



Kingston Wharves Limited

**Financial Statements
31 December 2011**

Kingston Wharves Limited

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Independent Auditor's Report

To the Members of
Kingston Wharves Limited

Report on the Consolidated and Company Stand Alone Financial Statements

We have audited the accompanying consolidated financial statements of Kingston Wharves Limited and its subsidiaries, set out on pages 1 to 61, which comprise the consolidated balance sheet as at 31 December 2011 and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and the accompanying financial statements of Kingston Wharves Limited standing alone, which comprise the balance sheet as at 31 December 2011 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated and Company Stand Alone Financial Statements

Management is responsible for the preparation of consolidated and company stand alone financial statements that give a true and fair view in accordance with International Financial Reporting Standards and with the requirements of the Jamaican Companies Act, and for such internal control as management determines is necessary to enable the preparation of consolidated and company stand alone financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated and company stand alone 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 about whether the consolidated and company stand alone financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated and company stand alone financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated and company stand alone financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated and company stand alone financial statements that give a true and fair view 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 consolidated and company stand alone financial statements.

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

PricewaterhouseCoopers, Scotiabank Centre, Duke Street, Box 372, Kingston, Jamaica
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Opinion

In our opinion, the consolidated financial statements of Kingston Wharves Limited and its subsidiaries, and the financial statements of Kingston Wharves Limited standing alone give a true and fair view of the financial position of the group and the company as at 31 December 2011 and of their financial performance and cash flows for the year then ended, so far as concerns the members of Kingston Wharves Limited, 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 Jamaican Companies Act, in the manner so required.

PricewaterhouseCoopers
Chartered Accountants
4 April 2012
Kingston, Jamaica

Kingston Wharves Limited

Group Statement of Comprehensive Income

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
Revenue		3,168,802	3,025,883
Direct costs		<u>(1,935,733)</u>	<u>(1,592,450)</u>
Gross Profit		1,233,069	1,433,433
Other operating income	8	93,373	70,417
Administration expenses		<u>(685,678)</u>	<u>(582,127)</u>
Operating Profit		640,764	921,723
Finance costs	9	<u>(173,465)</u>	<u>(34,442)</u>
Profit before Income Tax		467,299	887,281
Income tax expense	10	<u>(122,287)</u>	<u>(275,671)</u>
Net Profit for Year		<u>345,012</u>	<u>611,610</u>
Other Comprehensive Income			
Surplus recognised on revaluation of property, plant and equipment		1,732,373	-
Deferred tax effect on other comprehensive income	29	<u>(438,041)</u>	<u>-</u>
Other Comprehensive Income for Year net of Tax		<u>1,294,332</u>	<u>-</u>
Total Comprehensive Income for Year		<u>1,639,344</u>	<u>611,610</u>
Net Profit Attributable to:			
Equity holders of the company	11	337,604	602,741
Non-controlling interest	12	<u>7,408</u>	<u>8,869</u>
		<u>345,012</u>	<u>611,610</u>
Total Comprehensive Income Attributable to:			
Equity holders of the company		1,631,936	602,741
Non-controlling interest	12	<u>7,408</u>	<u>8,869</u>
		<u>1,639,344</u>	<u>611,610</u>
Earnings per stock unit for profit attributable to the equity holders of the company during the year	13	<u>\$0.31</u>	<u>\$0.56</u>

Kingston Wharves Limited

Group Balance Sheet

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	12,116,385	10,009,903
Intangible asset	16	3,773	5,030
Recoverable from The Port Authority of Jamaica	18	23,187	40,143
Deferred income tax assets	29	1,128	1,560
Retirement benefit asset	19	526,360	453,342
		<u>12,670,833</u>	<u>10,509,978</u>
Current Assets			
Inventories	20	23,275	28,529
Trade and other receivables	22	480,894	480,901
Taxation recoverable		64,750	14,963
Short term investments	23	1,033,894	1,201,909
Cash and bank	23	42,761	80,769
		<u>1,645,574</u>	<u>1,807,071</u>
Total assets		<u><u>14,316,407</u></u>	<u><u>12,317,049</u></u>

Kingston Wharves Limited

Group Balance Sheet (Continued)

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
EQUITY			
Stockholders' Equity			
(attributable to equity holders of the company)			
Share capital	24	291,648	291,648
Capital reserves	25	6,716,356	5,409,445
Asset replacement/rehabilitation and depreciation reserves	26	214,796	214,796
Retained earnings		<u>2,285,354</u>	<u>1,992,508</u>
		9,508,154	7,908,397
Non-controlling interest	12	<u>45,544</u>	<u>51,469</u>
		<u>9,553,698</u>	<u>7,959,866</u>
LIABILITIES			
Non-current Liabilities			
Borrowings	27	1,953,538	2,003,744
Deferred income tax liabilities	29	1,800,699	1,316,140
Retirement benefit obligations	19	<u>163,893</u>	<u>143,014</u>
		<u>3,918,130</u>	<u>3,462,898</u>
Current Liabilities			
Trade and other payables	30	395,262	349,067
Taxation		-	86,540
Borrowings	27	<u>449,317</u>	<u>458,678</u>
		<u>844,579</u>	<u>894,285</u>
Total equity and liabilities		<u>14,316,407</u>	<u>12,317,049</u>

Approved for issue by the Board of Directors on 4 April 2012 and signed on its behalf by:


Grantley Stephenson Chairman and CEO


Alvin Henry Director

Kingston Wharves Limited

Group Statement of Changes in Equity

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Attributable to equity holders of the company					Non-	Total	
	Note	Share	Capital	Asset	Retained	controlling	Equity	
		Capital	Reserves	Replacement/ Rehabilitation and Depreciation Reserves	Earnings	Interest		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
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
Total comprehensive income for the year		-	1,294,332	-	337,604	1,631,936	7,408	1,639,344
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	-	-	-	(32,179)	(32,179)	(13,333)	(45,512)
Balance at 31 December 2011		291,648	6,716,356	214,796	2,285,354	9,508,154	45,544	9,553,698

Kingston Wharves Limited

Group Statement of Cash Flows

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Net profit		345,012	611,610
Adjustments for:			
Amortisation	16	1,257	1,258
Depreciation	15	262,561	250,804
Foreign exchange adjustment on loans		18,238	(104,597)
Loss/(gain) on disposal of property, plant and equipment		121	(669)
Retirement benefit asset		(73,018)	(123,643)
Retirement benefit obligations		20,879	23,973
Interest income	8	(65,623)	(86,624)
Interest expense	9	155,227	139,039
Taxation	10	122,287	275,671
		<u>786,941</u>	<u>986,822</u>
Changes in operating assets and liabilities:			
Inventories		5,254	(23,366)
Trade and other receivables		3,507	16,642
Trade and other payables		109,221	239
Recoverable from The Port Authority of Jamaica		16,956	14,964
Cash provided by operations		<u>921,879</u>	<u>995,301</u>
Tax paid		<u>(211,664)</u>	<u>(188,286)</u>
Net cash provided by operating activities		<u>710,215</u>	<u>807,015</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(638,022)	(111,172)
Proceeds from sale of property, plant and equipment		1,231	1,247
Interest received		<u>59,182</u>	<u>91,859</u>
Net cash used in investing activities		<u>(577,609)</u>	<u>(18,066)</u>
Cash flows from financing activities			
Dividends paid to equity holders of the company		(95,562)	(28,608)
Dividends paid to non-controlling interest		(13,333)	-
Interest paid		(154,870)	(139,039)
Loans received		469,766	-
Loans repaid		<u>(559,751)</u>	<u>(440,258)</u>
Net cash used in financing activities		<u>(353,750)</u>	<u>(607,905)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(221,144)</u>	<u>181,044</u>
Net cash and cash equivalents at beginning of year		1,282,678	1,120,133
Exchange adjustment on foreign currency cash and cash equivalents		<u>2,941</u>	<u>(18,499)</u>
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	23	<u><u>1,064,475</u></u>	<u><u>1,282,678</u></u>

