |

Included in the amount due to subsidiaries is $32,900,000 (2009 - $32,900,000), representing funds being held on deposit for a subsidiary (Note 23).

**(iii) Short term investments**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Companies related by virtue of common directorships | 368,099 | 201,681 | 199,741 | 60,366 |

These investments currently attract interest at rates between 3.75% and 7.50% per annum (2009 – 5% and 7%) and have an average maturity of ninety days (Note 23).

**(iv) Bank balances**

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Companies related by virtue of common directorships | 78,718 | 39,342 | 29,343 | 15,299 |

The bank balances with related parties comprise foreign currency savings accounts which currently attract interest of 1.2% (2009 – 1.7%) (Note 23).

# Kingston Wharves Limited

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## 21. Related Party Transactions and Balances (Continued)

(c) Key management compensation:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Salaries and other short term employee benefits | 56,528 | 43,962 | 40,928 | 28,820 |
| Payroll taxes – employer's contributions | 4,931 | 3,957 | 3,606 | 2,594 |
| Pension benefits | 4,445 | 4,230 | 3,539 | 2,882 |
| Other | 4,582 | 4,582 | 3,532 | 3,532 |
| | 70,486 | 56,731 | 51,605 | 37,828 |
| Directors' emoluments – | | | | |
| Fees | 8,243 | 6,298 | 8,051 | 6,250 |
| Management remuneration (included in salaries above) | 24,891 | 15,835 | 24,891 | 15,835 |

## 22. Trade and Other Receivables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Trade receivables | 468,335 | 419,727 | 361,738 | 321,035 |
| Less: Provision for impairment | (23,202) | (16,903) | (12,914) | (15,548) |
| | 445,133 | 402,824 | 348,824 | 305,487 |
| Other receivables | 35,768 | 81,455 | 17,426 | 28,146 |
| | 480,901 | 484,279 | 366,250 | 333,633 |

Trade receivables include amounts receivable from related parties totalling $381,917,000 (2009 - $361,290,000) for the Group and $306,295,000 (2009 - $295,299,000) for the company (Note 21).

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## 23. Cash and Cash Equivalents

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Short term investments | | 1,201,909 | 1,057,352 | 589,673 | 517,329 |
| Less: Investments held for subsidiary | 21 | - | - | (32,900) | (32,900) |
| Short term deposits included in cash and cash equivalents | | 1,201,909 | 1,057,352 | 556,773 | 484,429 |
| Cash and bank | | 80,769 | 62,781 | 32,059 | 38,314 |
| | | 1,282,678 | 1,120,133 | 588,832 | 522,743 |

The weighted average effective interest rate on short term investments was 3.96% per annum (2009 – 5.4%) for United States dollar denominated deposits and 7.96% (2009 – 11.7%) for Jamaican dollar deposits. These short term investments have an average maturity of 90 days.

Included in cash and bank are foreign currency saving accounts which currently attract interest of 1.2% (2009 – 1.7%).

Short term investments include amounts placed with related parties of $368,099,000 (2009 - $201,681,000) and $199,741,000 (2009 - $60,366,000) for the Group and company respectively (Note 21).

Cash and bank include amounts placed with related parties of $78,718,000 (2009 - $39,342,000) and $29,343,000 (2009 - $15,299,000) for the Group and company respectively (Note 21).

## 24. Share Capital

| | Number of Stock Units '000 | Ordinary Stock Units $'000 | Total $'000 |
|---|---|---|---|
| At 31 December 2009 | 1,072,650 | 291,648 | 291,648 |
| At 31 December 2010 | 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.

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

## 25. Capital Reserves

Capital reserves comprise:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'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 | 6,304,281 | 6,304,281 | 3,255,608 | 3,255,608 |
| Capitalisation of Asset Replacement Reserve (Note 26 (a)) | 243,865 | 231,286 | 243,865 | 231,286 |
| Capitalisation of Depreciation Reserve | 66 | 66 | 10 | 10 |
| Arising on consolidation | 3,419 | 3,419 | - | - |
| Deferred taxation | (1,306,311) | (1,306,311) | (624,905) | (624,905) |
| | 5,409,445 | 5,396,866 | 2,878,195 | 2,865,616 |

## 26. Asset Replacement/Rehabilitation and Depreciation Reserves

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

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

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

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

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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## 26. 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 26(c)).

During 2006, 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.

The balance of the reserves comprises:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Asset Replacement/Rehabilitation Reserve | - | - | - | - |
| Depreciation Reserve | 214,796 | 214,601 | 212,968 | 212,968 |
| | 214,796 | 214,601 | 212,968 | 212,968 |

The movement in each category of reserves was as follows:

### (a) Asset Replacement/Rehabilitation Reserve

| | 2010 $'000 | 2009 $'000 |
|---|---|---|
| At beginning of year | | - |
| Transfers from statement of comprehensive income during the year | 12,579 | 12,579 |
| Transfer to capital reserves - utilised for capital expansion (Note 25) | (12,579) | (12,579) |
| At end of year | - | - |

### (b) Depreciation Reserve

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| At beginning of year | 214,601 | 208,588 | 212,968 | 207,252 |
| Transfer from retained earnings (net interest) | 195 | 6,013 | - | 5,716 |
| At end of year | 214,796 | 214,601 | 212,968 | 212,968 |

## 26. 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 $1,319,377,000 (2009 - $1,183,337,000) and $1,315,654,000 (2009 - $1,179,891,000) for the company.