Kingston Wharves Limited

Company Statement of Comprehensive Income

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
Revenue		2,503,034	2,440,644
Direct expenses		<u>(1,444,962)</u>	<u>(1,196,430)</u>
Gross Profit		1,058,072	1,244,214
Other operating income	8	225,550	26,869
Administration expenses		<u>(513,522)</u>	<u>(405,964)</u>
Operating Profit		770,100	865,119
Finance costs	9	<u>(188,299)</u>	<u>(53,538)</u>
Profit before Income Tax		581,801	811,581
Income tax expense	10	<u>(105,397)</u>	<u>(248,833)</u>
Net Profit for the Year		<u>476,404</u>	<u>562,748</u>
Other Comprehensive Income			
Surplus recognised on revaluation of property, plant and equipment		1,134,243	-
Deferred tax effect on other comprehensive income	29	<u>(284,887)</u>	<u>-</u>
Other Comprehensive Income for Year net of Tax		<u>849,356</u>	<u>-</u>
Total Comprehensive Income for Year		<u><u>1,325,760</u></u>	<u><u>562,748</u></u>

Kingston Wharves Limited

Company Balance Sheet

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
ASSETS			
Non-current Assets			
Property, plant and equipment	15	8,813,594	7,242,900
Intangible asset	16	3,773	5,030
Investments in subsidiaries	17	75,731	75,731
Recoverable from The Port Authority of Jamaica	18	23,187	40,143
Retirement benefit asset	19	526,360	453,342
		<u>9,442,645</u>	<u>7,817,146</u>
Current Assets			
Inventories	20	13,994	2,256
Trade and other receivables	22	306,296	366,250
Group companies	21	66,064	1,359
Taxation recoverable		50,828	-
Short term investments	23	435,182	589,673
Cash and bank	23	15,142	32,059
		<u>887,506</u>	<u>991,597</u>
Total assets		<u>10,330,151</u>	<u>8,808,743</u>

Kingston Wharves Limited

Company Balance Sheet (Continued)

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
EQUITY			
Stockholders' Equity			
Share capital	24	291,648	291,648
Capital reserves	25	3,740,130	2,878,195
Asset replacement/rehabilitation and depreciation reserves	26	212,968	212,968
Retained earnings		1,983,763	1,552,117
		<u>6,228,509</u>	<u>4,934,928</u>
LIABILITIES			
Non-current Liabilities			
Borrowings	27	2,001,054	2,076,459
Deferred income tax liabilities	29	1,064,739	716,965
Retirement benefit obligations	19	163,893	143,014
		<u>3,229,686</u>	<u>2,936,438</u>
Current Liabilities			
Trade and other payables	30	331,330	305,871
Group companies	21	66,109	66,433
Taxation payable		-	81,195
Borrowings	27	474,517	483,878
		<u>871,956</u>	<u>937,377</u>
Total equity and liabilities		<u>10,330,151</u>	<u>8,808,743</u>

Approved for issue by the Board of Directors on 4 April 2012 and signed on its behalf by:



 Grantley Stephenson Chairman and CEO



 Alvin Henry Director

Kingston Wharves Limited

Company Statement of Changes in Equity

Year ended 31 December 2011

(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 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 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
Total comprehensive income for the year		-	849,356	-	476,404	1,325,760
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	-	-	-	(32,179)	(32,179)
Balance at 31 December 2011		291,648	3,740,130	212,968	1,983,763	6,228,509

Kingston Wharves Limited

Company Statement of Cash Flows

Year ended 31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Net profit		476,404	562,748
Adjustments for:			
Amortisation	16	1,257	1,258
Depreciation	15	193,238	184,057
Foreign exchange adjustment on long term loans		18,238	(104,597)
Gain on disposal of property, plant and equipment		(24)	(421)
Retirement benefit asset		(73,018)	(123,643)
Retirement benefit obligations		20,879	23,973
Interest income	8	(25,235)	(22,441)
Interest expense	9	170,061	158,135
Taxation	10	105,397	248,833
		<u>887,197</u>	<u>927,902</u>
Changes in operating assets and liabilities:			
Inventories		(11,738)	(755)
Group companies		(68,523)	10,904
Trade and other receivables		57,643	(17,301)
Trade and other payables		88,485	8,188
Recoverable from The Port Authority of Jamaica		16,956	14,964
Cash provided by operations		<u>970,020</u>	<u>943,902</u>
Tax paid		<u>(174,533)</u>	<u>(134,209)</u>
Net cash provided by operating activities		<u>795,487</u>	<u>809,693</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(629,689)	(103,434)
Proceeds from sale of property, plant and equipment		24	421
Interest received		24,917	24,180
Net cash used in investing activities		<u>(604,748)</u>	<u>(78,833)</u>
Cash flows from financing activities			
Dividends paid to equity holders of the company		(95,562)	(28,608)
Interest paid		(166,210)	(153,650)
Loans received		469,766	-
Loans repaid		<u>(584,950)</u>	<u>(465,458)</u>
Net cash used in financing activities		<u>(376,956)</u>	<u>(647,716)</u>
Net (decrease)/increase in cash and cash equivalents		(186,217)	83,144
Net cash and cash equivalents at beginning of year		588,832	522,743
Exchange adjustment on foreign currency cash and cash equivalents		2,629	(17,055)
NET CASH AND CASH EQUIVALENTS AT END OF YEAR	23	<u><u>405,244</u></u>	<u><u>588,832</u></u>

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

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 and comply with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention as modified by the revaluation of certain items 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 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 which have impacted the Group's accounting policies and/or financial disclosures. 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. The pronouncements were effective from 1 January 2011, unless otherwise indicated.

- **IAS 1 (Amendment), 'Presentation of financial statements'**

This amendment requires retrospective application. The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The Group and company have elected to continue the analysis of other comprehensive income in the statement of changes in equity.

- **IAS 24 (Revised), 'Related party disclosures'**

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 adoption of this standard did not have a significant impact on the Group's and company's related party disclosures.

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(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)

- **IAS 34, 'Interim financial reporting'**

Retrospective application required. This amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around the circumstances likely to affect fair values of financial instruments and their classification, transfers of financial instruments between different levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. The amendment did not result in any changes to the disclosures in the financial statements.

- **IFRS 7, 'Financial Instruments'**

This amendment clarifies the disclosure requirement by emphasising the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. The amendment did not result in any changes to the disclosures in the financial statements.

- **Amendment to IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'**

The amendment corrects an unintended consequence arising from the treatment of pre-payments where there is a minimum funding requirement. The change results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. There was no significant impact on the Group or the parent entity's financial statements.

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

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 after 1 January 2011 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.

- **IAS 1 (Amendment), 'Presentation of financial statements'** (effective for annual periods beginning on or after 1 July 2012). The amendment requires an entity to group items presented in other comprehensive income on the basis of whether they are subsequently potentially reclassifiable to profit or loss (reclassification adjustments). The amendments to IAS 1 do not address which items are presented in other comprehensive income. The adoption of this amendment is not expected to have a significant impact on the Group's financial statements.
- **IAS 12 (Amendment), 'Income taxes'** (effective for annual periods beginning on or after 1 January 2012). The amendment requires an entity to measure deferred taxes relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. For assets measured using the fair value model in IAS 40, 'Investment properties', it is often difficult and subjective to assess whether recovery will be through use or through sale. The adoption of this amendment is not expected to have a significant impact on the Group's financial statements.