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010<br>$'000 | 2009<br>$'000 | 2010<br>$'000 | 2009<br>$'000 |
| Depreciation reserve | 214,601 | 214,601 | 212,968 | 212,968 |
| Accumulated historical cost depreciation | 1,319,377 | 1,183,337 | 1,315,654 | 1,179,891 |
| Less: Approved disbursements | (387) | (387) | (52) | (52) |
| | 1,533,591 | 1,397,551 | 1,528,570 | 1,392,807 |
| Add: Capitalisation of Asset Replacement/Rehabilitation Reserve | 9,424 | 9,424 | 9,424 | 9,424 |
| Less: Advance from Depreciation Fund approved by The Port Authority of Jamaica | (274,135) | (274,135) | (274,135) | (274,135) |
| Less: Portion of advance from Asset Replacement/Rehabilitation Fund approved by The Port Authority of Jamaica | (1,268,880) | (1,132,840) | (1,263,859) | (1,128,096) |
| | - | - | - | - |

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**27. Borrowings**

Borrowings comprise long term loans as follows:

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'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 | - | - | 99,368 | 124,568 |
| (d) | Development Bank of Jamaica/First Global Bank Limited | 281,192 | 300,000 | 281,192 | 300,000 |
| (e) | Development Bank of Jamaica/ FirstCaribbean International Bank (Jamaica) Limited | 9,974 | 24,608 | 9,974 | 24,608 |
| (f) | Development Bank of Jamaica/FirstCaribbean International Bank (Jamaica) Limited | 22,191 | 26,779 | 22,191 | 26,779 |
| (g) | FirstCaribbean International Bank (Jamaica) Limited | 343,882 | 461,419 | 343,882 | 461,419 |
| (h) | FirstCaribbean International Bank (Jamaica) Limited | 44,718 | 77,407 | 44,718 | 77,407 |
| (i) | FirstCaribbean International Bank (Jamaica) Limited | 54,388 | 109,051 | 54,388 | 109,051 |
| (j) | FirstCaribbean International Bank (Jamaica) Limited | 1,703,144 | 2,005,080 | 1,703,144 | 2,005,080 |
| | | 2,462,422 | 3,007,277 | 2,560,337 | 3,130,392 |
| | Less: Current portion | (458,678) | (431,274) | (483,878) | (456,474) |
| | | 2,003,744 | 2,576,003 | 2,076,459 | 2,673,918 |

(a) These loans, which are interest free and unsecured, were obtained to build a 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 represents a $194 million draw down on a $200 million loan facility. The loan is unsecured and attracts interest at 13%. The principal is repayable over a seven-year period with a one year moratorium on principal repayment. Repayment commenced in 2007.

(d) This represents a loan granted by the Development Bank of Jamaica through First Global Bank Limited for the company's capital expenditure program. The interest rate is fixed at 11.85% per annum for the life of the loan. There is a two year moratorium on principal repayments, thereafter, payments are to be amortised over sixty months at $6,651,000 per month. Repayments began in August 2010.

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**27. Borrowings (Continued)**

(e) This represents a loan granted by the Development Bank of Jamaica through FirstCaribbean International Bank (Jamaica) Limited. Interest is set at the Development Bank of Jamaica's lending rate plus 2.5% per annum. The principal is repayable in thirty-one equal monthly consecutive instalments of $1,220,000 plus interest with one final payment of principal of $218,000 plus interest. Last payment is due October 2011.

(f) This represents a loan of $32 million granted by the Development Bank of Jamaica through FirstCaribbean International Bank (Jamaica) Limited. Interest rate is fixed at 11.85% per annum. The principal is repayable in eighty-three monthly instalments of $382,300.

(g) This represents a credit facility through FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. Interest is computed based on US six-month LIBOR plus 2.75% per year, revised to LIBOR plus 4.5% during the year. The loan will be repaid over forty equal monthly installments of US$95,000 per month, plus one final payment of US$2,483,000. Principal payments plus interest are to commence thirty days after date of final drawdown on the facility. Last payment is due May 2012.

(h) This represents a US$2.4 million loan through FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. Interest is computed based on US six-month LIBOR plus 2.75% per year, revised to LIBOR plus 4.5% during the year. The loan is to be repaid by way of forty two equal monthly principal payments of US$29,000.The last payment is due June 2012.