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(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 (continued)

- **IAS 19, 'Employee benefits'** (effective for annual periods beginning on or after 1 January 2013). This amendment eliminates the corridor approach and recognises all actuarial gains and losses in other comprehensive income (OCI) as they occur. All past service costs will be recognised immediately and interest costs and expected return on plan assets will be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit asset or liability. The Group is yet to assess the full impact of this amendment.
- **IAS 28 (Revised), 'Investments in Associates and Joint Ventures'**, (effective for annual periods beginning on or after 1 January 2013). IAS 28 (Revised) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11. This standard is not expected to have a significant impact on the Group's financial statements.
- **IFRS 9, 'Financial instruments'** part 1: Classification and measurement (effective for annual periods beginning on or after 1 January 2015). The standard introduces new requirements for the classification, measurement and recognition of financial assets and financial liabilities, in order to ensure that relevant and useful information is presented to users of financial statements. It replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. The determination of classification will be made at initial recognition, and depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

While adoption of IFRS 9 is mandatory from 1 January 2015, earlier adoption is permitted for financial assets without adopting the requirements for financial liabilities. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

- **IFRS 10, 'Consolidated financial statements'** (effective for annual periods beginning on or after 1 January 2013). The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. It defines the principle of control, and establishes controls as the basis for consolidation. It is not expected that the adoption of this standard will have a significant impact on the Group.
- **IFRS 12, 'Disclosures of interests in other entities'** (effective for annual periods beginning on or after 1 January 2013) includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles. The standard will likely result in expanded disclosure in the financial statements.
- **IFRS 13, 'Fair value measurement'** (effective for annual periods beginning on or after 1 January 2013). IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards, for both financial instruments and non-financial instruments. IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures; it does not say when to measure fair value or require additional fair value measurements. In general, the disclosure requirements of IFRS 13 are more extensive than those required in current standards. Management is assessing the impact of adoption on the Group.

Kingston Wharves Limited

Notes to the Financial Statements

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(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. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc. 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 Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition- by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Kingston Wharves Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (continued)

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

Subsidiaries	Principal Activities	Holding	Financial Year End
<u>Trading</u>			
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
<u>Non-Trading</u>			
Kingston Terminal Operators Limited		100%	31 December
Sub-Subsidiaries			
Jamaica Cooling Stores Limited	Non-Trading	100%	31 December
Security Administrators Specialist Services Limited	Security services	66 ⅔%	31 December

Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of 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.

(c) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services in the ordinary course of the Group's activities. Revenue is shown net of General Consumption Tax, 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.

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

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(expressed in Jamaican dollars unless otherwise indicated)

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 profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as capital reserves in stockholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against capital reserves directly in equity; all other decreases are charged to the income statement.

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 profit or loss. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Kingston Wharves Limited

Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(e) Intangible asset

Separately acquired computer software licences are shown at historical cost less subsequent amortisation. 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.

(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 presentation currency and the functional currency of all the entities in the Group.

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 profit or loss.

(h) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer who makes strategic decisions as it relates to operations.

(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.

Kingston Wharves Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(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 profit and loss 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 profit or loss.

(k) Employee benefits

Pension obligations

The Group operates 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.

A subsidiary also participates in a defined contribution plan whereby it pays contributions to a privately administered fund. Once the contributions have been paid, the subsidiary has no further payment obligations. The regular contributions constitute net periodic costs for the year in which they are due and are included in staff costs.

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

2. Summary of Significant Accounting Policies (Continued)

(k) Employee benefits (continued)

Other retirement obligations

The Group provides retirement 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.

(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 net of bank overdrafts.

(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, 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.

Kingston Wharves Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(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 profit and loss on a straight-line basis over the period of the lease.

(r) 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 profit and loss 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.

(s) 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.

(t) 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 profit or loss in the statement of comprehensive income, except where it relates to items charged or credited to other comprehensive income or 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.

Kingston Wharves Limited

Notes to the Financial Statements

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2. Summary of Significant Accounting Policies (Continued)

(u) Financial instruments

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

Financial assets

The Group classifies its financial assets as loans and receivables. 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 are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets and comprise recoverable from The Port Authority of Jamaica in the balance sheet. Loans and receivables included in current assets comprise trade and other receivables, group balances, cash and short-term investments in the balance sheet.

Financial liabilities

The Group's financial liabilities are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest method. They are included as trade and other payables, group company balances, bank overdrafts 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 and cash flow interest rate 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. For the Group, market risk includes currency risk and interest rate risk.

Kingston Wharves Limited

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3. Financial Risk Management (Continued)

(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.

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 2011, trade receivables of \$236,011,000 (2010 - \$229,515,000) for the Group and \$157,023,000 (2010 - \$169,863,000) 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
31 - 60 days	126,151	125,160	94,456	102,012
Over 60 days	109,860	104,355	62,567	67,851
	<u>236,011</u>	<u>229,515</u>	<u>157,023</u>	<u>169,863</u>

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

As of 31 December 2011, trade receivables of \$9,385,000 (2010 - \$23,202,000) and \$7,914,000 (2010 - \$12,914,000) 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
31 - 60 days	-	1,180	-	-
Over 60 days	9,385	22,022	7,914	12,914
	<u>9,385</u>	<u>23,202</u>	<u>7,914</u>	<u>12,914</u>

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

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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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At 1 January	23,202	16,903	12,914	15,548
Provision for impairment	7,576	22,832	7,051	13,662
Receivables written off during the year as uncollectible	(1,314)	(15,785)	-	(15,548)
Amounts recovered/reversed	(20,079)	(748)	(12,051)	(748)
At 31 December	<u>9,385</u>	<u>23,202</u>	<u>7,914</u>	<u>12,914</u>

The creation and release of provision for impaired receivables have been included in expenses in profit or loss 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Top ten customers	419,189	432,369	279,291	334,739
Other	36,854	35,966	15,941	26,999
	456,043	468,335	295,232	361,738
Less: Provision for impairment	(9,385)	(23,202)	(7,914)	(12,914)
	<u>446,658</u>	<u>445,133</u>	<u>287,318</u>	<u>348,824</u>

(ii) Short term investments

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

Kingston Wharves Limited

Notes to the Financial Statements

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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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(expressed in Jamaican dollars unless otherwise indicated)

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 at contractual maturity dates.

	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
	2011					
Long term loans	55,692	102,659	446,933	1,839,751	496,120	2,941,155
Trade and other payables	389,620	4,527	1,115	-	-	395,262
Bank overdrafts	12,180	-	-	-	-	12,180
Total financial liabilities	457,492	107,186	448,048	1,839,751	496,120	3,348,597
	2010					
Long term loans	50,491	99,637	438,994	2,187,277	2,933	2,779,332
Trade and other payables	333,875	7,548	6,151	1,493	-	349,067
Total financial liabilities	384,366	107,185	445,145	2,188,770	2,933	3,128,399
	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
	2011					
Long term loans	58,610	108,349	471,655	1,897,258	494,669	3,030,541
Trade and other payables	331,330	-	-	-	-	331,330
Group companies	66,109	-	-	-	-	66,109
Bank overdrafts	12,180	-	-	-	-	12,180
Total financial liabilities	468,229	108,349	471,655	1,897,258	494,669	3,440,160
	2010					
Long term loans	53,685	105,851	466,155	2,276,371	1,480	2,903,542
Trade and other payables	305,871	-	-	-	-	305,871
Group companies	66,433	-	-	-	-	66,433
Total financial liabilities	425,989	105,851	466,155	2,276,371	1,480	3,275,846

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

Kingston Wharves Limited

Notes to the Financial Statements

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3. Financial Risk Management (Continued)

(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 significant level of foreign currency borrowings. 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

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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
	2011		
Financial Assets			
Short term investments	670,380	363,514	1,033,894
Trade and other receivables	203,088	277,806	480,894
Cash and bank	36,640	6,121	42,761
Total financial assets	910,108	647,441	1,557,549
Financial Liabilities			
Long term loans	623,829	1,766,846	2,390,675
Trade and other payables	373,067	22,195	395,262
Bank overdrafts	12,180	-	12,180
Total financial liabilities	1,009,076	1,789,041	2,798,117
Net financial position	(98,968)	(1,141,600)	(1,240,568)
	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			
Long term 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)

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(i) Currency risk (continued)

Concentrations of currency risk (continued)

	The Company		
	Jamaican\$ J\$'000	US\$ J\$'000	Total J\$'000
	2011		
Financial Assets			
Short term investments	120,264	314,918	435,182
Trade and other receivables	28,613	277,683	306,296
Group companies	66,064	-	66,064
Cash and bank	9,021	6,121	15,142
Total financial assets	223,962	598,722	822,684
Financial Liabilities			
Long term loans	696,545	1,766,846	2,463,391
Trade and other payables	309,135	22,195	331,330
Group companies	66,109	-	66,109
Bank overdrafts	12,180	-	12,180
Total financial liabilities	1,083,969	1,789,041	2,873,010
Net financial position	(860,007)	(1,190,319)	(2,050,326)
	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			
Long term 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)

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(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 1% (2010 - 5%) appreciation and a 1% (2010 - 5%) depreciation change in foreign currency rates. The sensitivity of the profit was primarily 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 significant level of 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. There is no impact on other comprehensive income or equity.

	Change in Currency Rate	Effect on Profit before Taxation	Change in Currency Rate	Effect on Profit before Taxation
	2011 %	2011 \$'000	2010 %	2010 \$'000
The Group				
Currency:				
USD	+1	11,416	+5	70,050
USD	-1	(11,416)	-5	(70,050)
The Company				
USD	+1	11,903	+5	71,746
USD	-1	(11,903)	-5	(71,746)

(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 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Group						Total \$'000
	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	
	2011						
Assets							
Short term investments	492,894	541,000	-	-	-	-	1,033,894
Trade and other receivables	-	-	-	-	-	480,894	480,894
Cash and bank	33,862	-	-	-	-	8,899	42,761
Total financial assets	526,756	541,000	-	-	-	489,793	1,557,549
Liabilities							
Long term loans	41,166	74,288	321,706	1,833,270	117,312	2,933	2,390,675
Trade and other payables	-	-	-	-	-	395,262	395,262
Bank overdrafts	12,180	-	-	-	-	-	12,180
Total financial liabilities	53,346	74,288	321,706	1,833,270	117,312	398,195	2,798,117
Total interest repricing gap	473,410	466,712	(321,706)	(1,833,270)	(117,312)	91,598	(1,240,568)
2010							
Assets							
Short term investments	747,645	454,264	-	-	-	-	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	454,264	70,307	-	-	463,183	1,763,579
Liabilities							
Long term loans	38,301	76,988	342,910	2,001,290	-	2,933	2,462,422
Trade and other payables	-	-	-	-	-	349,067	349,067
Total financial liabilities	38,301	76,988	342,910	2,001,290	-	352,000	2,811,489
Total interest repricing gap	737,524	377,276	(272,603)	(2,001,290)	-	111,183	(1,047,910)

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

3. Financial Risk Management (Continued)

(c) Market risk (continued)

(ii) Interest rate risk (continued)

	The Company						Total \$'000
	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	
	2011						
Assets							
Short term investments	224,740	210,442	-	-	-	-	435,182
Trade and other receivables	-	-	-	-	-	306,296	306,296
Group companies	-	-	-	-	-	66,064	66,064
Cash and bank	14,992	-	-	-	-	150	15,142
Total financial assets	239,732	210,442	-	-	-	372,510	822,684
Liabilities							
Long term loans	43,266	78,467	340,605	1,884,338	115,235	1,480	2,463,391
Trade and other payables	-	-	-	-	-	331,330	331,330
Group companies	-	-	-	-	-	66,109	66,109
Bank overdrafts	12,180	-	-	-	-	-	12,180
Total financial liabilities	55,446	78,467	340,605	1,884,338	115,235	398,919	2,873,010
Total interest repricing gap	184,286	131,975	(340,605)	(1,884,338)	(115,235)	(26,409)	(2,050,326)
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							
Long term loans	40,401	81,188	361,810	2,075,458	-	1,480	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	2,075,458	-	373,784	2,932,641
Total interest repricing gap	544,008	(46,029)	(291,503)	(2,075,458)	-	(74,318)	(1,943,300)

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(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. There was no impact on other comprehensive income or equity.

	The Group				The Company			
	Effect on		Effect on		Effect on		Effect on	
	Profit before		Profit before		Profit before		Profit before	
	Taxation		Taxation		Taxation		Taxation	
	2011		2010		2011		2010	
	\$'000		\$'000		\$'000		\$'000	
Change in basis points								
	2011	2011	2010	2010				
	JMD	USD	JMD	USD				
	+100	+50	+200	+50	6,365	1,498	13,025	1,690
	-100	-50	-200	-50	(6,365)	(1,498)	(13,025)	(1,690)

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

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 non-controlling 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 stockholders' equity is calculated as capital and reserves attributable to company's equity holders as shown in the consolidated balance sheet.

During 2011, the Group's strategy, which was unchanged from 2010, was to maintain the gearing ratio no higher than 75%. The gearing ratios at 31 December 2011 and 2010 were as follows:

	2011 \$'000	2010 \$'000
Total long term borrowings (Note 28)	2,390,675	2,462,422
Total stockholders' equity	9,555,962	7,908,397
Gearing ratio (%)	25	31

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.

(e) 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.

- (i) 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, short term investments and bank overdrafts.
- (ii) 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.

Kingston Wharves Limited

Notes to the Financial Statements

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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 valuers in an effort to arrive at these estimates.

If the estimates of residual value at 31 December 2011 were 10% higher than management's estimates, the depreciation charge would decrease by \$26,314,000 (2010 - \$21,437,000).

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 other retirement 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 \$5,569,000 lower or \$4,983,000 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).

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Notes to the Financial Statements

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(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Financial Information

The Group is organised into the following business segments:

- (a) Terminal operations - Operation of public wharves
- (b) Cold storage operations - Provision and installation of cold storage facilities
- (c) Security operations - Security services
- (d) Other - Property rental.

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

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

	Terminal Operations	Cold Storage Operations	Security Operations	Other	Eliminations	Group
Year ended 31 December 2011	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External operating revenue	2,501,521	302,681	364,600	-	-	3,168,802
Operating revenue from segments	1,513	4,763	45,353	1,940	(53,569)	-
Total revenue	2,503,034	307,444	409,953	1,940	(53,569)	3,168,802
Operating profit/(loss)	770,100	51,719	33,982	(22,878)	(192,159)	640,764
Interest expense	(170,061)	(69)	-	(589)	15,492	(155,227)
	600,039	51,650	33,982	(23,467)	(176,667)	485,537
Foreign exchange loss						(18,238)
Profit before income tax						467,299
Income tax expense						(122,287)
Profit before non-controlling interest						345,012
Non-controlling interest						(7,408)
Net profit attributable to equity holders of the company						337,604
Segment assets	9,785,003	1,120,882	180,408	2,955,365	(285,449)	13,756,209
Unallocated assets						592,238
Total assets						14,348,447
Segment liabilities	2,873,010	78,395	49,675	10,636	(213,599)	2,798,117
Unallocated liabilities						1,948,824
Total liabilities						4,746,941
Other segment items:						
Interest income (Note 8)	25,235	43,745	3,126	9,009	(15,492)	65,623
Capital expenditure (Note 15)	629,689	5,045	3,288	-	-	638,022
Amortisation (Note 16)	1,257	-	-	-	-	1,257
Depreciation (Note 15)	193,238	17,549	3,474	48,300	-	262,561

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

5. Segment Financial Information (Continued)

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 non-controlling 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						469,865
Total assets						12,317,049
Segment liabilities	2,932,641	18,902	30,083	10,565	(180,702)	2,811,489
Unallocated liabilities						1,545,694
Total liabilities						4,357,183
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

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6. Expenses by Nature

Total direct and administration expenses:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Advertising and public relations	22,722	25,473	20,914	23,405
Amortisation (Note 16)	1,257	1,258	1,257	1,258
Auditors' remuneration	8,472	7,707	5,508	5,008
Bad debts	7,576	22,832	7,051	13,662
Bank charges	23,320	21,095	23,112	20,953
Claims	12,980	15,348	10,966	10,303
Contract labour	26,577	11,436	11,448	11,436
Cost of inventories recognised as expense	22,398	10,015	-	-
Customs overtime	34,223	27,635	34,223	27,635
Depreciation (Note 15)	262,561	250,804	193,238	184,057
Directors' fees				
Current year	20,655	8,243	20,463	8,051
Prior year	7,164	-	7,164	-
Equipment rental	103,816	103,673	103,816	101,711
Fuel	95,813	69,076	93,704	69,076
Information technology	56,069	64,906	51,072	62,192
Insurance	144,865	138,423	123,505	121,470
Irrecoverable General Consumption Tax	55,208	47,703	50,328	43,111
Legal and consultation expenses	47,343	31,139	46,107	25,590
Occupancy: property taxes, rent and lease	11,329	9,745	6,903	6,230
Repairs and maintenance	261,483	148,806	236,070	122,623
Security	74,325	81,302	31,867	42,482
Staff costs (Note 7)	944,609	774,750	618,760	484,363
Terminal transfers	63,424	56,837	63,424	56,837
Utilities	255,321	200,070	162,855	125,463
Other	57,901	46,301	34,729	35,478
	<u>2,621,411</u>	<u>2,174,577</u>	<u>1,958,484</u>	<u>1,602,394</u>