(i) This represents a US$3.5 million loan facility through FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. Interest is computed based on US six-month LIBOR plus 2.75% per year, revised to LIBOR plus 4.5% during the year. The loan is to be repaid by way of forty one equal monthly principal payments of US$49,000 plus interest. Repayments commenced February 2006.

(j) This represents a credit facility of US$26.6 million through FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. Interest is computed based on US six-month LIBOR plus 2.75%, revised to LIBOR plus 4.5% during the year. The loan principal is payable by fifty nine monthly payments of US$211,000. On December 01, 2013 the principal balance of US$12,666,666.74 will either be paid in full or alternately rolled for a further period under mutual consent.

The loan facility with First Global Bank Limited (d) above is secured by a mortgage over property located at 1 Ashenheim Road and a bill of sale over certain pieces of machinery. Security for the loan facilities with FirstCaribbean Bank (Jamaica) Limited (e)-(j) above, is a registered demand debenture providing fixed and floating charges over the company's fixed and floating assets stamped to cover US$ 26.6 million (Note 15).

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## 28. Deferred Income Tax

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Balance sheet (assets)/liabilities for: | | | | |
| Deferred income tax assets | (1,560) | (1,363) | - | - |
| Deferred income tax liabilities | 1,316,140 | 1,266,774 | 716,965 | 646,781 |
| Net deferred income tax liabilities | 1,314,580 | 1,265,411 | 716,965 | 646,781 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Net liabilities at beginning of year | 1,265,411 | 1,368,129 | 646,781 | 741,492 |
| Statement of comprehensive income (Note 10) | 49,169 | (102,718) | 70,184 | (94,711) |
| Net liabilities at end of year | 1,314,580 | 1,265,411 | 716,965 | 646,781 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2010 $'000** | **2009 $'000** | **2010 $'000** | **2009 $'000** |
| Deferred income tax assets - | | | | |
| Vacation leave accrual | 7,480 | 5,628 | 5,971 | 4,000 |
| Other payables | 534 | 661 | - | - |
| Employee benefit obligations | 47,672 | 39,680 | 47,672 | 39,680 |
| Unrealised foreign exchange losses | 147,608 | 198,154 | 147,614 | 197,641 |
| Tax losses | 862 | 851 | - | - |
| Interest payable | 7,156 | 5,661 | 7,156 | 5,661 |
| Property, plant and equipment | 495 | 449 | - | - |
| | 211,807 | 251,084 | 208,413 | 246,982 |
| Deferred income tax liabilities - | | | | |
| Property, plant and equipment | 1,364,902 | 1,389,248 | 773,639 | 782,659 |
| Interest receivable | 10,371 | 17,347 | 625 | 1,204 |
| Retirement benefit asset | 151,114 | 109,900 | 151,114 | 109,900 |
| | 1,526,387 | 1,516,495 | 925,378 | 893,763 |
| Net deferred income tax liabilities | 1,314,580 | 1,265,411 | 716,965 | 646,781 |

# Kingston Wharves Limited
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## 28. Deferred Income Tax (Continued)

The deferred tax credit in the statement of comprehensive income comprises the following temporary differences:

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Vacation leave accrual | (1,852) | 16 | (1,971) | - |
| Other payables | 127 | (134) | - | - |
| Employee benefit obligations | (7,992) | (10,917) | (7,992) | (10,917) |
| Unrealised foreign exchange losses | 50,545 | (91,548) | 50,026 | (91,035) |
| Tax losses | (11) | 1,169 | - | - |
| Interest payable | (1,495) | (1,768) | (1,495) | (1,768) |
| Property, plant and equipment | (24,391) | (13,518) | (9,019) | 4,335 |
| Interest receivable | (6,977) | 8,200 | (580) | (1,108) |
| Retirement benefit asset | 41,215 | 5,782 | 41,215 | 5,782 |
| | 49,169 | (102,718) | 70,184 | (94,711) |

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 | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Deferred income tax assets to be recovered - | | | | |
| After more than 12 months | 196,637 | 239,134 | 195,286 | 237,321 |
| Deferred income tax liabilities to be extinguished - | | | | |
| After more than 12 months | 1,516,016 | 1,499,148 | 924,753 | 892,559 |

## 29. Trade and Other Payables

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2010 $'000 | 2009 $'000 | 2010 $'000 | 2009 $'000 |
| Trade payables | 75,559 | 63,331 | 63,852 | 49,885 |
| Other payables and accruals | 273,508 | 185,388 | 242,019 | 147,689 |
| | 349,067 | 248,719 | 305,871 | 197,574 |

Trade and other payables include amounts payable to related parties totalling $20,920,000 (2009 - $58,690,000) for the Group and the company (Note 21).

## 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.

A claim has been made by a former employee of a subsidiary for damages totalling $10.9 million for wrongful dismissal. The matter has been set for trial however no provision has been made in these financial statements, as the outcome cannot be ascertained at this time.

## 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. The carrying values of financial assets and liabilities with a maturity of less than one year are estimated to approximate their fair values due to the short term maturity of these instruments. 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.