Kingston Wharves Limited

Notes to the Financial Statements

31 December 2011

(expressed in Jamaican dollars unless otherwise indicated)

7. Staff Costs

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Wages and salaries	751,488	656,196	484,717	416,357
Payroll taxes – employer's contributions	75,106	63,706	45,408	38,446
Pension costs – defined benefit plan (Note 19)	(51,186)	(101,907)	(51,186)	(101,907)
Pension costs – defined contribution plan	2,522	3,355	-	-
Other retirement benefits (Note 19)	26,587	30,412	26,587	30,412
Meal and travelling allowances	65,154	53,332	63,765	52,261
Other	74,938	69,656	49,469	48,794
	<u>944,609</u>	<u>774,750</u>	<u>618,760</u>	<u>484,363</u>

8. Other Operating Income

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Dividends	-	-	163,333	-
Interest	65,623	86,624	25,235	22,441
Management fees	-	-	21,336	21,336
Bad debts recovered	20,079	-	12,051	-
Foreign exchange gains/(losses)	3,685	(18,612)	3,570	(17,329)
Other	3,986	2,405	25	421
	<u>93,373</u>	<u>70,417</u>	<u>225,550</u>	<u>26,869</u>

9. Finance Costs

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Interest expense -				
Loans	155,227	139,039	170,061	158,135
Foreign exchange losses/(gains)	18,238	(104,597)	18,238	(104,597)
	<u>173,465</u>	<u>34,442</u>	<u>188,299</u>	<u>53,538</u>

Kingston Wharves Limited

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10. Income Tax Expense

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Current tax on profit for the year	75,479	226,502	42,510	178,649
Prior year over provision	(142)	-	-	-
Deferred income tax (Note 29)	46,950	49,169	62,887	70,184
	<u>122,287</u>	<u>275,671</u>	<u>105,397</u>	<u>248,833</u>

The tax on profit differs from the theoretical amount that would arise using the basic statutory rate of 33 $\frac{1}{3}$ % as follows:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Profit before tax	<u>467,299</u>	<u>887,281</u>	<u>581,801</u>	<u>811,581</u>
Tax calculated at a tax rate of 33 $\frac{1}{3}$ %	155,766	295,760	193,933	270,527
Adjusted for the effects of:				
Income not taxable	-	-	(54,444)	-
Expenses not deductible for tax purposes	5,261	2,211	5,066	2,211
Special tax allowances	(43,953)	(10,451)	(43,953)	(10,451)
Prior year over provision	(142)	-	-	-
Over provision of deferred income tax assets	-	(14,517)	-	(14,517)
Other	5,355	2,668	4,795	1,063
Income tax expense	<u>122,287</u>	<u>275,671</u>	<u>105,397</u>	<u>248,833</u>

At 31 December 2010, based on the results for the year adjusted for tax purposes, a subsidiary had no charge for taxation. Subject to the agreement of the Commissioner of Taxpayer Audit and Assessment, losses of approximately \$2,586,000 were available for set off against future taxable profits of the subsidiary.

Kingston Wharves Limited

Notes to the Financial Statements

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11. Profit Attributable to Equity Holders of the Company

	2011 \$'000	2010 \$'000
(a) Net profit is dealt with as follows in the financial statements of:		
Holding company	476,404	562,748
Subsidiaries	<u>(138,800)</u>	<u>39,993</u>
	<u>337,604</u>	<u>602,741</u>
(b) Retained earnings are dealt with as follows in the financial statements of:		
Holding company	1,983,763	1,552,117
Subsidiaries	<u>301,591</u>	<u>440,391</u>
	<u>2,285,354</u>	<u>1,992,508</u>

12. Non-controlling Interest

The non-controlling interest is comprised as follows:

	2011 \$'000	2010 \$'000
At beginning of year	51,469	42,600
Share of net profit of subsidiary	7,408	8,869
Dividends	<u>(13,333)</u>	<u>-</u>
	<u>45,544</u>	<u>51,469</u>

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.

	2011	2010
Net profit attributable to equity holders of the company (\$'000)	<u>337,604</u>	<u>602,741</u>
Weighted average number of ordinary stock units in issue (thousands)	<u>1,072,650</u>	<u>1,072,650</u>
Basic earnings per stock unit	<u>\$0.31</u>	<u>\$0.56</u>

14. Dividends

On 8 December 2011, the company declared a dividend of three cents (\$0.03) per stock unit to registered holders on record as at 12 January 2012.

	2011 \$'000	2010 \$'000
Ordinary dividends, gross 3 cents (2010 –12 cents)	<u>32,179</u>	<u>128,717</u>

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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
	2011							
Cost or Valuation -								
At 31 December 2010	2,733,157	7,570,554	1,095,702	262,451	280,997	84,274	15,883	12,043,018
Additions	-	79	6,808	4,498	13,829	-	612,808	638,022
Transfers	29,415	50,402	512,767	-	12,707	179	(605,470)	-
Revaluation	415,581	4,848,298	-	-	-	-	-	5,263,879
Disposals	-	-	(2,967)	-	-	(2,618)	-	(5,585)
At 31 December 2011	3,178,153	12,469,333	1,612,310	266,949	307,533	81,835	23,221	17,939,334
Depreciation -								
At 31 December 2010	-	1,189,552	383,016	211,171	198,773	50,603	-	2,033,115
Charge for the year	-	175,113	56,946	9,102	14,112	7,288	-	262,561
On revaluation	-	3,531,506	-	-	-	-	-	3,531,506
Relieved on disposals	-	-	(2,351)	-	-	(1,882)	-	(4,233)
At 31 December 2011	-	4,896,171	437,611	220,273	212,885	56,009	-	5,822,949
Net Book Value -								
At 31 December 2011	3,178,153	7,573,162	1,174,699	46,676	94,648	25,826	23,221	12,116,385
	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

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15. Property, Plant and Equipment (Continued)

	The Company							Total
	Freehold Land	Plant and Buildings	Machinery and Equipment	Cold Room and Air Conditioning Equipment	Furniture and Fixtures	Motor Vehicles	Work in Progress	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
	2011							
Cost or Valuation -								
At 31 December 2010	1,782,157	5,238,867	1,073,655	18,682	269,928	69,043	15,883	8,468,215
Additions	-	-	3,231	-	13,650	-	612,808	629,689
Transfers	29,415	50,402	512,767	-	12,707	179	(605,470)	-
Revaluation	279,581	2,901,563	-	-	-	-	-	3,181,144
Disposal	-	-	-	-	-	(210)	-	(210)
At 31 December 2011	2,091,153	8,190,832	1,589,653	18,682	296,285	69,012	23,221	12,278,838
Depreciation -								
At 31 December 2010	-	616,573	369,348	6,406	191,812	41,176	-	1,225,315
Charge for the year	-	119,433	53,947	1,302	13,364	5,192	-	193,238
On revaluation	-	2,046,901	-	-	-	-	-	2,046,901
On disposal	-	-	-	-	-	(210)	-	(210)
At 31 December 2011	-	2,782,907	423,295	7,708	205,176	46,158	-	3,465,244
Net Book Value -								
At 31 December 2011	2,091,153	5,407,925	1,166,358	10,974	91,109	22,854	23,221	8,813,594
	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

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15. Property, Plant and Equipment (Continued)

- (a) Freehold land of the Group was revalued as at 31 December 2011 on the basis of open market value by D.C. Tavares and Finson Reality Limited, independent qualified valuers. The freehold plant and buildings of the Group were also revalued as at 31 December 2011 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 mortgages totalling \$638 million over certain premises and equipment owned by the company in keeping with the terms of certain loan agreements (Note 28).
- (c) If freehold land, plant and buildings were stated on the historical cost basis, the amounts would be as follows:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Cost	3,971,496	3,891,679	3,948,298	3,868,481
Accumulated depreciation	(549,405)	(477,508)	(537,993)	(466,525)
Net book value	<u>3,422,091</u>	<u>3,414,171</u>	<u>3,410,305</u>	<u>3,401,956</u>

16. Intangible Asset

	The Group and Company Computer Software \$'000
At Cost -	
At 31 December 2009	-
Transfer from property, plant and equipment (Note 15)	6,288
At 31 December 2010 and 31 December 2011	<u>6,288</u>
Amortisation	
At 31 December 2009	-
Amortisation charge for year	1,258
At 31 December 2010	1,258
Amortisation charge for year	1,257
At 31 December 2011	<u>2,515</u>
Net Book Value	
31 December 2011	<u>3,773</u>
31 December 2010	<u>5,030</u>

The total charge of \$1,257,000 (2010 - \$1,258,000) is included in administration expenses in profit or loss.

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17. Investments in Subsidiaries

	2011 \$'000	2010 \$'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
	<u>75,731</u>	<u>75,731</u>

18. Recoverable from The Port Authority of Jamaica

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 Port Authority of Jamaica 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 \$16,956,000 (2010 - \$15,964,000) was allocated to the reserve during the year. The current portion of this amount is not determined because wharfage revenues for 2012 are not known.

	<u>The Group and Company</u>	
	2011 \$'000	2010 \$'000
Balance at 1 January	40,143	55,107
Donations and security related costs	-	1,000
16% of wharfage collections for year	(16,956)	(15,964)
Balance at 31 December	<u>23,187</u>	<u>40,143</u>
 This comprises:		
Donations and security related costs	1,000	1,000
Severance payments	22,187	39,143
	<u>23,187</u>	<u>40,143</u>

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19. Retirement Benefit Asset and Obligations

	<u>The Group and Company</u>	
	2011 \$'000	2010 \$'000
Balance sheet (asset)/obligations for:		
Pension benefits	(526,360)	(453,342)
Other retirement benefits	<u>163,893</u>	<u>143,014</u>
Statement of comprehensive income for (Note 7):		
Pension benefits	(51,186)	(101,907)
Other retirement benefits	<u>26,587</u>	<u>30,412</u>
	<u>(24,599)</u>	<u>(71,495)</u>

(a) Pension benefits

The Group operates 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 2011.

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 valuation as at 31 December 2011 has not yet been completed.

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%. Members may also make voluntary contribution of up to 5% of their earnings, as recommended by independent actuaries.

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

	<u>The Group and Company</u>	
	2011 \$'000	2010 \$'000
Fair value of plan assets	(1,540,840)	(1,389,997)
Present value of funded obligations	<u>854,628</u>	<u>697,710</u>
	(686,212)	(692,287)
Unrecognised actuarial gains	<u>159,852</u>	<u>238,945</u>
Asset in the balance sheet	<u>(526,360)</u>	<u>(453,342)</u>

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(expressed in Jamaican dollars unless otherwise indicated)

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:

	<u>The Group and Company</u>	
	2011	2010
	\$'000	\$'000
At beginning of year	(453,342)	(329,699)
Amounts recognised in profit or loss (Note 7)	(51,186)	(101,907)
Contributions paid	<u>(21,832)</u>	<u>(21,736)</u>
At end of year	<u>(526,360)</u>	<u>(453,342)</u>

The amounts recognised in profit or loss are as follows:

	<u>The Group and Company</u>	
	2011	2010
	\$'000	\$'000
Current service cost	17,482	11,227
Interest cost	77,510	73,985
Expected return on plan assets	(138,490)	(179,395)
Net actuarial gain recognised in year	(7,688)	153,140
Change in disallowed assets	-	<u>(160,864)</u>
Included in staff costs (Note 7)	<u>(51,186)</u>	<u>(101,907)</u>

Of the total amount recognised in profit or loss, \$9,662,000 (2010 - \$9,926,000) and a credit of \$60,848,000 (2010 - \$111,833,000) were included in direct costs and administration expenses, respectively.

The actual return on plan assets was \$161,041,000 (2010 - \$206,618,000).

Expected contributions to post-employment benefit plans for the year ending 31 December 2012 are \$65,000,000.

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

	<u>The Group and Company</u>	
	2011	2010
	\$'000	\$'000
At beginning of year	(1,389,997)	(1,208,551)
Expected return on plan assets	(138,490)	(179,395)
Actuarial gains	(22,551)	(27,223)
Contributions - total	(39,579)	(39,576)
Benefits paid	<u>49,777</u>	<u>64,748</u>
At end of year	<u>(1,540,840)</u>	<u>(1,389,997)</u>

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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:

	<u>The Group and Company</u>	
	2011 \$'000	2010 \$'000
At beginning of year	697,710	469,202
Interest cost	77,510	73,985
Current service cost	28,398	22,095
Voluntary contributions	6,831	6,972
Benefits paid	(49,777)	(64,748)
Actuarial gains on obligations	93,956	190,204
At end of year	<u>854,628</u>	<u>697,710</u>

The principal actuarial assumptions used were as follows:

	<u>The Group and Company</u>	
	2011	2010
Discount rate	10%	11%
Expected return on plan assets	9.5%	10%
Future salary increases	6%	7%
Future pension increases	<u>3.5%</u>	<u>4%</u>

Plan assets are comprised as follows:

	<u>The Group and Company</u>			
	<u>2011</u>		<u>2010</u>	
	\$'000	%	\$'000	%
Quoted equities	297,202	19.3	202,230	14.5
Real estate	72,216	4.7	72,216	5.2
Government of Jamaica securities	961,129	62.4	777,221	55.9
Repurchase agreements	6,026	0.4	124,792	9.0
Leases	25,802	1.7	34,913	2.5
Other	178,465	11.5	178,625	12.9
	<u>1,540,840</u>	<u>100.0</u>	<u>1,389,997</u>	<u>100.0</u>

The pension plan assets include ordinary stock units of the company with a fair value of \$59,200,000 (2010 – \$35,100,000).

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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.

	The Group and Company				
	2011	2010	2009	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000
As at 31 December					
Fair value of plan assets	(1,540,840)	(1,389,997)	(1,208,551)	(1,042,669)	(993,506)
Present value of defined benefit obligations	854,628	697,710	469,202	488,503	493,807
Surplus	<u>(686,212)</u>	<u>(692,287)</u>	<u>(739,349)</u>	<u>(554,166)</u>	<u>(499,699)</u>
Experience adjustments on plan assets	<u>22,551</u>	<u>27,223</u>	<u>30,772</u>	<u>(80,551)</u>	<u>28,212</u>
Experience adjustments on plan liabilities	<u>(59,731)</u>	<u>(48,831)</u>	<u>(75,402)</u>	<u>8,764</u>	<u>(8,285)</u>

The average expected remaining working life of the employees is 13 years (2010 – 13 years).

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

Age	Withdrawals from service		Ill-health retirements	
	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.

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19. Retirement Benefit Asset and Obligations (Continued)

(b) Other retirement benefits

The Group operates both a group health plan and a group life plan. 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 9% per year (2010 - 10%) for the insured group health plan. The insured group life plan assumes a salary rate increase of 6% per year (2010 - 7%).

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

	The Group and Company	
	2011	2010
	\$'000	\$'000
Present value of obligations	175,054	171,370
Unrecognised actuarial losses	(11,161)	(28,356)
Liability in the balance sheet	<u>163,893</u>	<u>143,014</u>

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

	The Group and Company	
	2011	2010
	\$'000	\$'000
At beginning of year	143,014	119,041
Amounts recognised profit or loss (Note 7)	26,587	30,412
Contributions paid	(5,708)	(6,439)
	<u>163,893</u>	<u>143,014</u>

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

	The Group and Company	
	2011	2010
	\$'000	\$'000
Present value at start of year	171,370	140,464
Interest cost	19,246	23,035
Current service cost	6,483	6,727
Benefits paid	(5,708)	(6,439)
Actuarial (gains)/losses on obligations	(16,337)	7,583
Present value at end of year	<u>175,054</u>	<u>171,370</u>

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19. Retirement Benefit Asset and Obligations (Continued)

(b) Other retirement benefits (continued)

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

	<u>The Group and Company</u>	
	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Current service cost	6,483	6,727
Interest cost	19,246	23,035
Net actuarial losses recognised	858	650
Included in staff costs (Note 7)	<u>26,587</u>	<u>30,412</u>

The total charge of \$26,587,000 (2010 - \$30,412,000) is included in administration expenses.

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

	<u>The Group and Company</u>	
	<u>Increase</u>	<u>Decrease</u>
	<u>\$'000</u>	<u>\$'000</u>
Effect on the aggregate of the current service cost and interest cost	4,983	5,569
Effect on the defined benefit obligation	<u>27,822</u>	<u>26,954</u>

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

	<u>The Group and Company</u>				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
As at 31 December					
Present value of obligations	<u>175,054</u>	<u>171,370</u>	<u>140,464</u>	<u>159,279</u>	<u>106,562</u>
Experience adjustments	<u>17,436</u>	<u>(3,253)</u>	<u>47,420</u>	<u>(39,460)</u>	<u>4,537</u>

20. Inventories

	<u>The Group</u>		<u>The Company</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Refrigerated products	27	22,425	-	-
Refrigeration equipment	7,625	2,678	-	-
Fuel	1,803	1,908	1,803	1,908
Spares	13,820	1,518	12,191	348
	<u>23,275</u>	<u>28,529</u>	<u>13,994</u>	<u>2,256</u>

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21. Related Party Transactions and Balances

- (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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Subsidiaries	-	-	27,773	25,835
Companies controlled by directors/members or related by virtue of common directorships	1,515,620	1,571,331	1,202,312	1,288,737
	<u>1,515,620</u>	<u>1,571,331</u>	<u>1,230,085</u>	<u>1,314,572</u>

Services provided to related parties are negotiated as is with non-related party customers. Services are sold on basis of the price lists in force with non-related parties.

(ii) Interest income earned

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Companies related by virtue of common directorships	17,283	34,031	5,732	3,149

(iii) Other income - dividends

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Subsidiaries	-	-	163,333	-

(iv) Purchases of goods and services

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Subsidiaries	-	-	60,524	51,742
Companies controlled by directors/members or related by virtue of common directorships	129,442	126,036	128,403	124,326
	<u>129,442</u>	<u>126,036</u>	<u>188,927</u>	<u>176,068</u>

Services are bought from related parties on the basis of the prices offered to non-related parties.

(v) Interest paid

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Subsidiaries	-	-	14,903	19,170

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21. Related Party Transactions and Balances (Continued)

(b) Year-end balances with related parties:

(i) Due from related companies

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Subsidiaries	-	-	66,064	1,359
Companies controlled by directors/members or related by virtue of common directorships (Note 22)	357,965	381,917	263,729	306,295
	<u>357,965</u>	<u>381,917</u>	<u>329,793</u>	<u>307,654</u>

(ii) Due to related companies

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Subsidiaries	-	-	66,109	66,433
Companies controlled by directors/members and related by virtue of common directorships (Note 30)	89,686	20,920	89,284	20,920
	<u>89,686</u>	<u>20,920</u>	<u>155,393</u>	<u>87,353</u>

Included in the amount due to subsidiaries is \$32,900,000 (2010 - \$32,900,000), representing funds being held on deposit for a subsidiary (Note 23).

(iii) Short term investments

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Companies related by virtue of common directorships	291,130	368,099	86,305	199,741

These investments currently attract interest at rates between 3.50% and 6.30% per annum (2010 - 3.75% and 7.50%) and have an average maturity of ninety (90) days (Note 23).

(iv) Bank balances

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Companies related by virtue of common directorships	40,310	78,718	13,392	29,343

The bank balances with related parties comprise foreign currency savings accounts which currently attract interest of 0.7% (2010 - 1.2%) (Note 23).

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21. Related Party Transactions and Balances (Continued)

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

(v) Borrowings

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Subsidiaries – long term loans	-	-	74,169	99,368
Companies controlled by directors/members or related by virtue of common directorships – bank overdraft	2,347	-	2,347	-
Companies controlled by directors/members or related by virtue of common directorships – long term loans	102,933	2,933	101,480	1,480
	<u>105,280</u>	<u>2,933</u>	<u>177,996</u>	<u>100,848</u>

(c) Key management compensation:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Salaries and other short term employee benefits	62,874	56,528	44,913	40,928
Payroll taxes – employer's contributions	5,341	4,931	3,844	3,606
Pension benefits	4,153	4,445	3,520	3,539
Other	4,810	4,582	3,533	3,532
	<u>77,178</u>	<u>70,486</u>	<u>55,810</u>	<u>51,605</u>
Directors' emoluments –				
Fees				
Current year	20,655	8,243	20,463	8,051
Prior year	7,164	-	7,164	-
Management remuneration (included in salaries above)	23,092	24,891	23,092	24,891

22. Trade and Other Receivables

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade receivables	456,043	468,335	295,232	361,738
Less: Provision for impairment	(9,385)	(23,202)	(7,914)	(12,914)
	<u>446,658</u>	<u>445,133</u>	<u>287,318</u>	<u>348,824</u>
Other receivables	34,236	35,768	18,978	17,426
	<u>480,894</u>	<u>480,901</u>	<u>306,296</u>	<u>366,250</u>

Trade receivables include amounts receivable from related parties (Note 21).

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23. Cash and Cash Equivalents

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Short term investments - deposits	1,033,894	1,201,909	435,182	589,673
Less: Investments held for subsidiary (Note 21)	-	-	(32,900)	(32,900)
	1,033,894	1,201,909	402,282	556,773
Cash and bank	42,761	80,769	15,142	32,059
	1,076,655	1,282,678	417,424	588,832
Bank overdrafts (Note 27)	(12,180)	-	(12,180)	-
	<u>1,064,475</u>	<u>1,282,678</u>	<u>405,244</u>	<u>588,832</u>

The weighted average effective interest rate on short term deposits was 3.50% per annum (2010 – 3.96%) for United States dollar denominated deposits and 6.30% (2010 – 7.96%) for Jamaican dollar deposits. These short term deposits have an average maturity of ninety (90) days.

Cash and bank and short term investments include amounts placed with related parties (Note 21).

There are two bank overdrafts. One with a related party (Note 21) is unsecured and attracts interest at 16.25% per annum. The other facility attracts interest at 16.85% per annum. Security for this facility is described in Note 28.

24. Share Capital

	Number of Stock Units '000	Ordinary Stock Units \$'000
At 31 December 2010	1,072,650	291,648
At 31 December 2011	<u>1,072,650</u>	<u>291,648</u>

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.

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25. Capital Reserves

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Unrealised surplus on revaluation				
of property, plant and equipment	8,036,654	6,304,281	4,389,851	3,255,608
Less: Deferred taxation	(1,744,352)	(1,306,311)	(909,792)	(624,905)
	6,292,302	4,997,970	3,480,059	2,630,703
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	-	-
Capitalisation of Asset				
Replacement Reserve	256,444	243,865	256,444	243,865
Capitalisation of Depreciation Reserve	66	66	10	10
Arising on consolidation	3,419	3,419	-	-
	<u>6,716,356</u>	<u>5,409,445</u>	<u>3,740,130</u>	<u>2,878,195</u>

26. Asset Replacement/Rehabilitation and Depreciation Reserves

The Port Authority of Jamaica under the Wharfage Act mandated the creation of a special reserve to be provided through the tariff of wharfage rates, for the replacement and/or rehabilitation of the wharf facilities.

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

The requirement for these reserves became effective in 1998.

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. Amounts from these reserves are used for capital projects in accordance with guidelines set by The Port Authority of Jamaica.

The balance of the reserves comprises:

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Asset Replacement/Rehabilitation				
Reserve	-	-	-	-
Depreciation Fund	214,796	214,796	212,968	212,968
	<u>214,796</u>	<u>214,796</u>	<u>212,968</u>	<u>212,968</u>

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

The movement in each category of reserves was as follows:

(a) Asset Replacement/Rehabilitation Reserve

	The Group and Company	
	2011 \$'000	2010 \$'000
At beginning of year	-	-
Transfers from profit or loss account during the year	12,579	12,579
Transfer to capital reserves - utilised for capital expansion	(12,579)	(12,579)
At end of year	-	-

(b) Depreciation Fund

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
At beginning of year	214,796	214,601	212,968	212,968
Transfer from retained earnings (net interest)	-	195	-	-
At end of year	214,796	214,796	212,968	212,968

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

The dollar amount of approvals received by the company from The Port Authority of Jamaica to undertake capital projects to date, exceeds the required provisions. As such, all related cash, deposits or highly liquid securities pertaining to reserves have been fully utilised.

27. Borrowings

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Non-Current				
Long term loans (Note 28)	1,953,538	2,003,744	2,001,054	2,076,459
Current				
Bank overdrafts (Note 23)	12,180	-	12,180	-
Current portion of long term loans (Note 28)	437,137	458,678	462,337	483,878
	449,317	458,678	474,517	483,878
	2,402,855	2,462,422	2,475,571	2,560,337

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28. Long Term Loans

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
(a) The Port Authority of Jamaica	1,480	1,480	1,480	1,480
(b) The Port Authority of Jamaica	1,453	1,453	-	-
(c) Harbour Cold Stores Limited	-	-	74,169	99,368
(d) Development Bank of Jamaica/First Global Bank Limited	232,096	281,192	232,096	281,192
(e) Development Bank of Jamaica/First Global Bank Limited	271,200	-	271,200	-
(f) Development Bank of Jamaica/ FirstCaribbean International Bank (Jamaica) Limited	-	9,974	-	9,974
(g) Development Bank of Jamaica/FirstCaribbean International Bank (Jamaica) Limited	17,604	22,191	17,604	22,191
(h) FirstCaribbean International Bank (Jamaica) Limited	247,999	343,882	247,999	343,882
(i) FirstCaribbean International Bank (Jamaica) Limited	15,426	44,718	15,426	44,718
(j) FirstCaribbean International Bank (Jamaica) Limited	4,359	54,388	4,359	54,388
(k) FirstCaribbean International Bank (Jamaica) Limited	1,499,058	1,703,144	1,499,058	1,703,144
(l) Kingston Portworkers Superannuation Fund	100,000	-	100,000	-
	<u>2,390,675</u>	<u>2,462,422</u>	<u>2,463,391</u>	<u>2,560,337</u>
Less: Current portion	<u>(437,137)</u>	<u>(458,678)</u>	<u>(462,337)</u>	<u>(483,878)</u>
	<u>1,953,538</u>	<u>2,003,744</u>	<u>2,001,054</u>	<u>2,076,459</u>

- (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 and unsecured 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.
- (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.
- (e) This represents a loan of \$288 million granted by the Development Bank of Jamaica through First Global Bank Limited. Interest rate is fixed at 11% per annum. The principal is repayable in one hundred and twenty monthly instalments of \$2,400,000.

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28. Long Term Loans (Continued)

- (f) This represented a loan granted by the Development Bank of Jamaica through FirstCaribbean International Bank (Jamaica) Limited. Interest was set at the Development Bank of Jamaica's lending rate plus 2.5% per annum. The loan was repaid in the year.
- (g) 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 \$382,000.
- (h) This represents a credit facility through FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. Interest is currently computed based on US six-month LIBOR plus 4.50% per year. The loan will be repaid over forty equal monthly installments of US\$95,000 per month. Principal payments plus interest commenced thirty days after date of final drawdown on the facility. Last payment is due June 2014.
- (i) This represents a US\$2.4 million loan through FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. Interest is currently computed based on US six-month LIBOR plus 4.50% per 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.
- (j) This represents a US\$3.5 million loan facility through FirstCaribbean International Bank (Jamaica) Limited towards the company's capital expenditure program. Interest is currently computed based on US six-month LIBOR plus 4.50% per year. The loan is to be repaid by way of forty one equal monthly principal payments of US\$49,000 plus interest. The last payment is due January 2012.
- (k) 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 currently computed based on US six-month LIBOR plus 4.50% per year. The loan principal is payable by eighty four monthly payments of US\$224,000. The last payment is due June 2018.
- (l) This represents a loan of \$100 million granted by the Kingston Port Workers Superannuation Fund. The interest rate is fixed at 10% per annum. The principal is repayable over a seven year period.

The loan facilities with First Global Bank Limited (d) – (e) above are secured by mortgages over property owned by the Group and bill of sales over certain pieces of machinery. Security for the loan facilities with FirstCaribbean Bank (Jamaica) Limited (f)-(k) above and including the bank overdraft (Note 23) and guarantees, 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. The facility with Kingston Portworkers Superannuation Fund is secured by mortgages over property owned by the Group and bill of sales over certain pieces of machinery (Note 15).

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29. 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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Balance sheet (assets)/liabilities for:				
Deferred income tax assets	(1,128)	(1,560)	-	-
Deferred income tax liabilities	1,800,699	1,316,140	1,064,739	716,965
Net deferred income tax liabilities	1,799,571	1,314,580	1,064,739	716,965

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

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Net liabilities at beginning of year	1,314,580	1,265,411	716,965	646,781
Stockholders' equity on revaluation	438,041	-	284,887	-
Statement of comprehensive income (Note 10)	46,950	49,169	62,887	70,184
Net liabilities at end of year	1,799,571	1,314,580	1,064,739	716,965

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

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred income tax assets -				
Vacation leave accrual	6,871	7,480	5,365	5,971
Other payables	786	534	-	-
Employee benefit obligations	54,654	47,672	54,654	47,672
Unrealised foreign exchange losses	124,165	147,608	124,165	147,614
Tax losses	-	862	-	-
Interest payable	8,440	7,156	8,440	7,156
Property, plant and equipment	16	495	-	-
	194,932	211,807	192,624	208,413
Deferred income tax liabilities -				
Property, plant and equipment	1,806,532	1,364,902	1,081,179	773,639
Interest receivable	12,518	10,371	731	625
Retirement benefit asset	175,453	151,114	175,453	151,114
	1,994,503	1,526,387	1,257,363	925,378
Net deferred income tax liabilities	1,799,571	1,314,580	1,064,739	716,965

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29. Deferred Income Tax (Continued)

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

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Vacation leave accrual	609	(1,852)	606	(1,971)
Other payables	(252)	127	-	-
Employee benefit obligations	(6,982)	(7,992)	(6,982)	(7,992)
Unrealised foreign exchange losses	23,443	50,545	23,449	50,026
Tax losses	862	(11)	-	-
Interest payable	(1,284)	(1,495)	(1,284)	(1,495)
Property, plant and equipment	4,068	(24,391)	22,653	(9,019)
Interest receivable	2,147	(6,977)	106	(580)
Retirement benefit asset	24,339	41,215	24,339	41,215
	<u>46,950</u>	<u>49,169</u>	<u>62,887</u>	<u>70,184</u>

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	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Deferred income tax assets to be recovered -				
After more than 12 months	<u>178,835</u>	<u>196,637</u>	<u>178,819</u>	<u>195,286</u>
Deferred income tax liabilities to be extinguished -				
After more than 12 months	<u>1,981,985</u>	<u>1,516,016</u>	<u>1,256,632</u>	<u>924,753</u>

30. Trade and Other Payables

	The Group		The Company	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
Trade payables	99,853	75,559	68,299	63,852
Dividends payable	36,726	100,109	36,726	100,109
Other payables and accruals	<u>258,683</u>	<u>173,399</u>	<u>226,305</u>	<u>141,910</u>
	<u>395,262</u>	<u>349,067</u>	<u>331,330</u>	<u>305,871</u>

Trade and other payables include amounts payable to related parties (Note 21).

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31. Contingent Liabilities

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.

Other

The Group is contingently liable to its bankers in respect of guarantees in the ordinary course of business totalling approximately \$11 million.

32. Subsequent Event

At an extraordinary general meeting held on 29 March 2012, the company's shareholders passed resolutions to increase the authorised share capital of the company by 357,550,000 ordinary shares and to directly issue these new shares to Jamaica Producers Group Limited, an existing shareholder, at a value of \$1,787,750,000 in accordance with a subscription agreement.